

PUBLIC RECORD

X. Financial Accounting Report

RECEIVED 05/02/2016

The company's annual financial report has been audited by certified public accountants Li Rongkun and Yang Xiaodong from Guofu Haohua Certified Public Accountant (Special general partnership), and issues standard auditing report without reservation.

(I) Audit Report

Rui-Hua-Shen-Zi [2014] No. 37070050

To all shareholders of Shandong Iron and Steel Company Limited:

We audited the accompanying financial statements of Shandong Iron and Steel Company Limited (hereinafter referred to as Shandong Iron & Steel), including consolidated and parent company balance sheet on December 31, 2013, consolidated and parent company income statement of 2013, consolidated and parent company cash flow statement, consolidated and parent company statement of change in stockholder's equity and notes to the financial statements.

I. Responsibility of Management Layer for the Financial Statement

Preparation and fair presentation of financial statement are the responsibilities of management layer, which include: (1) Preparation financial statements in accordance with the provisions of Accounting Standards for Enterprises, to make it realise fair reflection; (2) Designing, implementing and maintaining necessary internal control so as to prevent the financial statements from existing material misstatement due to fraudulent practices or mistakes.

II. Responsibility of the certified public accountant

Our responsibility is to deliver our auditing opinions about the financial statements on the basis of implementation of the audit work. We have implemented our audit work in accordance with the provision of Auditing Standards of Chinese Certified Public Accountant. Those standards require us to comply with the codes of professional ethics of Chinese Certified Public Accountant, plan and perform the audit work to obtain reasonable assurance as to whether financial statements are free of material misstatement or not.

Audit work involves the implementation of audit procedures, in order to obtain the related amounts of financial statements and the disclosed audit evidence. The selected audit procedures depend on the judgment of the certified public accountant which includes the evaluation on risks of material misstatement in financial statement due to fraudulent practices or mistakes. In the process of risk evaluation, the certified public accountant shall consider the internal control related to the preparation and fair presentation of financial statements so as to design appropriate auditing procedures but not aiming to express opinions about the effectiveness of internal control. The audit work includes evaluating the appropriateness of the accounting policies selected by management layer and the reasonableness of making accounting estimation, as well as evaluating the overall presentation of financial statements.

We believe that the audit evidences obtained by us are sufficient and appropriate, which provide the basis for publishing the audit opinions.

III. Audit opinions

From our point of view, the financial statements of Shandong Iron & Steel are prepared in accordance with Accounting Standards for Enterprises in the major aspects and fairly reflect the consolidated and parent company's financial condition of Shandong Iron & Steel on December 31, 2013 as well as the result of operation and cash flow in 2013.

Guofu Haohua Certified Public Accountant (Special Chinese Certified Public Accountant: Li Rongkun
general partnership)

Beijing, China

Chinese Certified Public Accountant: YANG, Xiaodong

April 23, 2014

(II) FINANCE STATEMENT

Balance Sheet

December 31, 2013

Prepared unit: Shandong Iron & Steel Group Co., Ltd.

Unit: Yuan

Currency: RMB

Project	Notes		Consolidated		Parent Company	
	Consolidated	Parent Company	Closing balance	Opening balance	Closing balance	Opening balance
Current assets:						
Monetary capital	1		2,116,160,163.13	2,814,217,531.93	2,040,227,754.53	1,760,260,701.57
Trading financial assets	2			59,932,195.49		
Notes receivable	3		3,320,678,822.10	2,275,093,528.71	3,234,490,936.43	2,065,135,553.35
Accounts receivable	4	1	461,603,381.91	4,005,891,102.89	294,261,770.99	876,139,652.52
Prepayments	6		414,809,750.89	589,174,863.14	251,076,720.65	438,848,535.20
Interest receivable						
Dividends receivable						
Other receivables	5	2	275,369,787.43	237,596,289.15	420,590,908.43	299,350,681.61
Inventory	7		6,428,957,708.54	5,661,020,918.74	6,172,085,873.63	5,214,297,083.69
Non-current assets due within one year						
Other current assets	8		245,217.18	939,215.33		
Total current assets			13,017,824,831.18	15,643,865,645.38	12,412,733,964.66	10,654,032,207.94
Non-current assets:						
Available-for-sale financial assets						
Held-to-maturity investment						
Long-term receivables						
Long-term equity investment	9	3	198,255,359.78	193,347,942.10	2,346,842,919.78	2,494,873,362.40
Investment real estates						
Fixed assets	10		33,554,196,279.12	33,693,942,598.04	32,685,295,974.64	32,751,030,718.81
Project in construction	11		4,542,807,078.74	3,407,144,828.73	3,636,773,652.03	2,577,624,525.82
Project material						
Disposal of fixed assets	12		1,137,354.98	11,458,802.38	1,137,354.98	11,458,802.38
Productive biological assets						
Oil and gas assets						
Intangible assets	13		159,362,712.31	138,449,917.98	155,804,545.78	134,302,751.37
Development expenditure						
Goodwill						
Long-term unamortized expenses	14		191,920.71	434,470.83		
Deferred income tax assets	15		80,993,736.32	112,411,191.16	75,217,576.83	94,364,843.48
Other non-current assets						
Total non-current assets			38,536,944,441.96	37,557,189,751.22	38,901,072,024.04	38,063,655,004.26
Total assets			51,554,769,273.14	53,201,055,396.60	51,313,805,988.70	48,717,687,212.20

Legal representative of the company: Ren Hao

Person in charge of accounting work: Wan Xiangang

Person in charge of the accounting department: Sun Jiandong

Balance Sheet (Continued)

December 31, 2013

Prepared unit: Shandong Iron & Steel Group Co., Ltd.

Unit: Yuan Currency RMB

Project	Notes		Consolidated		Parent Company	
	Consolidated	Parent Company	Closing balance	Opening balance	Closing balance	Opening balance
Current liabilities:						
Short-term loans	17		11,461,552,780.21	17,369,080,255.87	11,461,552,780.21	11,600,983,068.27
Trading financial liabilities	18			3,934,457.22		
Notes payable	19		802,743,669.74	477,944,641.39	775,943,669.74	470,960,178.01
Accounts payable	20		18,467,538,878.86	10,578,382,504.86	18,575,952,282.24	12,326,328,088.24
Account collected in advance	21		2,068,880,434.68	2,685,509,646.32	1,892,312,675.15	2,286,403,276.16
Employee pay payable	22		270,108,161.37	227,915,207.78	266,579,976.38	223,206,724.66
Tax payable	23		-18,658,814.55	-152,140,899.68	18,643,835.48	33,424,663.31
Interest payable	24		112,563,866.70	160,426,519.92	112,563,866.70	111,712,063.76
Dividends payable	25		1,694,029.60	1,694,029.60	1,694,029.60	1,694,029.60
Other payable	26		513,428,985.25	454,654,526.94	473,243,270.21	417,372,641.32
Non-current liabilities due within one year	28		225,600,000.00	4,652,712,557.40	225,600,000.00	4,652,712,557.40
Other current liabilities	29		2,613,277.01	2,822,564.10	2,613,277.01	2,822,564.10
Total current liabilities			33,908,065,268.87	36,462,936,011.72	33,806,699,662.72	32,127,619,854.83
Non-current liabilities:						
Long-term loans	30		2,506,906,799.36	1,779,322,706.13	2,506,906,799.36	1,779,322,706.13
Bonds payable	31		2,000,000,000.00	2,000,000,000.00	2,000,000,000.00	2,000,000,000.00
Long-term payables						
Special payable						
Accrued liabilities	27		28,000,000.00		28,000,000.00	
Deferred income tax liabilities	15			10,954,551.55		15,954,651.50
Other non-current liabilities	32		52,023,976.76	39,098,205.13	52,023,976.76	39,098,205.13
Total non-current liabilities			4,586,930,776.12	3,829,325,542.76	4,586,930,776.12	3,829,325,542.76
Total liabilities			38,494,996,044.99	40,292,261,554.48	38,393,630,438.84	35,956,945,397.59
Owners' equity (or shareholders' equity)						
Paid-in capital (or capital stock)	33		6,436,295,797.00	6,436,295,797.00	6,436,295,797.00	6,436,295,797.00
Capital reserve	34		7,664,456,219.41	7,681,867,607.85	7,613,321,351.56	7,613,321,351.56
Subtraction: Treasury stock						
Special reserve	35		11,783,348.83	11,570,850.91	8,152,363.03	7,849,105.19
Surplus reserves	36		715,200,012.60	715,200,012.60	715,200,012.60	715,200,012.60
Undistributed profit	37		-1,818,657,333.80	-1,976,952,161.17	-1,852,793,974.33	-2,011,924,451.74
Translation reserve				517,311,551.55		
Total owner's equity belonging to the parent company			13,009,078,044.04	12,850,670,835.20	12,920,175,549.86	12,760,741,814.61
Minority shareholder equity			50,695,184.11	58,123,006.92		
Total owners' equity (or Shareholders' equity)			13,059,773,228.15	12,908,793,842.12	12,920,175,549.86	12,760,741,814.61
Total of liabilities and owners' equity (or shareholders' equity)			51,554,769,273.14	53,201,055,396.60	51,313,805,988.70	48,717,687,212.20

Legal representative of the company: Ren Hao

Person in charge of accounting work: Wan Xiangang

Person in charge of the accounting department: Sun Jiandong

Income Statement

From January to December of 2013

Prepared unit: Shandong Iron & Steel Group Co., Ltd.

Unit: Yuan Currency RMB

Project	Notes		consolidated		Parent Company	
	consolidated	Parent Company	Amount in current period	Amount in the same period of last year	Amount in current period	Amount in the same period of last year
I. Operating income	38	4	70,469,797,409.65	73,303,683,975.98	61,476,037,385.94	65,263,058,431.47
Subtraction: Operating cost	38	4	66,998,647,103.07	73,023,919,668.31	58,562,752,907.93	65,544,023,969.18
Operating tax and surcharges	39		162,890,558.25	155,745,806.40	154,138,688.91	146,734,215.73
Selling expenses	40		216,609,444.12	366,204,532.01	129,881,436.51	241,106,919.93
Administrative expenses	41		1,896,422,073.84	2,135,728,357.55	1,768,606,863.28	1,992,425,146.06
Finance expenses	42		938,073,242.01	1,327,627,057.20	860,965,096.73	1,073,834,926.75
Loss on the asset impairment	45		230,837,264.45	16,239,237.24	220,454,426.75	2,015,598.12
Add: Income from changes in fair value (the loss is expressed with "-" to fill in the column)	43		-27,143,440.15	37,658,894.50		
Income from investment (the loss is expressed with "-" to fill in the column)	44	5	279,998,380.45	2,924,428.82	455,953,268.12	4,556,451.06
II.. Operating profit (the loss is expressed with "-" to fill in the column)			279,172,664.21	-3,681,197,359.41	235,191,233.95	-3,732,525,893.24
Add: Non-operating income	46		34,827,411.88	65,345,216.14	26,962,575.49	63,655,919.51
Subtraction: Non-operating expenditure	47		95,524,874.30	163,505,617.66	93,784,890.39	163,346,713.07
Including: Losses from disposal of non-current assets			26,094,088.79	13,511,752.58	26,089,087.58	13,496,956.56
III. Total profits (the loss is expressed with "-" to fill in the column)			218,475,201.79	-3,779,357,760.93	168,368,919.05	-3,832,216,686.80
Subtraction: Income tax expense	48		54,637,042.36	55,861,199.40	9,238,441.64	36,190,233.19
IV. Net profits (net loss is expressed with "-" to fill in the column)			163,838,159.43	-3,835,218,960.33	159,130,477.41	-3,868,406,919.99
Net profit belonging to the owners of the parent company			158,294,827.37	-3,836,510,885.35		
Minority shareholder profit and loss			5,543,332.06	1,291,925.02		
V. Earnings per share:						
(I) Basic earnings per share	49		0.0246	-0.6521		
(II) Diluted earnings per share	49		0.0246	-0.6521		
VI. Other comprehensive income	50		17,311,271.99	100,116.45		
VII. Total comprehensive income amount			181,149,431.42	-3,835,118,843.88	159,130,477.41	-3,868,406,919.99
Total comprehensive income amount belonging to owners of parent company			175,606,099.36	-3,836,410,768.90		
Total comprehensive income amount belonging to minority shareholders			5,543,332.06	1,291,925.02		

Legal representative of the company: Ren Hao Person in charge of accounting work: Wan Xiangang Person in charge of the accounting department: Sun Jiandong

Cash Flow Statement

From January to December of 2013

Prepared unit: Shandong Iron & Steel Group Co., Ltd.

Unit: Yuan

Currency :RMB

Project	Notes	consolidated		Parent Company	
		Current amount	Last term amount	Current amount	Last term amount
I. Cash flows from operating activities:					
Cash received from sales of goods or providing labor services		41,448,709,086.91	39,374,605,389.22	37,065,646,251.39	35,470,479,929.52
Refunds of tax and levies		664,179.00	19,287,488.74	445,200.00	9,531,947.21
Other cash received relating to the operating activities	51	279,341,160.15	299,019,098.53	235,656,198.33	235,246,584.76
Sub-total of cash inflow of operating activities		41,728,714,426.06	39,692,911,976.49	37,301,747,649.72	35,715,258,461.49
Cash paid for purchasing commodities and receiving labor services		33,121,217,766.83	30,597,814,204.98	26,851,035,551.99	29,970,494,603.74
Cash paid to employees and for employees paid		3,284,444,871.33	4,193,317,607.26	3,187,760,340.83	4,098,970,211.88
Tax payments		1,418,376,439.67	1,210,169,560.86	1,331,040,212.26	1,110,638,053.72
Other cash paid relating to operating activities	51	723,163,117.75	599,707,055.91	540,629,876.00	402,214,906.00
Sub-total of cash outflow of operating activities		38,547,202,195.58	36,601,008,429.01	31,910,465,981.08	35,582,317,775.34
Net cash flow from operating activities		3,181,512,230.48	3,091,903,547.48	5,391,281,668.64	132,940,686.15
II. Cash flows from investment activities:					
Cash received from recouping investment			27,323,140.30		
Cash received from obtaining investment income				1,713,233.49	1,706,047.30
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		43,440,809.00	8,031,155.73	43,440,809.00	8,030,855.73
Net cash received from disposal of subsidiaries and other operating units		220,656,862.43		584,000,000.00	
Other cash received relating to investing activities					
Sub-total of cash inflow of investment activities		264,097,671.43	35,354,296.03	629,154,042.49	9,736,903.03
Cash paid for acquiring fixed assets, intangible assets and other long-term assets		1,735,715,831.73	2,495,990,498.69	1,657,833,640.15	2,243,319,003.44
Cash paid for investments					
Net cash paid for obtaining subsidiaries and other operating units					
Other cash paid relating to investment activities					
Sub-total of cash outflow of investment activities		1,735,715,831.73	2,495,990,498.69	1,657,833,640.15	2,243,319,003.44
Net cash flows from investment activities		-1,471,618,160.30	-2,460,636,202.66	-1,028,679,597.66	-2,233,582,100.41
III. Cash flows generated from financing activities:					
Cash received from absorption of investment			349,525,181.49		349,525,181.49
Including: Cash received from a subsidiary company's absorbing investment of minority shareholders					
Cash received from obtaining loan		21,092,893,879.33	24,225,424,014.74	12,495,333,867.60	16,597,586,946.47
Other cash received relating to financing activities					
Sub-total of cash inflow of financing activities		21,092,893,879.33	24,574,949,196.23	12,495,333,867.60	16,947,112,127.96
Cash paid for debts		21,589,575,012.21	23,263,276,324.97	14,901,286,829.71	13,528,213,994.74
Cash paid for dividends, profits or interest		1,190,442,453.30	1,229,711,805.30	957,527,786.23	1,022,577,093.09
Other cash paid related to financing activities	51	865,059,080.00	875,059,693.33	865,059,080.00	875,059,693.33
Sub-total of cash outflow of financing activities		23,645,076,545.51	25,368,047,823.60	16,723,873,695.94	15,425,850,781.16
Net cash flows from financing activities		-2,552,182,666.18	-793,098,627.37	-4,228,539,828.34	1,521,261,346.80
IV. Effect of exchange rate changes on cash and cash equivalents		31,164,184.92	2,908,215.14	25,468,292.82	-4,765,084.28
V. Net increase amount of cash and cash equivalents		-811,124,411.08	-158,923,067.41	159,530,535.46	-584,145,151.74
Add: Opening balance of cash and cash equivalents		2,728,374,991.05	2,887,298,058.46	1,685,627,635.91	2,269,772,787.65
VI. Closing balance of cash and cash equivalents		1,917,250,579.97	2,728,374,991.05	1,845,158,171.37	1,685,627,635.91

Legal representative of the company: Ren Hao

Person in charge of accounting work: Wan Xiangang

Person in charge of the accounting department: Sun Jiandong

Consolidated Change Statement of Owner's Equity

From January to December of 2013

Prepared unit: Shandong Iron & Steel Group Co., Ltd

Unit: Yuan Currency: RMB

Project	Current amount									
	Owner's equity belonging to the parent company								Minority shareholder equity	Total owner's equity
	Paid-in capital (Or capital stock)	Capital reserve	Subtraction: Treasury stock	Special reserve	Surplus reserves	General risk provisions	Undistributed profit	Others		
I. Balance in the end of last year	6,436,295,797.00	7,681,867,607.85		11,570,850.91	715,200,012.60		-1,976,952,161.17	-17,311,271.99	58,123,006.92	12,908,793,842.12
Add: Accounting policy changes										
Correction of prior period errors										
Others										
II.. Balance at the beginning of current year	6,436,295,797.00	7,681,867,607.85		11,570,850.91	715,200,012.60		-1,976,952,161.17	-17,311,271.99	58,123,006.92	12,908,793,842.12
III. Increase and decrease amount of current year (Decrease is filled in the column with "-")		-17,411,388.44		212,497.92			158,294,827.37	17,311,271.99	-7,427,822.81	150,979,386.03
(I) Net profit							158,294,827.37		5,543,332.06	163,838,159.43
(II) Other comprehensive income								17,311,271.99		17,311,271.99
Subtotal of (I) and (II) mentioned above							158,294,827.37	17,311,271.99	5,543,332.06	181,149,431.42
(III) Capital invested and reduced by the owner										
1. Capital invested by the owner										
2. Amount of share-based payment reckoned in owner's equity										
3. Others										
(IV) Profit distribution									-1,646,047.89	-1,646,047.89
1. Withdrawal of surplus reserves										
2. Withdrawal of general risk provision										
3. Distribution for the owners (or shareholders)									-1,646,047.89	-1,646,047.89
4. Others										
(V) Internal carry-over of the owners' equities										
1. Capital reserves transferred to paid-in capital (or capital stock)										
2. Surplus reserve transferred to										

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paid-in capital (or capital stock)										
3. Surplus reserve to cover the deficit										
4. Others										
(VI) Special reserve				212,497.92						212,497.92
1. Extract in current period				121,771,115.85						121,771,115.85
2. Used for current period				121,558,617.93						121,558,617.93
(VII) Others		-17,411,388.44							-11,325,106.98	-28,736,495.42
IV. Balance in the end of current period	6,436,295,797.00	7,664,456,219.41		11,783,348.83	715,200,012.60		-1,818,657,333.80		50,695,184.11	13,059,773,228.15

Legal representative of the company:
Ren Hao

Person in charge of accounting work: Wan Xiangang

Person in charge of the accounting department: Sun Jiandong

Consolidated Change Statement of Owner's Equity (Continued)

From January to December of 2013

Prepared unit: Shandong Iron & Steel Group Co., Ltd

Unit: Yuan Currency: RMB

Project	The amount during the same period of last year									
	Owner's equity belonging to the parent company								Minority shareholder equity	Total owner's equity
	Paid-in capital (Or capital stock)	Capital reserve	Subtraction: Treasury stock	Special reserve	Surplus reserves	General risk provisions	Undistributed profit	Others		
I. Balance in the end of last year	6,436,295,797.00	7,691,867,607.85		55,047,690.58	715,200,012.60		1,854,616,827.66	-17,411,388.44	58,470,225.40	16,794,086,772.65
Add: Accounting policy changes										
Correction of prior period errors										
Others										
II.. Balance at the beginning of current year	6,436,295,797.00	7,691,867,607.85		55,047,690.58	715,200,012.60		1,854,616,827.66	-17,411,388.44	58,470,225.40	16,794,086,772.65
III. Increase and decrease amount of current year (Decrease is filled in the column with "-")		-10,000,000.00		-43,476,839.67			-3,831,568,988.83	100,116.45	-347,218.48	-3,885,292,930.53
(I) Net profit							-3,836,510,885.35		1,291,925.02	-3,835,218,960.33
(II) Other comprehensive income								100,116.45		100,116.45
Subtotal of (I) and (II) mentioned above							-3,836,510,885.35	100,116.45	1,291,925.02	-3,835,118,843.88
(III) Capital invested and reduced by the owner		-10,000,000.00								-10,000,000.00
1. Capital invested by the owner										
2. Amount of share-based payment reckoned in owner's equity										
3. Others		-10,000,000.00								-10,000,000.00
(IV) Profit distribution							4,941,896.52		-1,639,143.50	3,302,753.02
1. Withdrawal of surplus reserves										
2. Withdrawal of general risk provision										
3. Distribution for the owners (or shareholders)									-1,639,143.50	-1,639,143.50
4. Others							4,941,896.52			4,941,896.52
(V) Internal carry-over of the owners' equities										
1. Capital reserves transferred to paid-in capital (or capital stock)										
2. Surplus reserve transferred to										

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paid-in capital (or capital stock)										
3. Surplus reserve to cover the deficit										
4. Others										
(VI) Special reserve				-43,476,839.67						-43,476,839.67
1. Extract in current period				88,218,638.25						88,218,638.25
2. Used for current period				131,695,477.92						131,695,477.92
(VII) Others										
IV. Balance in the end of current period	6,436,295,797.00	7,681,867,607.85		11,570,850.91	715,200,012.60		-1,976,952,161.17	-17,311,271.99	58,123,006.92	12,908,793,842.12

Legal representative of the
company: Ren Hao

Person in charge of accounting work: Wan Xiangang

Person in charge of the accounting department: Sun Jiandong

Change Statement of the Parent Company's Owner

From January to December of 2013

Prepared unit: Shandong Iron & Steel Group Co., Ltd

Unit: Yuan Currency: RMB

Project	Current amount							
	Paid-in capital (Or capital stock)	Capital reserve	Subtraction: Treasury stock	Special reserve	Surplus reserves	General risk provisions	Undistributed profit	Total owner's equity
I. Balance in the end of last year	6,436,295,797.00	7,613,321,351.56		7,849,105.19	715,200,012.60		-2,011,924,451.74	12,760,741,814.61
Add: Accounting policy changes								
Correction of prior period errors								
Others								
II.. Balance at the beginning of current year	6,436,295,797.00	7,613,321,351.56		7,849,105.19	715,200,012.60		-2,011,924,451.74	12,760,741,814.61
III. Increase and decrease amount of current year (Decrease is filled in the column with "-")				303,257.84			159,130,477.41	159,433,735.25
(I) Net profit							159,130,477.41	159,130,477.41
(II) Other comprehensive income								
Subtotal of (I) and (II) mentioned above							159,130,477.41	159,130,477.41
(III) Capital invested and reduced by the owner								
1. Capital invested by the owner								
2. Amount of share-based payment reckoned in owner's equity								
3. Others								
(IV) Profit distribution								
1. Withdrawal of surplus reserves								
2. Withdrawal of general risk provision								
3. Distribution for the owners (or shareholders)								
4. Others								
(V) Internal carry-over of the owners' equities								
1. Capital reserves transferred to paid-in capital (or capital stock)								
2. Surplus reserve transferred to paid-in capital (or capital stock)								
3. Surplus reserve to cover the deficit								
4. Others								
(VI) Special reserve				303,257.84				303,257.84
1. Extract in current period				105,412,766.21				105,412,766.21
2. Used for current period				105,109,508.37				105,109,508.37
IV. Balance in the end of current period	6,436,295,797.00	7,613,321,351.56		8,152,363.03	715,200,012.60		-1,852,793,974.33	12,920,175,549.86

Legal representative of the company: Ren Hao

Person in charge of accounting work: Wan Xiangang

Person in charge of the accounting department: Sun Jiandong

Change Statement of the Parent Company's Owner (Continued)

From January to December of 2013

Prepared unit: Shandong Iron & Steel Group Co., Ltd

Unit: Yuan Currency: RMB

Project	The amount during the same period of last year							
	Paid-in capital(Or capital stock)	Capital reserve	Subtraction: Treasury stock	Special reserve	Surplus reserves	General risk provisions	Undistributed profit	Total owner's equity
I. Balance in the end of last year	6,436,295,797.00	7,623,321,351.56		48,957,839.05	715,200,012.60		1,851,540,571.73	16,675,315,571.94
Add: Accounting policy changes								
Correction of prior period errors								
Others								
III.. Balance at the beginning of current year	6,436,295,797.00	7,623,321,351.56		48,957,839.05	715,200,012.60		1,851,540,571.73	16,675,315,571.94
III. Increase and decrease amount of current year (Decrease is filled in the column with "-")		-10,000,000.00		-41,108,733.86			-3,863,465,023.47	-3,914,573,757.33
(I) Net profit							-3,868,406,919.99	-3,868,406,919.99
(II) Other comprehensive income								
Subtotal of (I) and (II) mentioned above							-3,868,406,919.99	-3,868,406,919.99
(III) Capital invested and reduced by the owner		-10,000,000.00						-10,000,000.00
1. Capital invested by the owner								
2. Amount of share-based payment reckoned in owner's equity								
3. Others		-10,000,000.00						-10,000,000.00
(IV) Profit distribution							4,941,896.52	4,941,896.52
1. Withdrawal of surplus reserves								
2. Withdrawal of general risk provision								
3. Distribution for the owners (or shareholders)								
4. Others							4,941,896.52	4,941,896.52
(V) Internal carry-over of the owners' equities								
1. Capital reserves transferred to paid-in capital (or capital stock)								
2. Surplus reserve transferred to paid-in capital (or capital stock)								
3. Surplus reserve to cover the deficit								
4. Others								
(VI) Special reserve				-41,108,733.86				-41,108,733.86
1. Extract in current period				75,920,206.02				75,920,206.02
2. Used for current period				117,028,939.88				117,028,939.88
IV. Balance in the end of current period	6,436,295,797.00	7,613,321,351.56		7,849,105.19	715,200,012.60		-2,011,924,451.74	12,760,741,814.61

Legal representative of the company: Ren Hao

Person in charge of accounting work: Wan Xiangang

Person in charge of the accounting department: Sun Jiandong

Shandong Iron & Steel Group Co., Ltd.

Notes in 2013 Annual Financial Statement

(Unless otherwise stated, the amount unit is RMB)

I. Basic information of the Company

Shandong Iron and Steel Company Limited (hereinafter referred to as this Company or the Company) is renamed from Jinan Iron & Steel Co., Ltd (hereinafter referred to as Jinan Iron & Steel) on February 27, 2012. Jinan Iron & Steel is approved by the Office for Economic Restructuring of Shandong province on December 26, 2000 in Shandong Economic letter word [2000] No. 40 “on the approval of establishing Jinan Iron and Steel Co., Ltd. Jigang Group Co.,Ltd. (hereinafter referred to as the Jinan Iron and Steel Group), Laiwu Iron and Steel Group Co., Ltd (hereinafter referred to as the Laiwu Iron and Steel Group), Shandong Province Gold Group Co. Ltd., Shandong Province JinLing Iron and Shandong Province Refractory Materials Co., Ltd five legal entities as initiator. Jinan Iron & Steel is a limited company by shares established in the way of initiating. When it established, the registered capital is RMB 720 million Yuan.

Approved by the China Securities Regulatory Commission ZJFXZ [2004] No.80 approval documents, the Company issue publicly 220 million ordinary shares on June 14, 2004 .The par value per share is 1 Yuan. The Company is listed for transaction in Shanghai Stock Exchange on June 29, 2004. After the public issuance, the registered capital is RMB 940 million Yuan.

According to the profit distribution plan approved by the resolution of the company’s annual Shareholders’ Meeting in 2005, donate 1 share per 10 shares to all shareholders. The total donation is 94 million shares. Donate 1 share per 10 shares to all shareholders with the capital surplus. The total donation is 94 million shares. After delivery and donation, the registered capital was changed to RMB 1128 million Yuan. The companies completed the reform of the shareholder structure on April 24, 2006. The non-tradable shareholders paid 3 shares per 10 shares to the tradable shareholders who registered at the registration date that implement the ownership structure reform plan. In total, paid 66 million shares on the stock price to the tradable shareholders, the nature of non-tradable shares changed as tradable shares that have limited conditions for sale.

According to the profit distribution plan approved by the resolution of the company’s annual Shareholders’ Meeting in 2006, donate 1 share per 10 shares to all shareholders based on the total number of 1128 million shares in the end of 2006. The total donation is 1128 million shares. Donate 3 shares per 10 shares to all shareholders with the capital surplus. After delivery and donation, the registered capital was changed to RMB 1353.6 million Yuan.

Approved by the China Securities Regulatory Commission license [2008] No.925 approval documents, the Company increased issues in RMB 380 million ordinary shares on October 24, 2008. The par value per share is 1 Yuan. The Company is listed for transaction in Shanghai Stock Exchange on November 12, 2008. After the issuance, the registered capital was changed to RMB 1733.6 million Yuan.

According to the profit distribution plan passed by the Company’s meeting of shareholders in 2008, the total number of 173.36 million shares in the end of 2008 as the cardinal number, add 8 shares with every 10 shares to the whole shareholders with the capital reserves, and plan to add 1386.88 million shares, and the registered capital after adding is RMB 3120.48 million Yuan.

On December 30, 2011, approved by China Securities Regulatory Commission, the Company changed the shares and absorbed and merged 2222.68 million shares newly issued by Laiwu Iron Steel Company, Ltd., and came into the market in Shanghai Stock Exchange on March 8, 2012; bought 405.01 million shares newly issued by Limited Company of Jinan Iron Steel Group, and bought 68812 shares newly issued by Laiwu Iron Steel Company, Ltd., and came into the market in Shanghai Stock Exchange on March 19, 2012.The registered capital was changed to RMB 6436.29 million Yuan.

Up to December 31, 2013, the Company had accumulatively issued a total of 6436.2958 million shares, and see Note VII, Item 33 for more details.

Registered address of the Company No. 21, Industrial North Road, Jinan City Legal representative: Ren Hao; Approved by the Company registration authority, the Company’s business scope: Iron and steel smelting, processing and technical advisory services, the production and sales of steel, large forgings, coke and coking products, water slag and the by-products of steel, sales of iron ore and similar ore, import and export business, dedicated railway transportation; The production and sales of dangerous chemicals within the scope approved by permit (storage forbidden), gas supply, electricity, heating and water supply.

Shandong Iron & Steel Group is the actual controller of Shandong Iron and Steel Company Limited, State-owned Assets Supervision and Administration Commission of Shandong Province is the state-owned assets investor of Shandong Iron & Steel Group.

The financial statements have been approved and reported by the resolution of Board of Directors on April 23, 2014.

II. Preparation basis of financial statements

The financial statement of the Company is compiled based on assumption of continuous operation, and is compiled according to the actual transactions and events, “*Accounting Standards for Business Enterprises—Basic Standard*” issued by Ministry of Finance on February 15, 2006 and 38 specific accounting standards, the application guide of accounting standard for business enterprises issued thereafter, explanation of accounting standards for business enterprises and other relevant provisions (hereinafter together called “the accounting standard for business enterprises”), and *Publicly Issued Securities Company Information Disclosure Rules No.15-The General Rules for Financial Statement* (revised in 2010) issued by China Securities Regulatory Commission.

According to the related provisions of accounting standard for business enterprises, the Company’s accounting is based on accrual basis. In addition to the certain financial instruments, the financial statement is based on the measurement of historical cost. In case of the impairment of assets, the corresponding provision for impairment will be withdrawn in accordance with the relevant regulations.

III. Declaration of following accounting standards for business enterprises

The financial statements prepared by the Company comply with the requirements of Accounting Standards for Business Enterprises, truly and completely reflecting the financial positions on December 31, 2013 and the business performance, cash flows as well as other relevant information of the Company in the year of 2013. In addition, the Company’s financial statement is in accordance with the disclosure requirements of the related financial statement and Note in *Publicly Issued Securities Company Information Disclosure Rules No.15-The General Rules for Financial Statement* revised in 2010 in all major aspects.

IV. Main accounting policies and estimation

1. Accounting period

Accounting periods of the Company are divided into annual year and metaphase, and accounting intermediate means reporting period which is shorter than a full accounting year. The accounting year of the Company adopts Gregorian calendar, namely from January 1 to December 31.

2. Recording currency

RMB is the currency in main economic environment where the company and subsidiaries within the territory operates; The Company takes RMB as the recording currency. The currency adopted by the Company when preparing the financial statements is RMB.

3. The accounting method of enterprise merger

The term “enterprise merger” refers to a transaction or event bringing together two or more separate enterprises into one reporting entity. Business mergers are divided into the business merger under the common control the common control and the business merger under the non-common control.

(1) The business merger under the common control

Combining parties before and after the merger, are subject to the final control of same party or the same parties and the control is not temporary, which is for the merger of enterprises under the common control. In a business merger under the common control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise are the combined party. The “combining date” refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities obtained by the combining party shall be measured on the basis of book value of the combined party on the combining date. The capital reserve (capital stock premium) is adjusted according to the difference between the net assets book value got by the combining party and the paid merger price’s book value (or the total amount of the issued shares). On condition of insufficient offset of the capital reserve (capital stock premium), the retained earnings shall be adjusted;

Various direct expenses of the combining party caused by the business merger will be recorded into the current profits and losses when it occurs.

(2) The business merger under the non-common control

A business merger under the non-common control is a business merger in which the enterprises participated in merger are not ultimately controlled by the same party or the same parties both before and after the business merger. In a business merger under the non-common control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise are the acquiree. The purchase date refers to the date on which the acquirer actually obtains the control on the acquiree.

As for the merger of enterprises under non-common control, the combined cost covers the assets paid by the acquirer for obtaining the control of the acquiree on acquisition date, occurring or undertaken liability and fair value of issued equity securities, intermediary fees of auditing, legal services, assessment consulting occurring in enterprise merger and other management fee is included in the current losses and profits when occurring. The transaction expenses made by the acquirer in issuing equity or bond securities as merger consideration will be included as the initial recognition amount of equity or bond securities. The involved or fair value of consideration on acquisition date is included into the combined cost, if adjustment or consideration is needed when something new or further evidence appears on acquisition date within 12 months after acquisition, correspondingly adjust and merging goodwill.

The acquirer's combined cost and obtained identified net assets during merging is measured according to the fair value on purchase date. If the merger cost is larger than differences of the fair value share of the acquirer's identifiable net assets, it shall confirm as business reputation. If the merger cost is lower than differences of the fair value share of the acquiree's identifiable net assets, the measure of the various identifiable assets obtained by the acquiree, liabilities or fair value with liabilities shall be re-examined first, and then if the combined cost is still lower than the fair value of the identifiable net assets that obtains from the acquiree, the difference shall be included into the current profits and losses.

If the deductible temporary difference obtained by the acquirer from the acquiree is not confirmed because of not meeting requirement for the deferred income tax assets on acquisition date, within 12 months after acquisition date, if the new or further information shows the related situation about acquisition date has already existed, it is expected that the acquiree's deductible temporary difference can bring economic profits on acquisition date, confirm the related deferred tax asset, meanwhile reduce the goodwill, if the lack of goodwill writes down, the difference is identified as the current profits and losses. In addition to the above, the deferred tax assets associated with the business merger, shall be confirmed and included in the current profit and loss.

4. Compilation method of the combined financial statement

(1) Certainty principle of combined financial statement scope

Merger scope of the combined financial statement is determined based on control. Control means that the Company is able to determine the financial and business policies of the invested units and has the right to gain profit from operating activities of the invested units. Merge scope includes the company and all subsidiaries. Subsidiaries, refers to an enterprise or entity controlled by the Company.

(2) Compilation method of the combined financial statement

From the date of obtaining actual control of the Company's net assets and production operation policy on, the Company begins to bring it into merge scope. From the date of losing actual control on, stop bringing it into merge scope. As for the disposed subsidiaries, the operation results and cash flow before disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; The currently disposed subsidiary, doesn't adjust the opening balance of the consolidated balance sheet. As for the merged and increased subsidiary under non-common control, its operating results and cash flow in the future have been properly included in the consolidated income statement and consolidated cash flow statement, and the opening balance and contrast of consolidated financial statement are not adjusted. As for the merged and increased subsidiary under common control, its operating results and cash flow in the future have been properly included in the consolidated income statement and consolidated cash flow statement, and the opening balance and contrast of consolidated financial statement are adjusted at the same time.

When preparing consolidated financial statement, as for the accounting policies or accounting period adopted by the subsidiary isn't in accordance with that of the Company, the financial statement of subsidiary shall be necessarily adjusted according to the Company's accounting policy and accounting period. As for the merged and

acquired subsidiary under non-common control, the financial statements are adjusted according to the fair value of the identifiable net assets of purchase day.

All major current balance, transaction and unrealized profits in the Company are offset in the preparation of consolidated financial statements.

Shareholders' equity of the subsidiary and what does not belong to the Company in current net profits and losses are respectively listed under the interest of shareholders and net profit in the consolidated financial statement as interest of minority shareholders and minority shareholders' profits and losses. The share belonging to minority shareholders' equities in the net losses and profits in current period in the subsidiary is listed under the net profit item in the consolidated income statement as "minority shareholders' losses and profits". The losses of the subsidiary minority shareholders share is more than the share that minority shareholder enjoys in the subsidiary's initial shareholders equity, and offset minority shareholders' equity.

In case that the control over original subsidiary has been lost due to the disposal of part equity investments or other reasons, for the disposal of the remaining equity investment, the Company shall recalculate the fair value on the day of the loss of control over that subsidiary. The sum of the consideration obtained by the disposal of equity and the residual equity fair value minuses the balance among the shares of the net assets of the original subsidiary calculated continuously from the Purchase date in accordance with the original shareholding ratio, and then include the value in the investment income for the current period with the control lost. Other comprehensive incomes that are associated with the equity investment of the original subsidiary should be converted into investment income when losing the control right. Then, the remainders of the equities are measured subsequently according to the relevant regulations of *Accounting Standards for Business Enterprises No.2-Long-term Equity Investment* or *Accounting Standards for Business Enterprises No.22-Financial Instruments Confirmation and Measurement*, and see Item 10 "Long-term Equity Investment" in Note Four or Item7 "Financial Instruments" in Note Four.

5. Confirmation standards of the cash and cash equivalent

The cash and cash equivalent of the Company refer to the Company's cash in hand, deposit used for payment at any time, short-term hold by the Company (generally indicate within 3 months from the purchase date), cash that is moved highly and readily converted to known amounts and investments which are subject to an insignificant risk of change in value.

6. Foreign currency business and the conversion of foreign currency statement

(1) Conversion method of foreign exchange

When initially confirming the Company's foreign currency transaction, the foreign currency will be converted into recording currency based on current period-open exchange rate. However, for Company's foreign currency exchange or transaction involving foreign currency exchange, they will be converted into recording currency based on actual exchange rate

(2) Conversion method of foreign currency monetary items and foreign currency non-monetary items

The monetary items of foreign currency on the date of the balance sheet shall be used to convert on the date of the balance sheet, and the balance of exchange produced, except. □ The exchange balance arising from foreign currency special loans related to assets and whose belongs and construction meets capitalization conditions is disposed according to the principle of loans capitalization. □ The foreign currency monetary project available for sales, in addition that the currency translation difference arising from the change of other book balance in addition to amortized cost is included in other comprehensive income, is included in current profits and losses.

The foreign currency non-monetary items measured by historical cost still use the spot exchange rate on transaction day to measure its recording currency amount. For foreign currency non-monetary items measured by fair value, spot exchange rate on the fair value determination day will be used for conversion. The balance between the account of recording currency after conversion and original recording currency will be taken as the fair value change (recording currency) and included into current profits and losses or other comprehensive incomes and .Included into capital reserve.

(3) Conversion method in accounting statement of foreign currency

As for preparing and combining financial statement involves business overseas, if there is essential foreign currency monetary items forming net investment in business overseas, the exchange balance arising from change in exchange rate is listed in conversion balance of "foreign currency statement"; When disposing business

overseas, it is included in the profits and losses of current period.

The foreign currency financial statement of business overseas is converted to RMB statement with the following method: Assets and liabilities in the balance sheet shall be converted using the spot exchange rate on the balance sheet date. As for the shareholder's equity projects, in addition to "undistributed profits", other projects adopt spot exchange rate conversion. The income and expense items in the profit statement shall be converted at the spot rate on the transaction date. Undistributed profit at the beginning of the year is the year-end undistributed profit after conversion last year. Undistributed profits in the end of the year is calculated and listed according to the profits distribution after conversion; the difference between assets project and the total amount of liabilities project and shareholder's equity project as the converting difference of foreign currency statement, is identified as other comprehensive income and is listed separately under the shareholder's equity project in balance sheet. When disposing business overseas and losing control power, the foreign currency statement conversion difference which is listed under the item of shareholder's equity in financial balance sheet and related to business overseas is included into the current profits and losses wholly or according to the proportion of disposing business overseas.

Foreign cash flows and cash flows of subsidiaries overseas are converted by spot exchange rate on the occurring date of cash flows. The effect of exchange rate change on cash, as an adjustment item, shall be separately presented in the cash flow statement.

Amount at the beginning of the year and actual amount last year are listed according to the amount after conversion of financial statement last year.

7. Financial instruments

(1) Determination method of fair value of financial assets and financial liabilities

The "fair value" refers to the amount, at which both parties to a transaction who are familiar with the condition exchange their assets or clear off their debts voluntarily. The fair value of the financial instruments that exists in the active market shall be confirmed by the quoted price in the active market. The quoted prices in the active market refer to the prices, which are easily obtained from the stock exchanges, brokers, industry associations, pricing service institutions and etc. at a fixed term, and they represent the prices at which actually occurred market transactions are made under fair conditions. The financial instruments that do not exist in the active market, the fair value of which shall be confirmed by the valuation technique. The valuation techniques mainly include the prices adopted by the parties, who are familiar with the condition in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.

(2) The classification, confirmation and measurement of the financial assets

When financial assets are traded in a conventional manner, they will be carried out accounting recognition and derecognition on the trade date. The financial assets at initial confirmation are divided into the financial assets measured at fair value and whose change is included in the current profits and losses, held-to-maturity investment, loans and receivables and financial assets available for sales. The financial assets initially confirmed are measured in accordance with the fair value. For financial assets measured at fair values and whose change is included into current profit and loss, relevant transaction expenses shall be included into current profit and loss directly; for other financial assets, relevant transaction expenses shall be included into the initially recognized amount.

☐ Financial assets which is measured at the fair value and its change is included into the current profit and loss

It includes trading financial assets and financial assets which are directly designated to be measured by the fair value and its changes are included into the current profits and losses. Financial assets which are measured at fair value and its changes are recorded into current profit or loss is trading financial assets.

Trading financial assets refer to the financial assets that meet one of the following conditions: A. The purpose of obtaining the financial assets is to sell or buy back in recent time; B. Belong to a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the enterprise may manage the combination by way of short-term profit making in the near future; C. Belong to derivative instruments, but the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments are excluded.

Trading financial assets adopt fair value to have a follow-up measurement, and the profits or losses formed by

change of fair value and the dividends and interest income related to the financial assets are included in current profits and losses,

☐ Held-to-maturity investment

Held-to-maturity investment means the non-derivative financial assets that due date and the sum of recoverable amount are ascertainable, and the company has clear intention and has the capacity to hold till the due time.

The held-to-maturity investment shall be subsequently measured based on the amortized cost and effective interest method, and the gains or losses arising from the derecognition impairment or amortization shall be included in current profits and losses.

The actual interest rate method refers to the method by which the post-amortization costs or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current book value amount of the financial asset or financial liability.

In calculating the actual interest rate, the Company will predict the future cash flow on the base of considering the financial assets or all contract terms of financial liability (not considering the future credit loss), and it also will consider the every charge, transaction cost, reduced price or premium etc. which belong to the component of actual rate, and the payment or charge from each party of contract as financial assets or financial liability.

☐ Loans and receivables

Refer to non-derivative financial assets with fixed or determinable repo price but without quotation in the active market. The financial assets divided into loans and receivables by the Company include notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables, etc.

The loans and receivables shall be subsequently measured based on the amortized cost with effective interest method, and the gains or losses arising from the derecognition impairment or amortization shall be included in current profits and losses.

④ Available-for-sale financial assets

Include appointed available-for-sale non-derivative financial assets at the time of initial confirmation; and financial assets, loans and receivables which are except for the measure of fair value and included into current gains and loss in variation; and the financial assets except from the held-to-maturity investment.

The final cost of equity instrument investment for sales is determined according to its method of amortized cost, that is, initially recognized amount deducts the repaid principal, plus or minus accumulative amortization amount formed by amortization through the difference between initial confirmed amount and amount on maturity date by the method of actual interest rate, and deduct the amount after the impairment losses. The final cost of equity instrument investment for sales is its initial acquisition cost.

The available-for-sale financial assets carries out the follow-up measurement by the fair value, excluding the loss of impairment and the profits or losses on exchange arising from the foreign currency financial assets, the gains and losses formed from the change of the fair value are included into the owners' equity directly, and converted when the financial assets is in derecognition, and being included into the current profits and losses.

The interest obtained in the holding period of available-for-sale financial assets and the cash dividends issued by investment Company will be included into the investment income.

(3) Financial Assets Impairment

The Company balance sheet shall carry out an inspection on the book value of the financial assets other than those measured at their fair values with its change reckoned into the current profits and losses on the Balance Sheet date. If there is any objective evidence indicating that a financial asset has been impaired, the impairment provision shall be withdrawn.

The separate impairment test shall be adopted by the Company for the financial assets with big significant amount, as for the financial assets without non-significant amount; their impairment test shall be done separately or included in the portfolios of financial assets with similar credit risk characteristics. The financial assets without impairment in the separate test (including the significant and non-significant individual amount of the financial assets), include the financial assets combination with similar credit risk characteristics; the impairment test shall

be conducted. As for the financial assets with the impairment losses individually recognized, the impairment test shall not be conducted for the portfolios of financial assets with similar credit risk characteristics.

□ Impairment of held-to-maturity investment, loans and receivables

The book value of financial assets measured by the method of cost or amortized cost is written down to expected present value of future cash flow, the amount written down is considered as the impairment loss, which is included in the current profits and losses. After confirming the financial asset impairment loss, if there are objective evidences suggesting that its value has been restored, and it is objectively related to the matters occurred after confirming the loss, the original confirmed impairment loss shall be reversed, but the book value of the financial assets after reversing the impairment loss shall not exceed the amortized cost of the financial assets on the reversed date under the conditions of assuming not to withdraw impairment.

□ Impairment of available-for-sale financial assets

When there is impairment for available financial assets for sale, the accumulated losses formed by the decreased fair value previously included in capital reserve are transferred and included in current profit or loss, the transferred cumulative loss is balance after deducting received principal and amortized amount from the initial acquired cost of the asset, the balance of the current fair value and the impairment loss that has been included in profit or loss.

After confirming the impairment loss, if there are objective evidences suggesting that its value has been restored, and it is objectively related to the matters occurred after confirming the loss, the original confirmed impairment loss shall be reversed; the impairment loss of the investment of available-for-sale equity instrument is reversed and confirmed as other comprehensive income, and that of the available-for-sale debt instrument is reversed and included into current profit and loss.

However, the impairment-related losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument and which shall be settled by delivering the said equity instrument, may not be reversed.

(4) Confirmation Basis and Measurement Method of Financial Asset Transfer

The financial asset shall be terminated in case of any one of the following cases: The contract rights of collecting the financial assets cash flows are terminated; The financial assets have been transferred, and almost all the risks and rewards of ownership of financial assets has been transferred to the transferee; The financial assets have been transferred, and although the Company has neither transferred nor reserved almost all the risks and rewards of ownership of financial assets, it has waived the control on the financial assets.

Where the Company neither transfer nor reserve almost all the risks and rewards of ownership of financial assets, and does not waive the control on the financial assets, it shall recognize the related financial assets according to the extent of its continuous involvement in the transferred financial assets and relevant liabilities accordingly to. The continuous involvement in the transferred financial assets is referring to the risk level that the enterprise faces resulting from the change of the value of the financial assets.

If the overall transfer of financial assets meets the derecognition conditions, the balance between the book value of the transferred financial assets and the sum of the consideration received from transferring and the accumulated amount of the changes in the fair value which is included into the shareholder's equity originally shall be included into the current profit and loss.

In case the partial transfer of financial assets meet the recognition criteria for termination, the overall book value of transferred financial assets will be transferred, which shall be apportioned according to the respective fair value between the confirmation part of termination and non-termination, and the sum of consideration received from transferring and accumulated amount of changes in fair value originally reckoned into other comprehensive income as well as the difference of the apportioned above book value shall be reckoned into current profit and loss.

If the company transfers endorsement the financial assets sold in the way of attached recourse or the held financial assets, confirm whether almost all the risk and rewards of financial assets ownership have been transferred. If almost all the risk and rewards of the financial assets ownership have been transferred to the transferee, terminate confirmation of the financial assets. If almost all risks and remuneration of financial assets in terms of ownership are reserved, then confirmation of such financial assets is not terminated. If there is no transferring and reservation of almost all the risks and rewarding of financial assets ownership, continue to judge whether the enterprise keeps

control of the assets, and have accounting treatment according to above-mentioned principle.

(5) Classification and measurement of financial liability

The financial liabilities of the Company are recognized in fair value initially and its change is included into the current profit or loss of financial liabilities and other financial liabilities. The financial liabilities initially recognized are measured in accordance with the fair value. For the financial liabilities which are measured at fair values and of which the variation is included in the current profits and losses, the relevant transaction expenses shall be included into current profit and loss directly; for other financial assets or financial liabilities, relevant transaction expenses shall be included into the initially recognized amount.

☐ Financial liabilities are measured at the fair value and their changes are included in current profits and losses

The conditions that the transactional financial liabilities are confirmed to be measured according to fair value at initial confirmation and their change are included in financial liabilities of current profits and losses are in correspondence with the conditions that the transactional financial assets are confirmed to be measured according to fair value at initial confirmation and its change are included in financial assets of current profits and losses.

The financial liabilities which are measured in fair value and its change is included into the current profit and loss shall use its fair value for subsequent metering; the profit or loss incurred by the changes in fair value and the dividend and interest expense relating to such financial liabilities shall be included into the current profit and loss.

☐ Other financial liabilities

For the derivative financial liabilities which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by delivering the equity instrument, they shall be measured on the basis of their costs. Other financial assets should be calculated subsequently with the effective rate method and in accordance with the amortized cost. The profits and losses result from the termination of recognition or the amortization shall be included into the current profits and losses.

(6) Derecognition of financial liabilities

Only the whole or part of current obligations concerning the financial liabilities has been removed wholly or partly, the whole or part of financial liabilities can be derecognized. . The enterprise (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability and recognize the new financial liability, at the same time.

For the financial liability totally or partially derecognized, the difference between the book value of confirming and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) is included into the current profits and losses.

(7) Offset of financial assets and financial liabilities

When the Company has the legal rights to offset the confirmed financial assets and financial liability and can perform such legal rights at present, and at the same time the Company plans to settle in netting or realizes such financial assets and pays off the financial liabilities, the financial assets and liabilities will be listed in the balance sheet in the offset amount. Otherwise, the financial assets and financial liabilities should be listed in the balance sheet separately, and shall not be mutually offset.

(8) Equity instrument

The “equity instruments” refers to the contracts which can prove that a certain enterprise holds the surplus equities of the assets after the deduction of all the debts. In enterprise merger the transaction fees caused by the combining party’s issuing equity instruments offset the premium income of equity instrument, if it is not enough to offset, write down retained income. The rest equity instruments, increase shareholder’s equity after the transaction cost is excluded from received consideration when issuing.

The Company holds various distribution of the holder of equity instruments (not including share dividends), reduces shareholder’s equity. The Company does not confirm the changes of fair value of equity instruments.

8. Receivables

Receivables include account receivables, other account receivables and prepayment account, etc.

(1) Accounts receivable with significant single amount and single provision for bad debts reserve:

☐ The criterion of significant single amount or the amount standard

The account receivable with the single amount exceeding RMB 10 million Yuan shall be regarded as significant account receivables

☐ Withdrawing method for bad debt provision of accounts receivables of individually significant amount

The Company carries out impairment test to accounts receivable with significant single amount separately, and when there exists objective facts that show this Company can not take back all the money according to the original clauses of receivables, then in line with the balance between its future cash flow and book value, this Company will proceed with impairment test independently and prepare for provision of bad debts.

(2) Provision for accounts receivable with bad debts reserve according to combination

As for the accounts receivable with significant single amount, they should be divided into several groups according to similar credit risk features. On the basis of the actual loss rates of the accounts receivable that have the similar credit risk features that are the same or similar to the accounts of the previous year, with the consideration of the reality to confirm the proportion of counting and drawing of bad debts of all the portfolios in this year, to calculate impairment loss and the provision of the bad debts.

As for the accounts receivable that the purchaser opened letters of credit, this Company has no provision for bad debts. The prepaid accounts receivable more than 3 years based on provision for bad debts according to the accounts receivable bad debt policy the provision for bad debts; The unauthorized VAT input taxes, export taxes on deposit, advance payment on import taxes in other accounts receivable have no provision for bad debts.

The basis of determination	of different combination:
Project	Basis of combination confirmation
Combination based on provision for bad debts with aging analysis method	Accounts receivable age
The accounts receivable that need to do impairment test separately and have no impairment.	The buyer issues accounts receivable with letter of credit, unauthorized VAT input tax, export taxes on deposit, advance payment on import taxes, etc.

Withdrawing method of the provision for bad debts of different combinations:
Project
Combination based on provision for bad debts with aging analysis method
The accounts receivable that need to do impairment test separately and have no impairment.
Withdrawing method
Aging analysis method
No provision

Combination based on	provision for bad debts with	aging analysis method:
Account Age	Provision proportion of accounts receivable	Provision proportion of other accounts receivable
Within 1 year (including 1 year)	5%	5%
1 to 2 years	10%	10%
2 to 3 years	30%	30%
3 to 4 years	80%	80%
4 to 5 years	80%	80%
Over 5 years	90%	90%

(3) Accounts receivable with amounts which are not individually significant but subject to respective assessment for provision for bad debts.

The Company shall classify receivables that cannot be recovered or has little possibility of recovery as specific asset combination, and all shall be withdrawn as bad debt reserves.

9. Inventory

(1) Classification of inventory

The Company divides the inventory into raw materials, auxiliary materials, spare parts, low-value consumable

products, entrusted processing materials, materials in road, products in process, semi-finished products, finished products, etc.

(2) The valuation method of inventory which is sent out

The inventory is valued according to weighted average method when it is sent out.

(3) Foundation for stock net realizable value confirmation and provision method for decline of the value of inventory:

Finished goods, commodities, materials for sale, etc. are directly used for the inventory of merchandise for sale, during the normal process of production and management, the estimated sale price of the inventory minus the estimated selling expenses and relevant taxes amount, then the net realizable value can be confirmed.

The materials inventory need to be processed, during the normal process of production and management, the estimated sale price of the finished products minus the estimated costs when finished the works, the estimated selling expenses and related tax payments, the net realizable value can be confirmed.

The inventory held for carrying out sales contract or service contract can be sold for net realizable value, contract price as calculation basis, if the number of inventory is larger than the number of ordering in sales contract, the inventory beyond can be sold for net realizable value, general sales price as the calculation basis; The inventory without sales contract(not including materials for sale) can be sold for net realizable value, the general sales price (that is, the market sales price) as the calculation basis; Materials for sale usually calculate the net realizable value based on the market price.

The provision for the loss of inventory value should be withdrawn or adjusted according to the comparison of inventory cost and the net realizable value after the Company conducts a thorough reviewing of inventory at the date of balance sheet. The inventory falling price preparation of merchandise inventory and primary products shall withdraw the inventory falling price preparation according to individual inventories provision; For those large volume and low unit price inventories, the inventory falling price preparation should be withdrawn according to their categories. If the factors causing any depreciation of inventory value have disappeared, the amount of depreciated inventory value shall be renewed and reversed within the inventory falling price reserves that has been made. The reversed amount shall be included in the current profits and losses.

(4) Inventory System of Inventory

The inventory system is a perpetual inventory system.

(5) Amortization method of low value consumables and packaging materials:

Low value consumables shall be amortized in the manner of the one-off amortization at the time of consuming.

The packaging materials shall be amortized in the manner of the one-off amortization at the time of consuming.

10. Long-term equity investment

(1) Determination of the cost of investment

For the long-term equity investment formed through enterprise merger, if it is the one obtained from merger of enterprises under the common control, the share of book value of combined party's shareholder equity is as the initial investment cost on combining date. Long-term equity investment obtained through merger of enterprises under non-common control, enterprise merger costs include assets paid by the buyer, occurring or undertaken liability, and the sum of fair value of issued equity securities. The mediation expenses made by the purchaser for audit, legal service, assessment and management during the Company merger should be included into the current profit and loss as it happens. The transaction expenses made by the purchaser in issuing equity or bond securities as merger consideration will be included as the initial recognition amount of equity or bond securities.

Other equity investment except long-term equity investment formed by enterprise merger is initially measured according to the cost, based on obtaining difference of long-term equity investment, the cost is determined according to the company's actual cash purchase price, fair value of issued equity securities, the value of investment contract or agreement, fair value or original book value of pay-out assets in non-monetary assets transaction, fair value of long-term equity investment itself, etc. The cost, taxes and other necessary expenses directly related to long-term equity investment are also included in investment cost.

(2) Recognition method for the subsequent measurement and profit and loss

For the long-term equity investment of the investing enterprise that does not do joint control or does not have significant influences on the invested entity, and has no quoted price in the active market and its fair value cannot be reliably measured, it will be calculated by cost method. For the long-term equity investment that has the joint control or the significant influence on the invested enterprise, the equity method is used to calculate. For the long-term equity investment of the invested company that does not have control, mutual control or significant effect and its fair value can be reliably measured, it can be measured as the available-for-sale financial assets or fair value and its change is included in the financial assets of current profits and losses.

In addition, the company's financial statement calculated by the cost method can have a control of the long-term equity investment of the invested unit.

☐ Long-term entity investments that are accounted according to the cost method

When measured by the cost method, long-term equity investment is valued according to initial investment cost, in addition to the actually paid price in investment or declared but distributed cash dividends or profits included in consideration, current investment income is confirmed according to the cash dividends or profits declared to distribute by the invested unit.

☐ Long-term entity investment that are accounted according to the equity method

If the initial cost of a long-term equity investment is more than the fair value of identifiable net assets the invested entity for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise's attributable share of the fair value of the invested enterprise's identifiable net assets at the time of the investment, the balance shall be reckoned in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

Measured by the equity method, investment gains and losses of the current period should have or should share any current net profits and losses of the share realized by the invested entity. Upon confirmation of the net profits and losses of shared by the invested entity, in order to obtain the invested entity, when the fair value of the identifiable assets such as basis, and in accordance with the Company's accounting policies and accounting periods, the net income of the invested entity after adjustment for confirmation. For the unrealized profit and loss on internal transaction incurred between the Company and the associates and joint ventures, the part that belongs to the Company calculated according to the shareholding ratio will be eliminated, and the profit and loss on investment will be confirmed on this basis. However, for the unrealized profit and loss on internal transaction incurred between the Company and the invested unit, the part that belongs to impairment loss of transferred asset as specified by regulations of *No.8 Accounting Standards for Business Enterprises-Impairment of Assets* and will not be eliminated. For other comprehensive income of the invested unit, book value of long-term equity investment shall be appropriately adjusted to be confirmed other comprehensive income and included into capital reserve.

When recognizing the sharing of net losses of the founded units, write-down on book value of long-term equity investment and other long-term equity which substantially constitute net investment of the founded unit to zero will be the limit. In addition, if the Company has the obligation to assume additional losses of the founded unit, the anticipation liabilities will be determined according to the obligation expected to be assumed, and the anticipation liabilities will be included in the current investment losses. If the invested entity realizes any net profits later, after the amount of its contributory share of profits offsets against its contributory share of the un-recognized losses, resume to recognize its income share of profits.

As for the long-term equity investment that has been held in joint venture and cooperative enterprise before the company firstly implements new accounting standards, if there is equity investment debit balance related to the investment, it is included in the current profits and losses according to original straight-line amortization amount.

☐ Purchase minority interest

When in formation of consolidated financial statement, the balance between the long-term equity investment newly increased as a result of acquisition of minority interest and net asset share calculated continually since the acquisition date (or merger date) of the subsidiary that shall be possessed according to newly increased portion of shareholding, adjust the contributed surplus, and adjust retained earnings when the contributed surplus is not sufficient to be canceled out.

☐ Disposing of a long-term equity investment

In consolidated financial statements, the parent company partially disposes the long-term equity investment of the subsidiary in the case of not losing control, the difference of net assets in correspondence with the disposal cost and long-term equity investment is included in the shareholder's equity. For the subsidiaries with losing control

caused by the parent company partly disposing a long-term equity investment of subsidiaries, it will be treated in accordance with this Note 4, Item4 (2) “the method of consolidated financial statements prepared” described in the relevant accounting policy

As for disposal of long-term equity investment under other circumstances, the difference between book value of disposed equity and actually obtained price is included in the current profits and losses. When disposing long-term equity investment measured by equity method, other comprehensive income originally included in shareholder’s equity shall transfer into the current losses and profits according to the corresponding proportion. For the residual equity, confirm the book value as long-term equity investment or other related financial assets, and perform the follow-up measurement according to the aforementioned long-term equity investment or accounting policies for financial assets. Retroactive adjustment is made according to relevant provisions in respect of the remaining equity that shall be calculated with equity method by changing from law of cost.

(3) The basis recognized to have joint control and significant influence on the invested entity

The term “control” means having the power to decide an enterprise’s financial and operating policy and obtains benefits from its business activities. The term “joint control” means mutual control over an economic activity as specified by the contract, which exists only when the investing parties that need to share the power of control in important financial and operating decision-making agree unanimously. The term “significant influence” means having the power to participate in the formulation of financial and operating policies of an enterprise, but not the power to control or jointly control the formulation of these policies together with other parties. When ascertaining whether or not it is able to control or have significant influences on an invested entity, the invested enterprises’ current convertible corporate bonds and current executable warrants held by the investing enterprise and other parties, as well as other potential factors concerning the voting rights shall be taken into consideration.

(4) Impairment test method and withdrawing method for impairment of assets

On balance sheet day, the Company will judge whether long-term equity investment have signs that impairment is likely to occur. For the assets with signs of impairment, their recoverable amount will be estimated. If the recoverable amount of the asset is less than its book value, withdraw assets depreciation reserves according to the difference and include it in current profit and loss.

Once the assets impairment loss is confirmed, it will not be reversed in following accounting periods.

11. Fixed assets

(1) Confirmation condition of fixed assets

The fixed assets refer to the tangible assets held for commodity production, rendering of labor service, rent or operation management, and having a service life of more than one accounting year. No fixed assets may be confirmed unless they simultaneously meet the conditions as follows:

- ☐ The economic interests related to the fixed assets are likely to flow into the enterprise.
- ☐ The costs of the fixed assets can be measured reliably.

(2) Impairment method for various fixed assets

The average service life method is adopted to withdraw the depreciation of the fixed asset. When fixed assets meet the intended use condition spontaneously, the provision for depreciation will be started, and the provision for depreciation will be ended when confirmation terminated or classified as non-current assets held for sale and stop depreciation (except these fixed assets that have been fully depreciated but still in use, and land evaluate separately). In the case without considering provision for impairment, the Company confirms the annual depreciation rate of all fixed assets by fixed asset category, estimated service life and estimated residual value as follows:

Category	Depreciation period (Year)	Ratio of remaining value (%)	Yearly depreciation rate (%)
Houses and buildings	30-40	3-5	2.38-3.23
Machinery equipment	15-20	3-5	4.75-6.47
Transport equipment	6-8	3-5	11.88-16.17
Electronic equipment	4-5	3-5	19.00-24.25

(3) Impairment test methods and with drawing method for impairment of fixed assets

See more details about the impairment provision method of the Company's fixed assets in Note IV, Item 16 "non-current non-financial financial asset impairment".

(4) Identification basis and valuation method of fixed assets under financing lease

The Company takes the less one between fair value of leased asset and minimum lease payment as the entry value of rented assets on lease beginning date.

Fixed assets rented in the way of finance lease, if it is reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset could be depreciated during its service life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

(5) Other descriptions

□ In the end of each year, review on service life, expected net residual value and depreciation method for fixed assets shall be conducted. If there is any difference between the expected useful life and the previously estimated useful life of a fixed asset, the expected useful life of the fixed asset shall be adjusted. If there is any difference between the amount of expected net salvage value and the previously estimated amount of the net salvage value, the expected net salvage value shall be adjusted.

□ The repair costs caused by fixed assets, if it meets the confirmation conditions of fixed assets, it is included in the cost of fixed assets, otherwise, it is directly included in the current cost, expense as it happens.

□ Fixed assets decoration costs that meet the conditions of capitalization. During the periods of two decorations and the shorter one of the lease term that fixed assets can be used, the average service life method is adopted to withdraw separately.

12. Construction in progress

(1) Accounting method for the construction in process

The construction in process of the Company is calculated according to the actual cost and accounted according to the approved projects.

(2) The time point for the construction in process carried over to fixed assets

The construction in process shall be transferred to the fixed assets according to actually occurred all the expenditure when it reaches the expected usable status. If the construction in process has reached the expected usable condition, but it has not transacted the final account for completed project, since the reaching date, the estimated value will be transferred into fixed assets according to the project budget, cost or the actual cost of the project, etc and the depreciation of fixed assets is withdrawn according to the Company's depreciation policy of fixed assets. After handling the final account for completed project, adjust the original estimated value according to the actual cost, but the original amount of provision for depreciation is retained..

(3) Depreciation reserve of construction in progress

See more details about the withdrawing method of the company's depreciation reserve of construction in progress in Note IV, Item 16 "non-current non-financial financial asset impairment".

13. Borrowing costs

(1) Recognition principles for the capitalization of borrowing costs

The assets meeting capitalization conditions refer to the fixed assets, inventory property, inventory and other assets that can reach the expected usable and marketable status through long term of acquisition, construction and production's activities. The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, auxiliary expenses, and exchange balance on foreign currency borrowings.

The borrowing costs incurred to an enterprise can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, and it shall be capitalized and reckoned in the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred and shall be recorded into the current profits and losses.

If the borrowing costs meet the following conditions simultaneously, the capitalization should be started:

☐ The asset expenditures have already incurred, which shall include the cash, transferred non-cash assets or interest-bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;

☐ Borrowing costs have occurred;

☐ The acquisition and construction or production activities which are necessary to make assets reach predetermined usable and marketable state have already started.

(2) Capitalization period of borrowing costs

The borrowing costs occurred to cost of borrowing of assets eligible for capitalization occurs for the acquisition and construction or, in the asset for its intended use or sale occurred before, is included in the cost of the asset; When the assets meet the expected conditions for use or conditions for sale, the occurred amount shall be recorded into the current profits and losses

If assets eligible for capitalization in the process of acquisition and construction or production are interrupted abnormally, and the interruption lasts for more than 3 months, the capitalization of borrowing costs shall be suspended. When parts of project in the assets eligible for capitalization in the process of acquisition and construction were completed separately and can be used alone, the capitalization of borrowing costs in this asset shall be suspended.

(3) Calculation method for the amount of the borrowing costs to be capitalized.

The company calculated the amount of borrowing cost capitalization by month.

Capitalize the interest charges and auxiliary charges of the special loan (exclude the interest income of unused borrowing money deposited in the bank or investment income obtained from temporary investment) before the assets eligible for capitalization in construction or production reach the expected conditions for use or sales.

According to the accumulated assets expenditure exceed the weighted average value of the special borrowing assets expenditure, we the interest amount to capitalize the general borrowing is calculated and determined. The capitalization rate shall be confirmed based on the weighted average interest rate of the general borrowings.

If there is any discount or premium, the amount of discounts or premiums amortized during each accounting period shall be confirmed by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

During the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized, and shall be recorded into the cost of assets eligible for capitalization.

14. Intangible assets

(1) Initial measurement of intangible assets

Intangible asset of the Company shall be measured initially according to the actual cost. When the payment of purchased intangible asset price exceeding normal credit conditions is delayed in payment, with actually of financing nature, the intangible asset cost shall be confirmed based on the present value of purchase price.

For the intangible assets for paying debts obtained through debt reconstruction, its entry value shall be confirmed based on fair value of the intangible assets; On condition that non-monetary assets in transaction have business essence and the fair value of pay-in assets and pay-out assets can be reliably measured, then the entry value of intangible pay-in assets through non-monetary assets transaction is usually determined based on the fair value of the pay-out assets, unless there is convincing evidence shows the fair value of the pay-in assets is more reliable; For the non-monetary assets exchange which does not meet the above-mentioned premise, the book value of exchanged assets and related taxes and fees shall be paid as the cost of intangible assets, without confirmation of profit and loss.

(2) Subsequent measurement of intangible assets

☐ The service life of intangible assets

The service life shall be analyzed and determined by the Company when obtaining intangible assets. As the service life of intangible assets is limited, the number of measurement units such as the years of the service life or productivity forming the service life shall be estimated; if the term of economic interests generated by the intangible assets cannot be estimated, it shall be deemed as intangible assets with uncertain service life.

The land use right determines its average service life according to the period of transfer. The service life of other intangible assets is determined by the shortest age limit among expected service life, benefited age limit specified in the contract and effective age limit specified in law.

☐ Amortization of intangible assets

The intangible asset with the limited service life shall be amortized with the straight-line method during its service life. The intangible assets with uncertain service life shall not be amortized, and shall be conducted impairment test in the end of year.

The Company shall, at least in the end of each year, check the service life and the amortization method of intangible assets with limited service life, and adjust if necessary.

☐ It is expected that some intangible asset is unable to bring the future economic interests to the enterprise at end of the period, the book value of the intangible asset will be completely transferred into the current profit and loss.

☐ Impairment of the intangible assets

See more details about the impairment test method and the method of write-off of provisions for impairment in Note IV, Item 16 “non-current non-financial assets impairment”.

15. Long-term unamortized expenses

Long-term unamortized expenses are referred to all expenses which have incurred and are amortized in more than one year during the current period and subsequent periods. The long-term deferred expenses are amortized averagely during benefit period, in which:

(1) The rent from prepaid operating rented in fixed assets is amortized averagely according to the period stipulated in the lease contract.

(2) Improvement expenditure of fixed assets rented in the way of operating leases is amortized averagely according to the shorter one of the remaining lease term or its service life period of the leased assets.

(3) Fixed assets rented in the way of finance lease, its decoration costs that meet the capitalization conditions shall be amortized averagely according to the shorter one among the two decoration intervals, the remaining lease period and its service life period of the fixed assets.

For the long-term deferred expenses project that not makes benefits for future accounting periods, its amortized value is included in the current profits and losses.

16. Non-current non-financial asset impairment

As for the fixed assets, projects under construction, intangible assets with limited service life, investment real estate measured according to cost pattern and long-term equity investment in subsidiary, cooperative enterprises and joint ventures and other non-current non-financial assets, the Company judges whether there are signs of impairment on balance sheet date. If there are signs of impairment, the recoverable amount is estimated and impairment test is conducted. The intangible assets with uncertain goodwill and service life and the intangible assets which have not yet reached the conditions for use shall be give impairment test every year no matter whether there are signs of impairment.

If the impairment test result shows that the recoverable amount of assets is lower than its book value, impairment preparation is made according to the balance and it is included into the impairment loss. The recoverable amount shall be determined in light of the higher one between the net amount of the fair value of the assets deducted by the disposal expenses and the present value of the expected future cash flow of the fixed assets. The fair value of the asset is determined according to the sales agreement in the fair transaction; If there is no sales agreement but there is active market of assets, the fair value is determined according to acquirer of the asset; If there is no sales agreement and active market of assets, estimate the fair value of assets based on best information that can be obtained. The disposal expenses shall include legal expenses, relevant taxes, truckage related with capital disposal as well as the direct expenses for bringing the assets into a marketable state. The current value of the expected future cash flow of an asset shall be determined by the discounted cash with an appropriate pre-tax discount rate, on the basis of the expected future cash flow generated during the continuous use or final disposal of an asset. The impairment preparation is calculated and determined based on individual asset; if it is difficult to estimate the recoverable amount of individual asset, the recoverable amount of the asset group should be determined based on its belonging asset group. Asset group is the minimum merger of assets that can produce cash inflows by it.

As for the reputation that separately listed in financial statements, when performing the impairment test, the book value of reputation is shared to asset group or merger of assets group that expected to benefit from the synergistic effect of the merger of the enterprise. The test result shows that if the recoverable amount that includes asset group or merger of assets group that share the reputation is less than its book value, the corresponding impairment loss is determined. The amount of the impairment loss shall first deducted and apportioned the book value of the mentioned asset group or merger of asset groups reputation, then charge it against the book value of other assets in proportion to the weight of other assets in the asset group or merger of asset groups with the business reputation excluded, minus the book value of other assets in proportion.

Upon confirmation of above-mentioned asset impairment loss, the restored part of value can not be taken back in the later period.

17. Accrued liabilities

If the obligation related to contingencies satisfies the following conditions at the same time, the Company shall define it as the estimated liabilities: (1) The obligation is the current obligation undertaken by the Company; (2) It is likely to cause any economic benefit to flow out as a result of performance of the obligation; (3) The amount of obligation can be reliably measured.

Concerning the factor such as risk, uncertainty and time value of money that related to the event in the balance sheet date, and measure the estimated liabilities in accordance with the best estimate expended when implement the current obligation.

In the event that all or partial expenses of confirmed debts are expected to be compensated by a third party or other parties, only when the amount of compensation is basically confirmed to be received, it can be independently confirmed as assets, while confirmed amount of compensation can not exceed the book value of confirmed debts.

18. Income

(1) Product sales

The Company produces steel products and sells them to customers from place to place. And when the main risks and rewards of ownership in the products are transferred to the buyer, the Company doesn't continue to manage and control the products any more, and the sales income is confirmed when relevant income has achieved or collect money obtained, and related costs can be reliably measured to.

(2) Providing labor services

On the balance sheet date, when the labor service transaction results rendered by the Company can be reliably measured, it shall confirm the revenue from rendering service by the percentage-of-completion method. An enterprise shall ascertain the total revenue from the providing of labor services in accordance with the received or to-be-received price of the party that receives the labor services as stipulated in the contract or agreement, unless the received or to-be-received price as stipulated in the contract or agreement is unfair.

On the balance sheet date, in case the labor service transaction results provided cannot be estimated reliably, it shall be handled according to the following circumstances respectively:

☐ If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount

☐ If the service costs that have occurred can not be compensated, it shall be included into the current profits and losses, and the labor service income shall not be confirmed to provide.

(3) Usage rights of transferred assets

When economic benefit related to transaction may flow into enterprises, the amount of revenue can be reliably calculated, determine the amount of revenue from transferring of right to use assets according to the following situations:

☐ The amount of interest income shall be determined in accordance with the length of time and the actual interest rate for which the enterprise's cash is used by others.

☐ The amount of royalty income shall be calculated and recognized in accordance with the charging time and

method specified in the relevant contract or agreement.

(4) Construction contract

If results of the construction contracts can be reliably estimated, the enterprise can confirm the contract income and expenses as achieved by the percentage-of-completion method on the balance sheet date; If results of the construction contracts cannot be reliably estimated, the following situations should be taken into account differently. If the contract costs are recoverable, the contract income is confirmed by the recoverable actual contract costs and the contract costs are confirmed as expenses as it occurs. If the contract costs are not recoverable, they are confirmed as expenses in time of occurrence while contract income is not confirmed.

The Company adopted the proportion of the actual contract costs incurred accounted for the contract expected total cost (the proportion of the completed contract work accounted for the contract expected total work or the completion schedule measured actually) to confirm the contract completion schedule.

19. Government subsidies

Government subsidy means the monetary or non-monetary assets freely obtained by the Company from the government, excluding the capital invested by the government as the owner of the Company. Government subsidy is divided into the government subsidy relevant to asset and government subsidy relevant to income.

The governments subsidies that are obtained by the Company used for purchasing or acquisition and construction, or formed the long-term assets in other ways, are confirmed the government grants related to assets. Other government subsidy shall be defined as the public subsidy that related with interest. If it does not clear the subsidy object in the government document, the subsidies will be divided based on the following modes into government grants related to earnings and government grants related to assets: (1) If the particular project of the subsidies is clearly defined in the government document, a division is made according to the relative proportion of expense amount of the formed assets in the budget of the particular project and the expense amount included in the cost, the division ratio required shall be reviewed at each balance sheet date and changes are made if necessary; (2) The application is only made general statements in the government document, an if the particular project is not specified, it will be regarded as the government grant related to earnings.

If a government subsidy is a monetary asset, it shall be measured in accordance with the received or receivable amount. If a government subsidy is non-monetary assets, it shall be measured by the fair value measurement. When the fair value cannot be reliable acquired, it shall be measured in accordance with nominal amount. But the government subsidies measured at their nominal amounts shall be directly included into current profit and loss.

When Company actually received the governmental subsidy, they will be confirmed and measured as the actually measured amount. But when there are certain evidences indicating that enable to receive the financial support fund which conforms to the relevant conditions of financial support policy in the end of term, and then measure as the receivable amount. The governmental subsidy measured as the receivable amount shall comply with the following conditions: (1) The amount of receivable subsidy has confirmed by authority government department, or can be measured automatically in reasonable as the relevant regulations of officially published financial funds management method, and predict the amount do not exist the great uncertainty. (2) The pursuant is the financial support project and its financial fund management method officially issued and initiatively published by the local government in accordance with the regulations of *Regulations on Open Government Information*, and this management method shall be favorable to the public, not just to the specified companies. (3) The relevant subsidy official documents has definite undertaking the appropriate period, and the appropriate of this fund shall be safeguarded of the relevant financial budget, therefore can ensure to receive the fund in the specified period.

The government subsidies relevant to assets shall be recognized as deferred income, which shall be equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. The government subsidy relevant to income shall be recognized as the deferred income if it is used to compensate the relevant expenses or losses in the later period and it will be included in the current profits or losses in the period of confirming the related expenses. Those used for compensating the related expenses or losses shall be included in the current profits and losses directly.

When the confirmed government subsidies need to return, if there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; and If there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

20. Deferred income tax assets / Deferred income tax liabilities

(1) Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current period or prior periods shall be measured on the basis of the expected payable (refundable) amount of income tax, which is calculated according to the tax law. The taxable income based on the calculation of income tax expense is calculated after corresponding adjustment of accounting profit before corresponding annual tax according to relevant tax laws.

(2) The deferred income tax assets and the deferred income tax liabilities

The difference between book value of some property and debt project, and its tax base; and the temporal difference generated from the difference between tax base and book value of project which do not confirm as property and debt, but can confirm its tax base as the regulation of tax law; the balance sheet liability method is adopted to confirm the deferred income taxes funds and its debt.

Related with the original confirmation of business reputation, and the taxable temporary differences related with original confirmation of property or debt occurred in transaction which will not influence the accounting profit and taxable income (or deduction loss), and not the business merger; the deferred income taxes debt shall not be confirmed. In addition, regarding as the taxable temporary differences related with Subsidiary Corporation, joint ventures and cooperative enterprise, if this Company can control the back time of temporary differences, and this temporary differences maybe will not get back in the predictable future; shall not confirm the deferred income taxes debt. Except for the above circumstances, the Company will confirm all the deferred income taxes debt occurred in the taxable temporary differences.

The deductible temporary differences which is not related with the original confirmation of business reputation, but also not related with debt occurred in transaction which will not influence the accounting profit and taxable income (or deduction loss); the deferred income taxes debt shall not be confirmed. Otherwise, for the deductible temporary differences investment-related of subsidiaries and associated enterprises and joint enterprises, if it's possible the temporary difference shall be returned in the predictable future and obtain sufficient taxable income for deducting the deductible temporary difference in the future, the deferred income tax assets shall not be confirmed., the Company shall recognize the deferred income tax assets arising from a deductible temporary difference to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference.

As for any deductible losses or tax deduction that can be carried forward to the next few years, the corresponding deferred income tax assets shall be recognized to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

On the balance sheet date, the deferred income assets and deferred income tax liabilities shall, under the tax law, shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

On the balance sheet date, it is required to check the book value of the deferred income tax assets, and if it is not likely to obtain enough taxable income for deduction from deferred income tax assets in the future, book value of deferred income tax assets shall be written down. The write-down amount shall be reversed when it becomes probable that the sufficient taxable income is available.

(3) Income tax expense

The income tax expense comprises the current income tax and deferred income tax.

Except that the current income tax and deferred income tax which is confirmed other comprehensive income and is related with trade and matter that directly accounted into stockholder's equity, and the book value that developed through the goodwill impairment of deferred income tax obtained by enterprise merger, the rest current income tax and deferred income tax or revenue are accounted into current profits and losses.

(4) Offset of income tax

When taxpaying body has the legal right to settle with net amount and intends to settle with net amount, or obtain the assets and satisfy the liabilities at the same time, the current income tax asset and current income tax liability of the Company are listed with net amount after offset.

When having legal right of current income tax property and current income tax debt as net settlement, and the deferred income tax property and deferred income tax debt is relevant to the imposed income tax of the same

taxpaying body by the same tax collection department, or relevant to different taxpaying body, but in the period of return of each one important deferred income tax property and debt in the future, when the referred taxpaying body intends to proceed the current income tax property and debt in net settlement or get the property and satisfy the liabilities at the same time, the deferred income tax property and deferred income tax debt of the Company are listed with net amount after offset.

21. Lease

Finance lease transferred the lease of all risks and compensatory related with ownership of property substantially, and its ownership may be transferred, or do not transfer. The operating lease refers to a lease other than a finance lease.

(1) Company will record operating leasing business as the tenant.

The rent of operation lease will be accounted into the relevant cost of assets or current profits and losses according to the method of line during the valid period. The initial direct costs shall be included in current profit and loss. Or the cash discount shall be included in the current profit and loss when it is actually incurred.

(2) The Company will record operating leasing business as the lessor.

The rent of operation lease income will be confirmed as current profits and losses according to the method of line in each term of the leasing period. The initial direct cost of large amount of money shall be conducted capitalization as it happens and it is included in the current profit and loss according to the same basic of rent revenue in the entire operating lease period by stage. Other original direct expense of smaller amount will calculate into the current gains and loss at the time when it occurs. The cash discount shall be included in the current profit and loss when it is actually incurred.

(3) Company will record operating leasing business as the tenant.

At the beginning of the lease, the Company will take the lower one between fair value of leased asset and present value of minimum lease payments as account record value of leased asset, and regards minimum lease payments as account record value of long-term payables, the balance being regarded as the unconfirmed financing costs. Moreover, the initial direct cost which is attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the rental asset value. The balance of minimum lease payment after deduction of unrecognized finance fees shall list as the long-term debt and the long-term debt that due within a year respectively.

The unconfirmed financing costs adopt effective interest method during each lease term to calculate the current financing costs. The contingent rent shall be included in the current profit and loss when it is actually incurred.

(4) Company will record operating leasing business as the lessor

At the beginning date of the lease term, the sum of the minimum lease receipts on the lease beginning date and the initial direct costs shall be recognized as the entry value in an account of the finance lease values receivable, and being recorded the un-guaranteed residual value at the same time. The difference between the sum of the minimum lease receipts, the initial direct costs and the un-guaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The balance of receivable finance lease payment after deduction of unrealized finance fees shall list as the long-term claim and the long-term claim that due within a year respectively.

For the unrealized financing income shall be calculated and recognized into the financing income at the current period by using the effective interest rate method during the lease term. The contingent rent shall be included in the current profit and loss when it is actually incurred.

22. Assets held for sale

If the Company has already signed the irrevocable transfer agreement with the transferee with respect to the decision about a non-current assets, and this transfer is likely to be finished in one year, then this non-current assets will be accounted as the holding on-sale non-current assets, without discount or amortization, and measured as the lower one between the book value and fair value after deduction of disposal expenses. The holding on-sale non-current assets include single assets and disposition set. If disposition set is a group of assets set, and the obtained business reputation from business merger is apportioned to assets set in accordance with *No.8 of Accounting Standards for Business Enterprises---Assets Impairment*, or if this disposition set is one of the management of this asset unit, then this disposition set include the business reputation in business merger.

A asset or disposition set was classified as the holding on-sale, but do not satisfy the confirmation condition of holding on-sale non-current asset any longer in the future, the company will stop to classify it as the holding on-sale, and will measure as the lower one of the following two amounts: (1) The asset or disposition set will be classified as the book value before the holding on-sale, as the amount after adjustment of confirmed depreciation, amortization or impairment assuming that it is not has been classified as the holding on-sale. (2) The recoverable amount on the date of deciding will not sold any longer.

23. Employees' Remuneration

During the accounting period when the employee provides service for the Company, the salary payable to the employee is recognized as liabilities.

The Company attends the expenditure on social security system established by government institutes as required, including basic endowment insurance, housing accumulation funds, and other social security systems, and the expenditure should be recorded into the cost of relevant assets or current profits and losses after it is incurred.

The Company removes labor relations with employees before their labor contract expires, or puts forward suggestions for compensations to encourage employees to voluntarily accept downsizing. If the Company has prepared official plans to remove labor relations or proposes suggestions on voluntary downsizing and will implement them, and meanwhile the Company cannot unilaterally withdraw plans on the remove with workers' labor relations or downsizing suggestions, the expected liabilities arising out of compensation caused by severing labor relations with employees will be confirmed and reckoned into current profits and losses.

The same principle for termination benefits described above should be adopted for early retirement plan. During the period from the time that the employee no longer provides service to the regular retirement date, the salary to be paid to the employee retired early and social security fee to be paid and other expenditures should be recorded into the current profits and losses (termination benefits) when they meet the estimated conditions of liabilities recognition.

24. Safety production cost and maintenance cost

The Company will withdraw the safety production cost in classification in accordance with the relevant regulations of CQ [2012] No.16 of Ministry of Finance and Safety Supervision Bureau.

When the charged safety production cost is used within the specified range, it belongs to the expenses, which directly offset the special reserve. If it formed as fixed assets, the expenditure occurred through the collection of "projects under construction ", it can be confirmed as fixed assets when the security projects complete and meet the expected use conditions; At the same time, offset the special reserve according to costs of the formed fixed assets and confirm the accumulated depreciation with same amount. The fixed assets are no longer depreciated during subsequent periods.

25. Changes of main accounting policies and estimates

(1) Accounting policy changes

No changes in accounting policies occurred this year in the Company.

(2) Accounting estimate changes

Content, reason and proper time and place of accounting estimate change			Auditing procedures	Affected item name in the statement	Affection amount
The Company verified the asset using condition of fixed assets by fixed-assets management as the current actual using condition of fixed assets. Reference with the depreciation condition of steel industry and other comparable company. After passing by twelfth meeting of the Fourth Directors of Boards, deciding to adjust the depreciation life period of fixed assets from April 1. 2013, and accounting estimate before and after the change.			Approved by twelfth meeting of the Fourth Directors of Boards of the Company on August 3, 2013	Operating costs net profit of fixed asset	Effect on annual net profit of the Company RMB 727 million Yuan.
Category	Depreciation life before change	Depreciation life after change			
(Housing)	30-35	35-40			
Building	20-30	30-35			
Machinery equipment	10-15	15-20			

V. Tax**1. Main category and rate of tax**

Categories of taxes	Specific tax situation
Value-added tax	Assessable income calculates the output tax as the tax rate of 17%.13%.6%.3%, and calculates the VAT as the balance after deduction of currently permitted input VAT.
Business tax	Calculating and levying the business tax as 3%.5%.6% of turnover tax payable.
Urban maintenance and construction tax	Calculating and levying according to 7% of the actual paid turnover tax.
Education surcharges	Calculating and levying according to 3% of the actual paid turnover tax.
Local education surcharges	Calculating and levying according to 2% of the actual paid turnover tax.
Foundation for local water works	Calculating and levying according to 1% of the actual paid turnover tax.
Enterprise income tax	Calculating and levying according to 25% of the taxable income.
Housing property tax	Calculating and levying according to 1.2% of 70% of the original value of the house property

The income from leasing business of tangible property, software maintenance business, calculates the business tax as 5% tax rate. In accordance with the relevant regulation (finance and tax No.[2013]37)of *Inform of tax policy of changing to levy VAT experimental unit of transportation industry and part modern service industry business tax in the whole country carried out by Finance Department and State Bureau of Taxation*, the income from the leasing business of tangible personal property is changed to the VAT from August 1, 2013, and the tax rate is 3%.The income from the software maintenance of Laiwu Steel Group Electrical Co., Ltd., which is the subsidiary corporation of the Company, is changed to the VAT from August 1, 2013, and the tax rate is 6%.

2. Preferential tax and approval

In this year, the Company did not enjoy the preferential tax policy.

VI. Business merges and merged financial statement**1. Condition of subsidiaries**

(1) Subsidiaries obtained through incorporation or investment

Monetary unit: RMB ten thousand

Full name of Subsidiaries	Type of Subsidiaries	Registration place	Business nature	Registered Capital	Business scope	Enterprise Type	Legal representative	Organization code	Actual investment amount in the end of the year
Heze Jinan Iron & Steel Economic and Trade Co., Ltd	Holdings Subsidiaries	Heze City	Commodity sales	500.00	Sales of steel products, fireproofing, thermal insulation material.	Limited liability company	Wang Quanyun	76368857-9	275.00
Shanghai Jinan Iron & Steel Economic and Trade Co., Ltd	Holdings Subsidiaries	Shanghai	Commodity sales	3,000.00	Sales of metal and non-metallic material	Limited liability company	Wang Xiangdong	78781227-1	1,530.00
Nanjing Jinan Iron & Steel Economic and Trade Co., Ltd	Wholly owned Subsidiaries	Nanjing City	Commodity sales	500.00	Sales of steel products, iron ore, and mechanical and electrical products	Limited liability company	Wang Quanyun	67494387-3	500.00
Wuxi Jinan Iron & Steel Economic and Trade Co., Ltd	Wholly owned Subsidiaries	Wuxi City	Commodity sales	500.00	Sales of metal mechanical equipment and building materials	Limited liability company	Wang Quanyun	67897169-5	500.00
Xi'an Jinan Iron & Steel Economic and Trade Co., Ltd	Wholly owned Subsidiaries	Xi'an City	Commodity sales	500.00	Sales of steel products, building materials, and iron ore.	Limited liability company	Wang Quanyun	67329921-1	500.00
Tianjin Jinan Iron & Steel Economic and Trade Co., Ltd	Wholly owned Subsidiaries	Tianjin	Commodity sales	500.00	Wholesale and retail of steel products, metal products, iron ore.	Limited liability company	Wang Xiangdong	69174707-3	500.00
Hangzhou Jinan Iron & Steel Industrial Co., Ltd.	Wholly owned Subsidiaries	Hangzhou City	Commodity sales	500.00	Metal material, steel products, metal productions, iron ore etc.	Limited liability company	Wang Xiangdong	68772551-7	500.00
Qingdao, Jinan Iron and Steel Trade Co., Ltd.	Wholly owned Subsidiaries	Qingdao City	Commodity sales	3,000.00	Sales of steel products, metal products, iron ore. etc	Limited liability company	Wang Xiangdong	56112617-3	3,000.00

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Laiwu Iron & Steel Wuxi Economic and Trade Co., Ltd.	Wholly owned Subsidiaries	Wuxi City	Economic and Trade Company	1,500.00	Sales of metal, building materials	Limited liability company	Shi Chengdu	76585856 X	1,500.00
Lai Gang(Guangdong) Economic and Trade Company	Holdings Subsidiaries	Foshan City	Economic and Trade Company	6,200.00	Whole and retail of steel products, product processing and storage.	Limited liability company	Shi Chengdu	76734861 9	5,900.00
Laiwu Iron & Steel Shanghai Economic and Trade Co., Ltd.	Holdings Subsidiaries	Shanghai	Economic and Trade Company	1,000.00	Sales of metal material and building materials	Limited liability company	Shi Chengdu	78244308 3	900.00
Laiwu Iron and Steel Metallurgical Ecological Engineering Company	Holdings Subsidiaries	Laiwu City	Project Construction	1,000.00	Service of research, design and construction of metallurgy technology	Limited liability company	Dong Jie	68068992 0	510.00

(Continued)

Full name of Subsidiaries	Shareholding proportion (%)	Voting power proportion (%)	Whether merging financial statements or not	Minority shareholder equity
Heze Jinan Iron & Steel Economic and Trade Co., Ltd	55.00	55.00	Yes	285.74
Shanghai Jinan Iron & Steel Economic and Trade Co., Ltd	51.00	51.00	Yes	3,029.12
Nanjing Jinan Iron & Steel Economic and Trade Co., Ltd	100.00	100.00	Yes	
Wuxi Jinan Iron & Steel Economic and Trade Co., Ltd	100.00	100.00	Yes	
Xi'an Jinan Iron & Steel Economic and Trade Co., Ltd	100.00	100.00	Yes	
Tianjin Jinan Iron & Steel Economic and Trade Co., Ltd	100.00	100.00	Yes	
Hangzhou Jinan Iron & Steel Industrial Co., Ltd.	100.00	100.00	Yes	
Qingdao, Jinan Iron and Steel Trade Co., Ltd	100.00	100.00	Yes	
Laiwu Iron & Steel Wuxi Economic and Trade Co., Ltd.	100.00	100.00	Yes	
Laiwu Iron & Steel (Guangdong) Economic and Trade Co., Ltd.	95.16	95.16	Yes	323.86
Laiwu Iron & Steel Shanghai Economic and Trade Co., Ltd.	90.00	90.00	Yes	177.06
Laiwu Iron and Steel Metallurgical Ecological Engineering Technology Co., Ltd	51.00	51.00	Yes	422.33

(2) The subsidiaries from the business merger under the common control.

Monetary unit: RMB Million

Full name of Subsidiaries	Type of Subsidiaries	Registration place	Business nature	Registered Capital	Business scope	Enterprise Type	Legal representative	Organization code	Actual investment in the end of the year
Laiwu Lida Logistics Co., Ltd.	Holdings Subsidiaries	Kowloon Street, Gangchen g District, Laiwu City	Economic and Trade Company	1,170.00	Steels, metallurgy material, metal material and	Limited liability company	Shi Chengdu	750885995	820.00

					building material etc.				
Qingdao Laiwu Iron & Steel Economy and Trade Co., Ltd.	Wholly owned Subsidiaries	Shinan District of Qingdao City	Economic and Trade Company	822.00	Sales of metal material, building material etc.	Limited liability company	Shi Chengdu	725559733	822.00
Shandong Laiwu Steel Huanyou Chemical & Energy Co., Ltd	Wholly owned Subsidiaries	Gangcheng District of Laiwu City	Industry processing	30,000.00	Concentrate processing of tar, production and sale of light oil and carbolic oil etc.	Limited liability company	Wang shun	792482940	30,000.00
Jinan Baode Gas Co., Ltd	Wholly owned Subsidiaries	Jinan City	Industry processing	41,153.00	Product and sell oxygen, nitrogen, argon and liquid ammonia	Limited liability company	Zhao Yunhe	7249868130	41,153.00
Laiwu Tian Gas Co., Ltd	Wholly owned Subsidiaries	Laiwu City	Industry processing	50,581.14	Product and sell nitrogen, oxygen, argon, nitrogen and medical oxygen.	Limited liability company	Qi Dengye	744514127	50,581.14
Laiwu Iron & Steel Group Electronics Corporation	Wholly owned Subsidiaries	Laiwu City	Service trade	3,600.00	Design, product and sale of electrical products	Limited liability company	Guo Weihe	749878595	3,600.00

(Continued)

Full name of Subsidiaries	Shareholding proportion (%)	Voting power proportion (%)	Whether merging financial statements or not	Minority shareholder equity
Laiwu Lida Logistics Co., Ltd.	70.09	70.09	Yes	831.42
QingdaoLaiwu Iron & Steel Economy and Trade Co., Ltd.	100.00	100.00	Yes	
Shandong Laiwu Steel Huanyou Chemical & Energy Co., Ltd	100.00	100.00	Yes	
Jinan Baode Gas Co., Ltd	100.00	100.00	Yes	
Laiwu Tian Gas Co., Ltd.	100.00	100.00	Yes	
Laiwu Iron & Steel Group Electronics Co., Ltd.	100.00	100.00	Yes	

2. Alteration description in the merger scope

The changes of merger scope see details of Note VI, Item 4.

The Company convoked the board meeting on November 26, 2013 and passed *Proposal of transferring the stock rights of Jinan Iron & Steel Group Company International Trading Co., Ltd. and Shandong Laiwu Steel International Corp.* and transferred the 80% share rights of subsidiary corporation- Jinan Iron & Steel Group Company International Trading Co., Ltd. (hereinafter referred as Jinan Iron & Steel International) of the Company, and 100% share rights of Shandong Laiwu Steel International Corp (hereinafter referred as Laiwu Iron & Steel International) in the method of public hanging for bid.

December 27, 2013, provided the *Equity Transaction Certification* by Shangdong property-rights exchange center (certification number: LCQJZ No.660, LCQJZ No.661), and confirm the competitive tender of Shandong Steel Group International Trading Co., Ltd. (hereinafter referred as Shangang International) succeed at last.

Regarding as the transfer the share rights of Jinan Iron & Steel International, Laiwu Iron & Steel International; the Company signed the *Property Rights Contract* with Shangang International respectively (project No. 098 in 2013, No.099 in 2013), and the contract appointed transferred price is RMB 88 million Yuan, and RMB 496 million Yuan. The profits and losses and risks in the period from base date of assets evaluation to registration date of rights change, shall be settled after the consultation of both parties. After the consultation of both parties, in the above period the net profit of Jinan Iron & Steel International is RMB 1.20955594 million Yuan and the net profit of Laiwu Iron & Steel International is RMB 19.99719157 million Yuan. And all of them belong to the transferor. The transferee shall pay the above net profit to the transferor.

On December 31, 2013, the Company received the payment of RMB 88 million Yuan and RMB 496 million Yuan respectively from Shangang International transfer to Jinan Iron & Steel International and Laiwu Iron & Steel International, then the transfer of stock right is finished. After the stock right transfer, the companies will not controlled by the Company. Therefore, it will not bring into the merger scope from December 31, 2013. Current period will not merge the balance sheet on December 31, 2013 of these two companies, and only merge the profit statement and current flow sheet from the beginning of period to the merge date.

3. Subjects newly brought into the merger scope in the reporting period and subjects excluded in the merger scope in the reporting period.

(1) There is no new subjects being brought into the merger scope in reporting period

(2) The companies are excluded the merger scope in reporting period

Name	Net assets at the date of disposal	Net profits from the beginning of year to date of disposal.
Jinan Iron & Steel Group International Trade Co. Ltd.	56,625,534.92	1,748,752.29
Shandong Laiwu Steel International Corp.	279,904,870.21	129,280,486.71

Jinan Iron & Steel Group International Trading Co., Ltd. and Shandong Laiwu Steel International Corp. are loss of control right because of selling of share rights in this year, and then will no longer merge to the consolidation scope (appendix IV and 2)

4. The subsidiaries reduced for selling the equities without control power in the reporting period.

Name of the subsidiaries	Selling date	Confirmation methods of disposing profits and losses.
Jinan Iron & Steel Group International Trade Co. Ltd.	December 31, 2013	The difference between the net assets of disposition date of this subsidiary company corresponding to the disposition consideration deducted the disposed share rights, and the surface value of consolidated statements of this company confirms as the disposition profit and loss.
Shandong Laiwu Steel International Corp.	December 31, 2013	

(1) Jinan Iron & Steel Group International Trade Co. Ltd.

On December 31, 2013, this Company transferred all the 80% share rights of Jinan Iron & Steel Group International Trade Co., Ltd. to Shangdong Iron and Steel Group International Trade Co., Ltd. The sale date is the date that this Company lasts the control power of net asset, finance and operational decision-making of Jinan Iron & Steel Group International Trade Co., Ltd.

① Disposal price and cash flow are listed as follows:

Projects	Amount
Disposal price	89,209,555.94
Cash and cash equivalents received from asset disposal	88,000,000.00
Subtraction: The cash and cash equivalent of Jinan Iron & Steel Group International Trade Co., Ltd.	87,189,555.16
Net cash received from asset disposal	810,444.84

② The list of net assets of disposing Jinan Iron & Steel Group International Trade Co., Ltd. are as follows:

Projects	Net assets at the date of disposal	Net assets in the end of the year
Current assets	7,008,258,430.02	4,733,387,860.77
Non-current assets	2,776,628.10	1,202,387.38
Current liabilities:	6,954,409,523.20	4,679,713,465.52
Non-current liabilities:		
Total Net Assets	56,625,534.92	54,876,782.63

③ The calculation of gains and losses disposition is as follows:

Projects	Amount
Disposal price	89,209,555.94
Subtraction: The net asset of Jinan Iron & Steel Group International Trade Co., Ltd. on disposition date	45,300,427.94
Add: Other comprehensive profit related with Jinan Iron & Steel Group International Trade Co., Ltd. transferred into the amount disposing the current gains and loss.	
Investment benefits received from disposal	
	43,909,128.00

④ The income, cost and profit from the beginning of disposition year to the disposition day of Jinan Iron & Steel Group International Trade Co., Ltd. are as follows:

Projects	Amount
Income	9,467,768,113.45
Subtraction: Costs and Expenses.	9,465,270,442.30
Total profit	2,497,671.15
Subtraction: Income tax expense	748,918.86
Net profit	1,748,752.29

(2) Shandong Laiwu Steel International Corp.

On December 31, 2013, this Company transferred all the 100% share rights of Shandong Laiwu Steel International Corp. to Shandong Laiwu Steel International Corp. The sale date is the date that this Company loses the control power of net asset, finance and operational decision-making of Shandong Laiwu Steel International Corp.

① Disposal price and cash flow are listed as follows:

Projects	Amount
Disposal price	515,997,191.57
Cash and cash equivalents received from asset disposal	496,000,000.00
Subtraction: The cash and cash equivalent of Shandong Laiwu Steel International Corp.	276,153,582.41
Net cash received from asset disposal	219,846,417.59

② The list of net assets of J Shandong Laiwu Steel International Corp is as follows:

Project	Net assets at the date of disposal	Net assets in the end of the year
Current assets	8,087,741,556.59	6,075,146,596.97
Non-current assets	13,817,396.46	13,600,770.52
Current liabilities:	7,821,654,082.84	5,933,831,598.32

Non-current liabilities:		
Total Net Assets	279,904,870.21	154,915,769.17

③ The calculation of profits and losses disposition is as follows:

Projects	Amount
Disposal price	515,997,191.57
Subtraction: The net asset of Shandong Laiwu Steel International Corp. on disposition date	279,904,870.21
Add: Other comprehensive profit related with Shandong Laiwu Steel International Corp. transferred into the amount disposing the current gains and loss.	-4,191,269.22
Investment benefits received from disposal	231,901,052.14

④ The income, cost and profit from the beginning of disposition year to the disposition day of Shandong Laiwu Steel International Corp are as follows:

Projects	Amount
Income	10,673,437,239.61
Subtraction: Costs and Expenses	10,521,013,149.76
Total profit	152,424,089.85
Subtraction: Income tax expense	23,143,603.14
Net profit	129,280,486.71

□ On the date of losing the control right, the amount of other comprehensive profit related with previous share investment of subsidiary transferred to invest loss is RMB – 4.19126922 million Yuan.

VII. Notes to the consolidated financial statements

The following note project (including principal project note of corporate financial statements), except for the particularly specified, the beginning date of the year is January 1, 2013; and the end date of the year is December 31, 2013.

1. Monetary capital

Project	Amount in the end of year			Amount at the beginning of year		
	Amount of foreign currency	Conversion rate	Amount of RMB	Amount of foreign currency	Conversion rate	Amount of RMB
Cash on hand			1,040,669.50			1,427,135.71
- RMB	-	-	1,040,669.50	-	-	1,427,135.71
Bank deposit:			1,854,730,053.54			2,192,974,350.13
- RMB	-	-	1,831,412,043.37	-	-	1,904,202,083.57
- USD	3,801,610.03	6.0969	23,178,036.19	45,619,481.62	6.2855	286,741,251.72
- EUR	16,626.16	8.4189	139,973.98	61,993.80	8.3176	515,639.63
- HKD				430, 189.04	0.8109	348,840.29
- Canadian dollar				184,625.05	6.3184	1,166,534.92
Other monetary funds:			260,389,440.09			619,816,046.09
- RMB	-	-	256,877,485.82	-	-	540,784,373.98
- USD	573,525.62	6.0969	3,496,728.35	12,571,255.97	6.2855	79,016,629.40
- EUR	1,808.54	8.4189	15,225.92	1,808.54	8.3176	15,042.71
Total			2,116,160,163.13			2,814,217,531.93

Note: Other monetary funds mainly include bank acceptance, letter of guarantee, cash deposit, etc.

2. Trading financial assets

Project	Fair value in the end of the year	Fair value at beginning of the year
Instrument investment of trading equity		59,932,195.49
Total		59,932,195.49

Note: Instrument investment of trading equity owned by Shandong Laiwu Steel International Corp and all the stock rights of this subsidiary company in this year is transferred and this Company will no longer combined into the merger scope in the end of the year.

3. Notes receivable**(1) Classification of notes receivable**

Type	Amount in the end of the year	Amount at the beginning of the year
Bank acceptances	3,315,278,822.10	2,232,327,989.27
Commercial acceptance bill	5,400,000.00	42,765,539.44
Total	3,320,678,822.10	2,275,093,528.71

Note: On December 31, 2013, the bill whose book value of RMB 10992.22608168 million Yuan has endorsed, but not yet due. On December 31, 2013, the bill whose book value is RMB 223.14848 million Yuan (December 31, 2012: RMB 284.50888448 million Yuan) has pledged, but not yet due.

(2) The notes receivable condition of greatest first five items money pledged in the end of the year

Units draw a bill	Date of issue	Maturity date	Amount
Shandong Yankuang Light Alloy Co.,Ltd	September 3, 2013	March 3, 2014	20,000,000.00
Wuhan Tieyuan Materials Co., Ltd	December 19, 2013	March 19, 2014	21,717,045.00
Wuhan Tieyuan Materials Co., Ltd	December 13, 2013	March 13, 2014	16,211,497.00
Shandong Hengkun Coke Co., Ltd.	September 27, 2013	March 27, 2014	10,000,000.00
Jiangsu Shenshan Wind Power Equipment Manufacturing Co., Ltd.	October 12, 2013	April 12, 2014	8,441,100.00
Total			76,369,642.00

(3) Condition of bill that endorsed but not due in the end of the year (first five greatest in money amount)

Units draw a bill	Date of issue	Maturity date	Amount	If terminate the confirmation
Shandong Shankou Steel Tube Group Co., Ltd.	January 29, 2013	January 13, 2014	20,000,000.00	No
Qingdao Jieneng Power Equipment Co., Ltd	August 23, 2013	February 23, 2014	24,600,000.00	Yes
Qingdao Jieneng Power Equipment Co., Ltd	November 15, 2013	May 15, 2014	18,450,000.00	Yes
Shanghai Sany Heavy Machinery Co., Ltd.	November 11, 2013	November 11, 2013	14,944,356.52	Yes
Hefei Sanyang Steels Co., Ltd	October 29, 2013	April 29, 2014	12,520,000.00	Yes
Total			90,514,356.52	

4. Accounts receivable**(1) The accounts receivable are listed by category**

Type	Amount in the end of the year			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable of single significant amount and individual provision for bad debts.				
Accounts receivable of provision for bad debts according to combination				
Accounts receivable of provision for bad debts according to aging combination	535,775,504.85	97.28	81,700,148.90	15.25

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The accounts receivable that need to do impairment test separately and have no impairment.	7,528,025.96	1.37		
Combination subtotal	543,303,530.81	98.65	81,700,148.90	15.04
Accounts receivable with amounts which are not individually significant but subject to respective assessment for provision for bad debts.	7,411,736.38	1.35	7,411,736.38	100.00
Total	550,715,267.19	100.00	89,111,885.28	16.18

(Continued)

Type	Amount at the beginning of the year			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable of single significant amount and individual provision for bad debts.	46,494,986.73	1.10	46,494,986.73	100.00
Accounts receivable of provision for bad debts according to combination				
Accounts receivable of provision for bad debts according to aging combination	571,961,947.02	13.56	155,545,534.84	27.20
The accounts receivable that need to do impairment test separately and have no impairment.	3,583,683,572.30	84.98		
Combination subtotal	4,155,645,519.32	98.54	155,545,534.84	3.74
Accounts receivable with amounts which are not individually significant but subject to respective assessment for provision for bad debts.	15,084,380.82	0.36	9,293,262.41	61.61
Total	4,217,224,886.87	100.00	211,333,783.98	5.01

(2)Withdrawing situation of bad debt provision

☐Accounts receivable of provision for bad debts according to combination

A. The accounting receivable with aging analysis method to the provision for bad debts in combination

Account Age	Amount in the end of the year			Amount at the beginning of the year		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	356,358,989.57	66.51	17,817,950.06	363,558,411.02	63.56	18,177,920.55
1 to 2 years	113,843,941.64	21.25	11,384,394.17	23,766,433.79	4.16	2,376,632.48
2 to 3 Years	7,795,622.81	1.46	2,338,686.85	31,631,130.84	5.53	9,489,339.25
3to 4 years	7,613,852.96	1.42	6,091,082.38	12,054,412.71	2.11	9,643,530.17
4 to 5 years	10,787,526.36	2.01	8,630,021.08	110,013,224.07	19.23	88,013,611.26
Over 5 years	39,375,571.51	7.35	35,438,014.36	30,938,334.59	5.41	27,844,501.13
Total	535,775,504.85	100.00	81,700,148.90	571,961,947.02	100.00	155,545,534.84

B. In the combination, the accounts receivable that need to do impairment test separately and have no impairment.

Name of combination	Book balance	Withdrawal percentage	Provision for bad debts	Reason
Modern comprehensive business affairs	95,483.79			Payment by letter of credit (L/C)
Jiaqin Industries Limited	953,017.84			Payment by letter of credit (L/C)
Dongfang Unity Resources(Hong Kong) Co., Ltd	1,491,290.03			Payment by letter of credit (L/C)
Yonghua Iron & Steel Enterprise Corporation	3,724,623.04			Payment by letter of credit (L/C)
KHALIDALIALKHARAFI&BROS.CO.	1,237,300.01			Payment by letter of credit (L/C)
Others	26,311.25			Payment by letter of credit (L/C)
Total	7,528,025.96			

☐ Accounts receivable with amounts which are not individually significant but subject to respective assessment for provision for bad debts

The content of accounts receivable	Book balance	Withdrawal percentage (%)	Provision for bad debts	Reasons for provision
Shandong Hualu Real Estate Development Civil Construction Office	7,411,736.38	100.00	7,411,736.38	It is unlikely to recover those that account receivable age over five years
Total	7,411,736.38	100.00	7,411,736.38	

(3) The condition of account receivable that shall be actually cancelled after verification during the reporting period

Name of organization	Nature of amount receivables	Amount of cancellation	Reasons for cancellation	Whether it is produced due to the related party transactions
Jinan Iron & Steel (Ma) Steel Plate Co., Ltd	Payment for goods	100,719,474.26	Product price reduction (Note)	Yes
Weihai Sanjin Boat Industry Co., Ltd	Payment for goods	576,021.00	Due to the problem of product quality	No
Jining Jinnuo Machinery Co., Ltd, etc.	Payment for goods	268,682.75	Can't take back	No
Total		101,564,178.01		

Note: This amount is occurred in financial crisis of 2008, and there is great reduce in the product price of steel in home and abroad. The Company has signed complement agreement with Jinan Iron & Steel (Ma) Steel Plate Co., Ltd. aiming at the previous sales contract, and reduce the price of steel material 500 dollar per ton, then the net account receivable is RMB 20.14389485 million Yuan in the end of 2012. The Company cancels this receivable account in this year, and offsets the provision for bad debts.

(4) The condition of units of the shareholders holding 5% (including 5%) or more shares with voting power in the prepayment in the report period

For details see note VIII, Item 6 Receivables and payables from related parties

(5) Conditions of top five units of receivable amount

Name of organization	Relationship with the Company	Amount	Year limit	Ratio in total account receivable
Qingdao Xinlai Weiye Economic and Trade Co., Ltd	The common ultimate controller	39,376,484.51	Within one year	7.15
Yanggu Baode Sheet Co., Ltd	Non-related parties	37,149,156.31	1 to 2 years	6.75
Shanghai Huanqiu Petroleum Chemical Engineering Co., Ltd.	Non-related parties	27,208,245.46	Within 1 year	4.94
Daqing Oilfield Engineering Co., Ltd.	Non-related parties	21,027,714.00	Within 1 year	3.82
Shandong Fulun Iron & Steel company	Non-related parties	25,859,999.98	Within 1 year	4.70
Total		150,621,600.26		27.36

(6) The condition of the account receivables from related parties

For details see note VIII, Item 6 Receivables and payables from related parties

5. Other receivables

(1) Other receivables are shown by type

Type	Amount in the end of the year			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables of single significant amount and individual provision for bad debt.	245,020,562.45	46.14	245,020,562.45	100.00
Other receivables of provision for bad debts according to the combination	76,377,851.01	14.39	9,406,987.14	12.32
Accounts receivable combination based on provision for bad debts with account receivable age analysis method	200,061,149.96	37.68		
Other receivables that need to perform impairment test separately and have no impairment occurred.	276,439,000.9	752.07	9,406,987.14	3.40
Combination subtotal	9,487,333.10	1.79	1,149,559.50	12.12
Other receivables with amounts which are not individually significant but subject to respective assessment for provision for bad debt.	530,946,896.52	100.00	255,577,109.09	48.14
Total				

(Continued)

Type	Amount at the beginning of the year			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other receivables of single significant amount and individual provision for bad debt.	245,020,562.45	49.68	245,020,562.45	100.00
Other receivables of provision for bad debts according to the combination				
Accounts receivable combination based on provision for bad debts with account receivable age analysis method	100,195,991.59	20.32	9,524,024.17	9.51
Other receivables that need to perform impairment test separately and have no impairment occurred.	138,360,837.31	28.05		
Combination subtotal	238,556,828.90	48.37	9,524,024.17	3.99
Other receivables with amounts which are not individually significant but subject to respective assessment for provision for bad debt.	9,628,473.10	1.95	1,064,988.68	11.06
Total	493,205,864.45	100.00	255,609,575.30	51.83

(2) Withdrawing situation of bad debt provision

☐ Condition of other receivables of single significant amount and individual provision for bad debt

Contents of other receivable	Book Amount	Provision for bad debts	Withdrawal percentage	Reason
Kunlun Securities Co., Ltd.	226,954,469.00	226,954,469.00	100.00	The company has been bankrupt, the liquidation is in progress.
Jining Yuanda Iron and Steel Company	18,066,093.45	18,066,093.45	100.00	Specific identification
Total	245,020,562.45	245,020,562.45		

☐ Other receivables of provision for bad debts according to the combination merger

A. Other receivables of provision for bad debts according to account age analysis in combination

Account Age	Amount in the end of the year			Amount at the beginning of the year		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion		Amount	Proportion	

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		(%)			(%)	
Within 1 year	34,934,893.97	45.73	1,746,744.72	81,624,482.79	81.47	4,077,724.14
1 to 2 years	32,337,197.36	42.34	3,233,719.73	10,874,295.52	10.85	1,087,429.55
2 to 3 Years	5,943,475.00	7.78	1,783,042.50	4,038,379.94	4.03	1,211,348.98
3 to 4 years	1,837,745.70	2.41	1,470,196.56	1,297,034.32	1.29	1,035,775.47
4 to 5 years	188,014.65	0.25	150,411.74	138,730.87	0.14	110,984.69
Over 5 years	1,136,524.33	1.49	1,022,871.89	2,223,068.15	2.22	2,000,761.34
Total	76,377,851.01	100.00	9,406,987.14	100,195,991.59	100.00	9,524,024.17

B. Measure the decrease in value in the combination Try the other receivable account that not yet decrease in value:

Name of combination	Book balance	Withdrawal percentage (%)	Provision for bad debts	Reason
Shandong Iron & Steel Group International Trade Co., Ltd.	21,206,747.50			Specific identification
Pending deduct VAT paid	159,980,890.95			Have authenticated after the period
VAT of imported ore	16,875,096.58			Have authenticated after the period
Petty cash etc.	1,998,414.93			Specific identification
Total	200,061,149.96			

☐ Other receivable of single insignificant amount and individual provision for bad debt in the end of the year

Contents of Other Accounts Receivable	Book balance	Withdrawal percentage	Provision for bad debts	Reasons for provision
Zibo Iron and Steel Co., Ltd	9,487,333.10	12.12	1,149,559.50	Specific identification
Total	9,487,333.10		1,149,559.50	

(3) Situations of top five units of other accounts receivable

Name of organization	Relationship with the Company	Amount	Year limit	Ratio accounting for the total amount of other receivables (%)
Kunlun Securities Co., Ltd.	Non-related parties	226,954,469.00	Over 5 years	42.75
Un-deducted VAT	Non-related parties	159,980,890.95	Within 1 year	30.13
Shanghai Chuanyang Industries Co., Ltd.	Non-related parties	26,549,500.00	1 to 2 years	5.00
Shandong Iron & Steel Group International Trade Co., Ltd.	The common ultimate controlling party	21,206,747.50	Within 1 year	3.99
Jining Yuanda Iron and Steel Company	Non-related parties	18,066,093.45	Over 5 years	3.40
Total		452,757,700.90		85.27

(4) The condition of the account receivables from related parties

For details see note VIII, Item 6 Receivables and payables from related parties

6. Prepayments

(1) Prepayments are listed according to the aging.

Account Age	Amount in the end of the year			Amount at the beginning of the year		
	Carrying Amount		Provision for bad debts	Carrying Amount		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	395,014,379.77	94.49		578,305,510.37	97.37	
1 to 2 years	9,675,277.41	2.31		9,100,954.01	1.53	
2 to 3 Years	1,652,285.40	0.40	67,692.40	439,010.89	0.07	

Over 3 years	11,710,870.37	2.80	3,175,369.66	6,124,009.10	1.03	4,794,621.23
Total	418,052,812.95	100.00	3,243,062.06	593,969,484.37	100.00	4,794,621.23

Note: The prepayment which account age is more than a year, and great in amount is mainly prepayment of material.

(2) Situation of top five units of the prepayment amount

Name of organization	Relationship with the Company	Amount	Prepaid time	Reason for non- settlement
Rizhao Customs of the People's Republic of China	Non-related parties	23,386,799.70	Within 1 year	Fail to take delivery
Qingdao Customs of the People's Republic of China	Non-related parties	22,865,389.30	Within 1 year	Fail to take delivery
Jinan Railway Operation Group Co., Ltd.	Non-related parties	14,138,934.41	Within 1 year	Fail to take delivery
Qingdao Yuanhui Mineral products Co., Ltd.	Non-related parties	13,864,380.00	Within 1 year	Fail to take delivery
Shandong Mingquan Chemical Industry Co., Ltd.	Non-related parties	8,086,746.44	Over 3 years	Fail to take delivery
Total		82,342,249.85		

(3) The condition of units of the shareholders holding over 5% (including 5%) shares with voting power in the prepayment during this reporting period:

For details see Note VIII, Item 6 Receivables and payables from related parties

7. Inventory

(1) Classification of inventory

Project	Amount in the end of the year		
	Book balance	Provision for falling price	Book value
Raw materials	3,981,822,643.83	106,726,263.38	3,875,096,380.45
Auxiliary materials	4,887,435.49		4,887,435.49
Spare parts	644,600,964.58		644,600,964.58
Low value consumables	10,188,270.63		10,188,270.63
Entrusted processing materials	1,932,803.69		1,932,803.69
Materials in transit	5,618,882.15		5,618,882.15
Goods in process	97,559,168.93		97,559,168.93
Semi-finished Goods	674,813,946.46	13,435,647.72	661,378,298.74
Finished products	1,173,683,363.11	45,987,859.23	1,127,695,503.88
Total	6,595,107,478.87	166,149,770.33	6,428,957,708.54

(Continued)

Project	Amount at the beginning of the year		
	Book balance	Provision for falling price	Book value
Raw materials	2,648,025,744.19		2,648,025,744.19
Auxiliary materials	64,135,779.37		64,135,779.37
Spare parts	635,009,451.29		635,009,451.29
Low value consumables	3,407,647.16		3,407,647.16
Entrusted processing materials			
Materials in transit	2,704,989.22		2,704,989.22
Goods in process	121,914,486.20		121,914,486.20
Semi-finished Goods	638,901,198.01		638,901,198.01
Finished products	1,566,143,086.37	19,221,463.07	1,546,921,623.30
Total	5,680,242,381.81	19,221,463.07	5,661,020,918.74

(2) Situation of inventory falling price reserves

Project	Amount at the beginning of the year	Withdrawing Amount of This Year	Decreased amount of this year		Amount in the end of the year
			Amounts recovered	Amounts amortized	
Raw materials		106,726,263.38			106,726,263.38
Semi - finished Goods		13,435,647.72			13,435,647.72
Finished products	19,221,463.07	42,079,704.22	2,554,424.75	12,758,883.31	45,987,859.23
Total	19,221,463.07	162,241,615.32	2,554,424.75	12,758,883.31	166,149,770.33

(3) Withdraw and return reason of inventory falling price reserves

Project	Basis of provision for inventory falling price reserves increased.	Reasons for preparation of returning to inventory price-falling reserves in current period	The proportion of return amount in this year to year end balance of this inventory.
Raw materials	The variable net worth of partial product and relevant raw material value is lower than inventory cost in the end of term.		
Semi-finished Goods			
Finished products		The price of partial product rises.	0.22%

8. Other current assets

Project	Nature (or content)	Amount in the end of the year	Amount at the beginning of the year
Enterprise income tax		245,217.18	939,215.33
Total		245,217.18	939,215.33

Note: The enterprise income tax is the prepaid enterprise income tax of the subsidiary company-Heze Jinan Iron & Steel Trade Co., Ltd. and Laiwu Iron & Steel Shanghai Trade Co., Ltd.

9. Long-term equity investment

(1) Classification of long-term equity investment

Project	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
Investment in cooperative enterprises	9,747,942.10	7,866,907.68	2,759,490.00	14,855,359.78
Other investments on equity	243,600,000.00		200,000.00	243,400,000.00
Subtraction: Long-term equity investment depreciation reserves	60,000,000.00			60,000,000.00
Total	193,347,942.10	7,866,907.68	2,959,490.00	198,255,359.78

(2) Details of the long-term equity investment

The invested company invest to the cooperative enterprise	Accounting method	Investment cost	Amount at the beginning of the year	Changes of increase and decrease	Amount in the end of the year
Bisalloy Jigang (Shangdong)Steel Plate Co.,Ltd	the equity method	12,561,600.00	9,747,942.10	5,107,417.68	14,855,359.78
Other investments on equity					
Shandong Laiwu Iron & Steel Furnace Charge Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00
Shandong Iron& Steel Group Finance Co., Ltd.	Cost method	170,000,000.00	170,000,000.00		170,000,000.00
Tiantong Securities Co., Ltd.	Cost method	60,000,000.00	60,000,000.00		60,000,000.00
Heze Julong Energy Co., Ltd	the equity method	8,400,000.00	8,400,000.00		8,400,000.00
Shandong Jinan Iron & Steel International Travel Agency Co., Ltd.	Cost method	200,000.00	200,000.00	-200,000.00	

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Total		256,161,600.00	253,347,942.10	4,907,417.68	258,255,359.78
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(Continued)

Invested entity	Shareholding proportion in the invested entity (%)	Voting right proportion in the invested unit (%)	The instructions of inconsistent of shareholding proportion and voting right proportion in the invested unit	Depreciation reserve	Withdrawing depreciation reserve of this year	Cash bonus of this year
Investment in cooperative enterprises						
Bisalloy Jigang (Shangdong) Steel Plate Co., Ltd	66.67	50.00	Provisions of the articles of association (Note)			2,759,490.00
Other investments on equity						
Shandong Laiwu Iron & Steel Steel Furnace Co., Ltd.	20.00	20.00				
Shandong Iron& Steel Group Finance Co., Ltd.	10.63	10.63				
Tian Tong Securities Co., Ltd.	3.51	3.51		60,000,000.00		
Heze Julong Energy Co., Ltd.	3.00	3.00				
Shandong Jinan Iron & Steel International Travel Agency Co., Ltd.	6.67	6.67				
Total				60,000,000.00		2,759,490.00

Note: The Company signed the agreement with Australia Bisalloy Steel Group Limited, and founded the joint venture company, Bisalloy Jigang (Shangdong) Steel Plate Co., Ltd of which registered capital is 3 million USD dollars, and among which the contribution of this Company is 2 million USD dollars, Bisalloy Steel Group Limited is 1 million dollars. Term of the cooperation is 10 years. The distribution of profits is 50% by both parties; the risk loss is 50% borne by both parties.

(3) Investment in cooperative enterprises

The name of the invested units	Enterprise Type	Registered place	Legal representative	Business nature	Registered Capital	Shareholding ratio of the Company (%)	Voting right proportion of the Company in the invested unit (%)
Bisalloy Jigang (Shangdong) Steel Plate Co., Ltd	Limited Liability Company	Jinan	Liu Xiaodong	Produce and sell of iron and steel	3 million dollars	66.67	50.00

(Continued)

The name of the invested units	Total assets in the end of the year	Total liabilities in the end of the year	Total net assets in the end of the year	Total amount of business income of current year	Net profit of current year	Related relationships	Organization code
Bisalloy Jigang (Shangdong) Steel Plate Co., Ltd	24,425,917.36	817,248.24	23,608,669.12	24,187,104.87	3,444,175.56	The first majority shareholder	57557901-7

(4) Detailed statement of provision for depreciation of long-term equity investment

Project	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
Other long-term equity investment				
Tiantong Securities Co., Ltd.	60,000,000.00			60,000,000.00

Note: The Company has the total amount withdraw depreciation reserves of long-term share rights investment to Tiantong Securities Co., Ltd., and now Tiantong Security has been bankrupt, and the Company has not received the bankrupt property distribution scheme.

10. Fixed assets

(1) Fixed assets situation

Project	Amount at the beginning of the year	Increased amount of this year		Decreased amount of this year	Amount in the end of the year
I. Total of original book value	58,140,300,790.73	2,136,894,657.64		741,170,708.31	59,536,024,740.06
Including: Houses and buildings	16,640,041,931.85	698,422,041.72		152,519,520.35	17,185,944,453.22
Machinery equipment	40,425,396,070.77	1,378,563,615.69		530,811,255.59	41,273,148,430.87
Transportation tool	483,468,149.39	39,723,720.97		34,450,028.43	488,741,841.93
Electronic equipment	591,394,638.72	20,185,279.26		23,389,903.94	588,190,014.04
II Accumulated depreciation		Newly added of current year	Withdrawing of current year		
Total accumulated depreciation	24,446,118,192.69		2,018,175,326.27	482,705,058.02	25,981,588,460.94
Including: Houses and buildings	3,961,013,938.51		469,785,502.09	52,231,912.97	4,378,567,527.63
Machinery equipment	19,619,149,898.51		1,495,741,536.62	384,314,256.46	20,730,577,178.67
Transportation tool	345,745,933.77		23,001,312.99	31,855,587.05	336,891,659.71
Electronic equipment	520,208,421.90		29,646,974.57	14,303,301.54	535,552,094.93
III. Total of book values	33,694,182,598.04			-	33,554,436,279.12
Including: Houses and buildings	12,679,027,993.34		-	-	12,807,376,925.59
Machinery equipment	20,806,246,172.26		-	-	20,542,571,252.20
Transportation tool	137,722,215.62		-	-	151,850,182.22
Electronic equipment	71,186,216.82		-	-	52,637,919.11
IV. Total depreciation reserves	240,000.00	32,400,000.00		32,400,000.00	240,000.00
Including: Houses and buildings					
Machinery equipment		32,400,000.00		32,400,000.00	
Transportation tool	240,000.00				240,000.00
Electronic equipment					
V. Total of book value	33,693,942,598.04	-		-	33,554,196,279.12
Including: Houses and buildings	12,679,027,993.34	-		-	12,807,376,925.59
Machinery equipment	20,806,246,172.26	-		-	20,542,571,252.20
Transportation tool	137,482,215.62	-		-	151,610,182.22
Electronic equipment	71,186,216.82	-		-	52,637,919.11

Note: The depreciation of this year is RMB 181.7532627 million Yuan. The original values of fixed assets transferred from construction in progress in this year is RMB 1457.47483812 million Yuan.

(2) Fixed assets condition for which the ownership is restricted

The fixed assets without the limitation of ownership on December 31, 2013

(3) The fixed assets rented out through operation leases

Assets classification of operating leases	Book balance in the end of this year	Book balance at the beginning of the year
Machinery equipment	5,401,646,032.73	5,853,850,500.00
Total	5,401,646,032.73	5,853,850,500.00

(4) Description for fixed asset.

□ The Company will transfer the fixed assets that used for technology reformation to the project under construction and return to fixed assets when the project completed. The original value of fixed assets which implemented technical change in this year is RMB 406.13284103 million Yuan, and the accumulated depreciation is RMB 207.02013544 million Yuan.

□ The original value of the cleared fixed assets which scrapped in this term is RMB 101.18416941million Yuan, and withdrew depreciation is RMB 97.90290114 million Yuan, and residual value is RMB 2.95653142 million Yuan.

□ The original value of the transferred fixed assets in this term but not cleared now is RMB 199.09872284 million Yuan, and withdrew depreciation is RMB 140.50582407 million Yuan, withdrawing depreciation reserves is RMB 32.4 million Yuan.

11. Construction in progress

(1) Basic situation of construction in progress

Project	Amount in the end of the year			Amount at the beginning of the year		
	Book balance	Impairment reserve	Book value	Book balance	Impairment reserve	Book value
Construction in progress	4,542,807,078.74		4,542,807,078.74	3,407,144,828.73		3,407,144,828.73
Total	4,542,807,078.74		4,542,807,078.74	3,407,144,828.73		3,407,144,828.73

(2) Changes in major project under construction

Project name	Budget	Amount at the beginning of the year	Increased amount of this year	The amount transferred to fixed assets in this year	Other decreases	Amount in the end of the year
Deep processing of coal tar	637,390,000.00	192,636,280.24	24,346,624.75			216,982,904.99
60000 cube oxygenator project	724,100,000.00	616,451,552.60	52,166,499.05			668,618,051.65
Upgrade technical transformation of special steel products	2,997,300,000.00	1,020,004,894.75	1,145,101,367.10			2,165,106,261.85
60000 oxygen-making newly built 110KV substation	111,070,000.00	37,597,404.99	4,147,938.35			41,745,343.34
Project of energy management center	45,184,900.00	22,207,509.84	8,127,634.84			30,335,144.68
25MW power generation project	74,523,700.00		27,225,380.70			27,225,380.70
Construction project of technology research and development center	341,040,000.00	161,269,608.48	5,086,612.96	162,000,000.00		4,356,221.44
Finishing workshop	70,020,000.00	82,083,597.00	2,053,926.07	84,137,523.07		

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transformation						
Sinter 600000 tons of hematite pellets	110,380,000.00	4,192,268.21	41,173,213.78	45,354,096.99		11,385.00
Business department of special steel, prop area of Yinshan VD refining furnace	48,650,000.00	35,112,802.36	1,799,988.94	36,912,791.30		
3# Sintering machine dust removal desulfurization of flue gas	38,150,000.00	27,063,114.05	8,380,202.21	35,443,316.26		
Energy-saving renovation of coking heat conducting oil reboiler ammonia distillation	27,550,000.00	24,706,781.02	185,994.64	24,892,775.66		
No. 4 1080 blast furnace proper revamp	23,000,000.00	15,769,467.87	7,091,574.08	22,861,041.95		
No. 3 1080 blast furnace proper revamp	22,000,000.00	15,636,736.91	6,546,918.40	22,183,655.31		
Complete sets of process engineering for rotary hearth furnace restoring dust that containing zinc	180,660,000.00	19,948,213.56	1,443,646.60	21,096,664.30		295,195.86
Technical transformation of coke oven gas purification	59,590,000.00	18,160,426.99	35,957.00	18,196,383.99		
Coking No. 4 pipe belt machine project	10,320,000.00	8,730,307.21	4,039,442.83	12,708,912.44		60,837.60
4# Blast furnace auxiliary facilities transformation	21,630,000.00	10,551,706.85		10,551,706.85		
Technical transformation of 1700 hot tandem rolling principal line	146,350,000.00	29,581,302.27	143,387,495.28			172,968,797.55
4#120 tons of converter finishing engineering	90,000,000.00	71,161,832.75	10,286,283.82	8,000.00		81,440,116.57
Hot continuous rolling level subsection machine project	93,500,000.00	68,264,222.33	9,597,065.78			77,861,288.11
Finishing engineering of the new thick plate production line project	65,000,000.00	21,122,910.63	40,233,189.31			61,356,099.94
Newly increased stand-alone cold milk project of cold rolling mill	86,350,000.00	45,125,934.14	5,329,145.19			50,455,079.33
1750m3 Blast furnace optimization and modification	28,120,000.00		38,085,940.30			38,085,940.30

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120t converter optimization and modification project	27,120,000.00		36,713,437.15			36,713,437.15
Transformation of continuous casting machine in medium plate plant	26,000,000.00		35,725,594.95			35,725,594.95
320 Sintering machine desulfurization of flue gas	45,800,000.00		31,209,927.78			31,209,927.78
45 tons of converter transformation in medium plate plant	21,430,000.00		30,441,087.17			30,441,087.17
Optimization and modification of hot milk equipment in plate of moderate thickness	25,310,000.00		36,360,477.26	8,159,738.11		28,200,739.15
8,9# Finishing engineering of coke oven project	27,000,000.00	5,161,956.95	21,622,594.94			26,784,551.89
No. 1 1750m3 iron notch angle transformation of blast furnace	40,000,000.00		23,721,864.88			23,721,864.88
Hot continuous mild production line, and optimization and modification of heating furnace	29,850,000.00		23,354,274.43			23,354,274.43
3200m3 Blast furnace optimization and modification	19,180,000.00		23,063,149.86			23,063,149.86
Heating furnace optimization and modification of 4300 production line in Heavy plate plant	24,000,000.00		21,831,016.19			21,831,016.19
Gas and thermoelectricity optimization and modification in energy power plant	24,120,000.00		21,270,909.76			21,270,909.76
4300 production line optimization of thick and refined milk machine of wide and thick plate	24,070,000.00		21,247,005.06			21,247,005.06
No. 1, 2, 5 coke oven top refit for coking of Jinan Iron & Steel	58,000,000.00	9,599,809.47	41,659,450.40	43,981,590.63		7,277,669.24
Phenol cyanogen sewage treatment engineering	46,970,000.00	29,166,867.25	24,180,547.93	53,347,415.18		
1# 2# 1750 Blast furnace gas wet to dry dust and dry TRT project	90,000,000.00	86,955,790.27	10,919,644.25	97,875,434.52		
3200m3 Blast furnace	142,820,000.00	124,060,408.02	34,258,762.07	158,319,170.09		

steam-driven blower						
220t/h Engineering of gas boiler	72,140,000.00	74,484,109.56	23,575,160.29	98,059,269.85		
Total	6,795,688,600.00	2,876,807,816.57	2,047,026,946.35	956,089,486.50		3,967,745,276.42

(Continued)

Project name	Accumulated amount of capitalization of interest	Including: Amount of capitalization of interest in this year	Rate of capitalization of interest in this year (%)	Proportion of project input in budget (%)	Project progress (%)	Funds source
Deep processing of coal tar				34	20	Self-finance
60000 cube oxygenator project				90	90	Self-finance
Upgrade technical transformation of special steel products	122,825,369.86	94,400,973.40	6.00	70	80	Owned funds, borrow money
60000 oxygen-making newly built 110KV substation				40	35	Owned funds
Project of energy management center				65	65	Owned funds
25MW power generation project				40	20	Owned funds
Construction project of technology research and development center				60	90	Owned funds
Finishing workshop transformation				100	95	Owned funds
Sinter 600000 tons of hematite pellets				100	100	Owned funds
Business department of special steel, prop area of Yinshan VD refining furnace				75	100	Owned funds
3# Sintering machine dust removal desulfurization of flue gas				90	90	Owned funds
Energy-saving renovation of coking heat conducting oil reboiler ammonia distillation				90	90	Owned funds
No. 4 1080 blast furnace proper revamp				100	100	Owned funds
No. 3 1080 blast furnace proper revamp				100	100	Owned funds
Complete sets of process engineering for rotary hearth furnace restoring dust that containing zinc				100	100	Owned funds
Technical transformation of coke oven gas purification				105	100	Owned funds
Coking No. 4 pipe belt machine project				100	100	Owned funds
4# Blast furnace auxiliary facilities				100	100	Owned funds

transformation						
Technical transformation of 1700 hot tandem rolling principal line	12,323,149.98	7,622,505.63	5.70	70	95	Self-finance
120 tons of converter finishing engineering	1,671,795.37		5.70	90	100	Self-finance
Hot continuous rolling level subsection machine project	9,362,231.16	5,115,513.89	5.70	80	95	Self-finance
Finishing engineering of the new thick plate production line project			5.70	90	100	Self-finance
The newly increased single stand cold rolling mill project in cold rolling plant	9,059,153.39	4,393,249.09	5.70	60	85	Self-finance
1750m3 Blast furnace optimization and modification				110	100	Self-finance
120t converter optimization and modification project						Self-finance
Transformation of continuous casting machine in medium plate plant				130	100	Self-finance
320 Sintering machine desulfurization of flue gas	959,697.15	959,697.15	5.70	135	95	Self-finance
45 tons of converter transformation in medium plate plant						Self-finance
Optimization and modification of hot rolling equipment in the factory of plate of moderate thickness				80	80	Self-finance
8,9# finishing engineering of coke oven project				120	100	Self-finance
No. 1 1750m3 iron notch angle transformation of blast furnace	832,440.36	832,440.36	5.70	90	100	Self-finance
Optimization and modification of hot continuous rolling production line, and heating furnace				100	100	Self-finance
3200m3 Blast furnace optimization and modification				60	60	Self-finance
Heating furnace optimization and modification of 4300 production line in heavy plate plant				75	95	Self-finance
Gas and thermoelectricity optimization and modification in energy power plant				120	95	Self-finance

Optimization of 4300 production line thick and refined rolling machine in the plant of wide and thick plate				90	95	Self-finance
No. 1, 2, 5 coke oven top refit for coking in Jinan Iron & Steel	4,644,083.61	3,737,701.01	5.70	85	95	Self-finance
Phenol cyanogen sewage treatment engineering	4,831,472.64	3,323,016.14	5.70	85	85	Self-finance
1750 blast furnace gas wet to dry dust and dry TRT project	18,548,127.84	7,780,490.38	5.70	70	85	Self-finance
3200m3 Blast furnace steam-driven blower	22,395,345.95	11,142,857.21		110	100	Self-finance
220t/h Engineering of gas boiler	10,378,024.40	6,006,203.62		105	100	Self-finance
Total	217,830,891.71	145,314,647.88				

12. Disposal of fixed assets

Project	Amount at the beginning of the year	Amount in the end of the year	Reasons for transfer-in the disposal
Sintering machine of 70	11,458,802.38		
Thin oil sealing dry-type cabinet of 50 thousand cubic meter		707,327.45	Did not finish clear in 2013, and predict the finish in 2014
No.6 and no.8 blast furnaces		421,673.87	
1# shaft furnace in iron works (Note 1)			
3, 4#coke oven in iron works (Note 2)		8,353.66	
Total	11,458,802.38	1,137,354.98	

Note 1: 1# pelletizing shaft furnace has transferred to the fixed assets disposal, but has not yet cleared up, its book value is RMB 20.79129472 million Yuan, withdrawn depreciation is RMB 16.39575093 million Yuan, the clear fee of this term is RMB 0.51282051 million Yuan, the clear income is RMB 0.51836430 million Yuan, withdraw property depreciation reserves is RMB 4390 million Yuan.

Note2: 3, 4# coke oven in iron works has transferred to the fixed assets disposal, but has not yet cleared up, and its book value is RMB 171.507753.49 million Yuan, withdrawn depreciation is RMB 118.43939983 million Yuan, and received the financial award of closing down the outdated capacity is RMB 8.25 million Yuan, the clear income is RMB 16.8 million Yuan, withdraw property depreciation reserves is RMB 28.01 million Yuan.

13. Intangible assets

Project	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
I. Total of original book value	150,254,697.90	24,790,174.60		175,044,872.50
Including: Land use right	142,748,020.90	24,790,174.60		167,538,195.50
Software	5,106,677.00			5,106,677.00
Non-patented technology	2,400,000.00			2,400,000.00
II. Total accumulated amortization	11,804,779.92	3,877,380.27		15,682,160.19
Including: Land use right	6,101,269.53	3,338,346.86		9,439,616.39
Software	4,683,510.39	299,033.41		4,982,543.80
Non-patented technology	1,020,000.00	240,000.00		1,260,000.00
III. Total accumulative amounts of deprecation reserves				
Including: Land use right				
Software				

Non-patented technology				
IV. Total of book value	138,449,917.98	20,912,794.33		159,362,712.31
Including: Land use right	136,646,751.37	21,451,827.74		158,098,579.11
Software	423,166.61	-299,033.41		124,133.20
Non-patented technology	1,380,000.00	-240,000.00		1,140,000.00

Note: The amortization amount of the current period is RMB 3,877,380.27 Yuan.

14. Long-term unamortized expenses

Project	Amount at the beginning of the year	Increased amount of this year	Amortization of this year	Other decreased amount	Amount in the end of the year	Reasons for other decreases
Decoration costs	109,500.00		73,000.08		36,499.92	
Lease fee of truck	324,970.83		169,550.04		155,420.79	
Total	434,470.83		242,550.12		191,920.71	

15. Deferred income tax assets / Deferred income tax liabilities

(1) Confirmed deferred income tax assets and the deferred income tax liabilities;

☐ Deferred income tax assets have been confirmed

Project	Amount in the end of the year		Amount at the beginning of the year	
	Deferred income tax assets	Deductible temporary differences and deductible loss	Deferred income tax assets	Deductible temporary differences and deductible loss
Preparation for assets impairment	54,509,085.47	218,036,341.88	78,656,950.44	314,627,801.78
Deduction deficit	26,484,650.85	105,938,603.40	26,484,650.85	105,938,603.40
enterprise annuity			6,830,489.63	27,321,958.52
Termination welfare			439,100.24	1,756,400.96
Total	80,993,736.32	323,974,945.28	112,411,191.16	449,644,764.66

☐ Deferred income tax liabilities have been confirmed

Project	Amount in the end of the year		Amount at the beginning of the year	
	Deferred income tax liabilities	Taxable Temporary Differences	Deferred income tax liabilities	Taxable Temporary Differences
The unrecognized financing cost of the payment by installment. of business merger under the common control and			10,904,631.50	43,618,526.00
Total			10,904,631.50	43,618,526.00

(2) Unconfirmed deferred income tax assets details

Project	Amount in the end of the year	Amount at the beginning of the year
Preparation for assets impairment	388,685,484.92	236,571,641.79
Deduction deficit	3,790,763,369.11	4,277,339,987.51
Accrued liabilities	28,000,000.00	
Total	4,207,448,854.03	4,513,911,629.30

(3) The deductible loss of unconfirmed deferred income tax asset will expire till next year

Year	Amount in the end of the year	Amount at the beginning of the year	Remarks
2013 year			
2014 year	67,121,413.48	243,719,970.53	
2015 year			
2016 year			

2017 year	3,340,576,868.42	4,033,620,016.98	
2018 year	383,065,087.21		
Total	3,790,763,369.11	4,277,339,987.51	

16. List of assets depreciation reserves

Project	Amount at the beginning of the year	Charge for the year	Decreased amount of this year		Amount in the end of the year
			Amounts recovered (Note 1)	Amounts amortized (Note 2)	
I. Provision for bad debts	471,737,980.51	45,116,218.55	67,008,146.63	101,913,996.00	347,932,056.43
II. Inventory falling price reserves	19,221,463.07	162,241,615.32	2,554,424.75	12,758,883.31	166,149,770.33
III. Long-term equity investment depreciation reserves	60,000,000.00				60,000,000.00
IV. Fixed assets depreciation reserves	240,000.00	32,400,000.00		32,400,000.00	240,000.00
Total	551,199,443.58	239,757,833.87	69,562,571.38	147,072,879.31	574,321,826.76

Note 1: Transfer the previous subsidiary Jinan Iron & Steel International and Laiwu Iron & Steel International in this year, the bad debt preparation is reduced because the Company will no longer merge the two companies in the end of the year.

Note2: The listed write-off number of fixed assets depreciation reserves in the above table, will transferred to the project of “disposal of fixed assets” along with the corresponding fixed assets. This fixed asset has not finished the disposal in the end of December 31, 2013.

17. Short-term borrowing

Project	Amount in the end of the year	Amount at the beginning of the year
Hypothecated loan (Note 1)	476,685,367.60	85,000,000.00
Guaranteed loan (Note2):	5,620,898,412.61	7,365,992,622.52
Credit loan	5,363,969,000.00	9,918,087,633.35
Total	11,461,552,780.21	17,369,080,255.87

Note 1: The Company pledged the receivable account RMB 334.93266334 million Yuan, and factorage financing to the China Bank laiwu Branch RMB 299.68536760 million Yuan; The Company pledged the receivable account RMB 374.32874871 million Yuan, and factorage financing to the Industrial and Commercial Bank of China RMB 260 million Yuan; refund of this term RMB 83 million Yuan, and the ending balance is RMB 177 million Yuan.

Note2: The guaranteed loan is provided by Shandong Iron & Steel Group, Jinan Iron & Steel Group and Jinan Baode Automobile Transportation Co., Ltd., see details at appendix 8, 5, (4).

18. Trading financial liabilities

Project	Fair value in the end of the year	Fair value at beginning of the year
Financial Derivative liabilities		3,934,457.22
Total		3,934,457.22

Note: The derivative financial liability is the forward foreign exchange contract of previous subsidiary-Laiwu Iron & Steel International and the share rights of Laiwu Iron & Steel International is transferred in this year, and it will be reduced because of on longer merger.

19. Notes payable

Type	Amount in the end of the year	Amount at the beginning of the year
Bank acceptances	792,743,669.74	477,944,641.39
Commercial acceptance bill	10,000,000.00	
Total	802,743,669.74	477,944,641.39

Note: The above amount is the payable notes that due within a year. Among which, the RMB 300 million Yuan

bank acceptance bill issued by Beijing Bank Jinan Branch guaranteed by Shandong Iron & Steel Group, see details in appendix 8, 5, (4).

20. Accounts payable

(1) Accounts payable details

Project	Amount in the end of the year	Amount at the beginning of the year
Payment for materials	17,420,249,773.01	9,503,592,375.39
Project fund	609,316,916.45	482,536,758.85
Transportation fee	55,843,042.71	128,482,982.26
Others	382,129,146.69	463,770,388.36
Total	18,467,538,878.86	10,578,382,504.86

(2) The payment conditions of the shareholders units or related parties holding 5% (including 5%) or more shares with voting power in other receivables closing balance;

For details see Note VIII, Item 6 Receivables and payables from related parties

(3) Description for large amount of accounts payable with the aging exceeding 1 year

Name of creditors	Amount	Unliquidated reason	Return the report or not in the future
ZODIAC MARITIME AGENCIES LTD	7,472,583.06	Payment for materials	No
Beijing Sound Environmental Engineering Co., Ltd.	5,250,000.00	Project fund	No
Huadian Heavy Industries Co., Ltd.	3,806,762.00	Project fund	No
Total	16,529,345.06		

Note: The account payable which the period is more than a year is mainly the final payment of project payable amount.

21. Account collected in advance

(1) Detailed description count collected in advance

Project	Amount in the end of the year	Amount at the beginning of the year
Loan	2,068,880,434.68	2,685,509,646.32
Total	2,068,880,434.68	2,685,509,646.32

(2) The payment of shareholder or related party that holding more than 5% (including 5%) voting power of the Company in the advance receipt of report period.

For details see Note VIII, Item 6 Receivables and payables from related parties

(3) Description for the large amount of advance payment with the aging exceeding 1 year

The large amount deposit received deposit without account period is more than 1 year in the year end balance, the deposit received which account period is more than 1 year is the purchase cash deposit saved by customer.

22. Employee pay payable

Project	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
I. Wage, premium, allowance and subsidy	48,439,489.60	2,126,358,537.95	2,048,240,235.68	126,557,791.87
II. Welfare expense of employee	153,838.01	319,244,143.50	319,397,981.51	
III. Social insurance charges	108,110,928.71	825,779,505.25	867,435,173.47	66,455,260.49
1. Basic medical insurance expense	37,609.44	201,674,316.63	201,677,364.86	34,561.21
2. The basic old-age Insurance	37,874.77	557,515,351.05	534,013,737.54	23,539,488.28

3. Annuity payment (Note)	62,177,450.45		62,177,450.45	
4. Unemployment insurance premium	28,172,275.76	30,392,782.89	33,483,880.48	25,081,178.17
5. Industrial injury insurance premium	13,164,410.95	20,587,531.88	20,508,142.86	13,243,799.97
6. Birth insurance premium	4,521,307.34	15,609,522.80	15,574,597.28	4,556,232.86
IV. Housing fund	5,106.53	472,204,244.94	472,195,743.66	13,607.81
V. Labour union expenditure and personnel education fund	69,449,443.98	71,512,710.31	63,880,653.09	77,081,501.20
VI. Dismissal welfare	1,756,400.95	1,123,713.65	2,880,114.60	
Total	227,915,207.78	3,816,222,855.60	3,774,029,902.01	270,108,161.37

Note: Enterprise annuity is the one withdrawal in 2007. Shandong state-owned assets supervision and administration commission is researching and formulating the trial implementation enterprise annuity of Shandong province-ran enterprise as the supervisor authorities of state-owned property, and demand the company to suspend execute the enterprise annuity system from 2008. In accordance with the decision of *Decision of Suspending the Execution of Enterprise Annuity System* in Ninth of fourth period of board of directors, however, the suspending the execution of enterprise annuity system shall not withdrawing continuously from 2008. Regarding as the above enterprise annuity did not operate as the operation mode of enterprise annuity, the decision in Ninth of fourth period of board of directors of company is to transfer the balance of enterprise annuity to salary surplus in 2013.

23. Tax payable

Project	Amount in the end of the year	Amount at the beginning of the year
Value-added tax	-73,045,290.81	-195,600,398.61
Business tax	394,463.98	859,676.45
Enterprise income tax	7,377,311.53	-158,301.60
Individual income tax	2,900,932.71	1,608,364.14
Urban maintenance and construction tax	8,707,947.39	8,338,570.86
Education surcharges	6,219,962.49	4,085,615.03
Housing property tax	8,828,202.78	9,284,825.45
Land use tax	15,819,141.28	16,189,081.52
Stamp tax	2,104,303.24	1,684,774.76
Others	2,034,210.86	1,566,892.32
Total	-18,658,814.55	-152,140,899.68

24. Interest payable

Project	Amount in the end of the year	Amount at the beginning of the year
Loan interest	14,283,866.70	62,146,519.92
Interest on enterprise bond	98,280,000.00	98,280,000.00
Total	112,563,866.70	160,426,519.92

25. Dividends payable

Name of organization	Amount in the end of the year	Amount at the beginning of the year
Shandong Gold Group Co., Ltd.	1,694,029.60	1,694,029.60
Total	1,694,029.60	1,694,029.60

26. Other payables

(1) Other payables details

Project	Amount in the end of the year	Amount at the beginning of the year
Security deposit/Pledged capital	76,523,957.06	84,811,127.40
Fees for technical service	14,565,666.36	6,527,747.47
Technology development expense	3,657,856.74	4,290,733.79

Payment for engineering equipments	25,162,577.47	60,816,060.95
Repair costs	11,175,356.37	11,720,109.60
Receipts and payment on behalf of others	114,809,270.59	93,799,982.25
Transportation fee	90,440,289.76	108,301,766.30
Others	177,094,010.90	84,386,999.18
Total	513,428,985.25	454,654,526.94

(2) The payment conditions of the shareholders units or related parties holding 5% (including 5%) or more shares with voting power in other receivables closing balance during reporting period

For details see Note VIII, Item 6 Receivables and payables from related parties

(3) The description of other large amounts receivables with aging exceeding about one-year

Name of creditors	Amount	Unliquidated reason	Return the report or not in the future
Linde company	18,310,000.00	Quality Guarantee Money	Yes
Zibo Iron & Steel Co., Ltd.	8,337,773.60	The owed entrust process cost because of quality objection	No
Total	26,647,773.60		

Note: The other great account payable which the period is more than a year is mainly the quality cash deposit.

(4) Statement for other payables with larger amount

Name of creditors	Amount in the end of the year	Nature or content
Shandong Rongxin Investment Co., Ltd	51,200,000.00	Receipts and payment on behalf of others
Qingdao Port International Co., Ltd Qiangang Branch	26,655,916.26	Transportation fee
Shandong Laiwu Steel International Corp.	25,128,874.85	Current account
Shandong Xinhe Energy Saving Technology Co. Ltd	22,700,864.80	Payment for engineering equipments
Shandong Iron& Steel Group Co., Ltd.	17,002,000.00	It is mainly appropriate by Shandong Iron& Steel Group Co., Ltd
Total	142,687,655.91	

Note: Shandong Iron& Steel Group Co., Ltd will allocate RMB 17 million Yuan financial fund to our Company according to LCQZ [2012] No. 125 *Notice about Issuing Provincial State-owned Capital Management Budget Major Technical Innovation and Industrialization Capital Budget Target*, and our Company will treat accounts according to stipulations of Article 8 of Notice of Ministry of Finance about Issuing < Interim Provisions to Strengthen Enterprise Financial Information Management > (CQ[2012] No.23.)The fund will be used for top gas cycled oxygen blast furnace iron-making technology.

27. Accrued liabilities

Project	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
Pending litigation		28,000,000.00		28,000,000.00
Total		28,000,000.00		28,000,000.00

Note: See Note IX contingent evens for disclosure of estimated liabilities details.

28. Non-current liabilities due within one year

(1) Details of long-term liabilities due within one year

Project	Amount in the end of the year	Amount at the beginning of the year
The long-term loan due within one year (Note VII, Item 30)	225,600,000.00	3,831,272,003.39
Long-term payable that should expire		821,440,554.01

within 1 year		
Total	225,600,000.00	4,652,712,557.40

(2) The long-term loan due within one year

□ Details of long-term liabilities due within one year

Project	Amount in the end of the year	Amount at the beginning of the year
Guaranteed loan	225,600,000.00	2,457,672,003.39
Credit loan		1,373,600,000.00
Total	225,600,000.00	3,831,272,003.39

□ Long-term loans payable due within one year of the top five units in amount

Loan unit	Starting date of loan	Ending day of loan	Interest rate (%)	Currency	Amount in the end of the year	
					Amount of foreign currency	Amount of domestic currency:
Industrial and Commercial Bank of China Jinan Eastern Subbranch	April 29, 2009	April 30, 2014	7.05	RMB		27,000,000.00
Industrial and Commercial Bank of China Jinan Eastern Subbranch	April 29, 2009	October 31, 2009	7.05	RMB		27,000,000.00
China CITIC Bank Jinan North Garden subbranch	August 21, 2009	August 16, 2014	5.76	RMB		30,000,000.00
China CITIC Bank Jinan North Garden subbranch	September 14, 2009	August 16, 2014	5.76	RMB		30,000,000.00
Industrial and Commercial Bank of China Jinan Eastern Subbranch	April 29, 2009	April 30, 2014	7.05	RMB		9,000,000.00
Total						123,000,000.00

(Continued)

Loan unit	Starting date of loan	Ending day of loan	Interest rate (%)	Currency	Amount at the beginning of the year	
					Amount of foreign currency	Amount of domestic currency:
Syndicated loan of Agricultural Bank of China	January 13, 2011	October 11, 2013	3.00	USD		400,700,625.00
Agricultural Bank of China Lixia subbranch	March 26, 2011	March 25, 2013	5.985	RMB		200,000,000.00
CMB Honglou subbranch	July 14, 2010	July 13, 2013	5.985	RMB		200,000,000.00
Bank of China Jinan Branch	November 18, 2010	November 17, 2013	5.985	RMB		200,000,000.00
Bank of China Jinan Branch	December 6, 2010	December 5, 2013	6.65	RMB		200,000,000.00
Total						1,200,700,625.00

Note: There is no future payment of balance sheet

(3) Long-term payable that should expire within 1 year

Note: Our Company purchased main related assets of Jinan Iron & Steel Group Company on October 31, 2008, and the remaining purchasing price due is RMB 4325.29846667 million Yuan which shall be paid interest-free with equal amount in 5 years from 2009 to 2013 and paid before December 31 of each year. Our Company will make follow-up measure assets purchased by installment by Jinan Iron & Steel Group Company according to amortized cost and discount them to present value. By the end of December 31, 2012, original book value of long-term account payable due within one year was RMB 865.05969333 million Yuan and unamortized and unacknowledged financial charges was RMB 43.61913932 million Yuan. The remaining price had been fully paid off in this year, and the remaining unamortized and unacknowledged financial charges had been fully unamortized

and included into financial cost.

29. Other current liabilities

Project	Content	Amount in the end of the year	Amount at the beginning of the year
Deferred income	Government subsidies	2,613,277.01	2,822,564.10
Total		2,613,277.01	2,822,564.10

In which, deferred income statement is as follows:

Project	Amount in the end of the year	Amount at the beginning of the year
Public subsidy related with assets		
Revitalization and restructuring and technological transformation of the second batch of key industrial in 2009	533,180.25	830,769.23
The demonstration project of industrial enterprise energy management center construction in 2009	501,584.39	781,538.46
The revitalization and technical transformation of key industries in 2010	157,979.33	246,153.85
Special fund project for provincial new industries and key industries development in 2010	19,747.42	30,769.23
Special fund for environment protection in 2011	253,731.34	333,333.33
400 Sintering desulfurization transformation funds	50,746.27	66,666.67
Second batch of special funds for environmental protection (Coking steamed ammonia wastewater treatment and comprehensive utilization project)	325,000.00	
1 #-5# Coke oven desulfuration renovation project	371,308.01	533,333.33
Environmental protection fund related with 320 sintering machine flue gas desulfurization project	75,000.00	
Project fund for sewage treatment and recycle engineering in industrial park	325,000.00	
Total	2,613,277.01	2,822,564.10

30. Long-term loans

(1) Classification of long-term loans

Project	Amount in the end of the year	Amount at the beginning of the year
Guaranteed loan	2,029,306,799.36	4,036,994,709.52
Credit loan	703,200,000.00	1,573,600,000.00
Subtraction: The long-term loan due within one year (Note VII, Item 28)	225,600,000.00	3,831,272,003.39
Total	2,506,906,799.36	1,779,322,706.13

(2) The top five long-term loans in amount

Loan unit	Starting date of loan	Ending day of loan	Interest rate (%)	Currency	Amount in the end of the year	
					Amount of foreign currency	Amount of domestic currency:
Shandong Iron & Steel Group Co., Ltd.	March 30, 2010	March 29, 2015	5.33	RMB		500,000,000.00
Import and Export Bank of China Qingdao Branch	September 29, 2013	September 29, 2015	5.84	RMB		500,000,000.00
Import and Export Bank of China Qingdao Branch	November 19, 2013	September 29, 2015	Half-year libor+350 points are confirmed semiannually.	USD	41,000,000.00	249,972,900.00
Asian Development	April 15, 1992	May 15, 2016	Exchange rate risk database system	Yen	3,562,269,985.98	205,795,899.36

Bank (ADB)						
Shandong Iron& Steel Group Co., Ltd.	March 3, 2010	March 29, 2015	5.33	RMB		200,000,000.00
Total						1,655,768,799.36

(Continued)

Loan unit	Starting date of loan	Ending day of loan	Interest rate (%)	Currency	Amount at the beginning of the year	
					Amount of foreign currency	Amount of domestic currency:
Shandong Iron& Steel Group Co., Ltd.	March 30, 2010	March 29, 2015	4.08	RMB		500,000,000.00
Asian Development Bank (ADB)	April 15, 1992	May 15, 2016	Exchange rate risk database system	Yen	4,760,129,586.03	347,722,706.13
CCB Eastern suburbs subbranch	November 11, 2009	April 28, 2017	6.35	RMB		219,000,000.00
CCB Eastern suburbs subbranch	April 29, 2009	April 28, 2017	6.80	RMB		73,000,000.00
CCB Eastern suburbs subbranch	January 6, 2010	April 28, 2017	5.76	RMB		73,000,000.00
Total						1,212,722,706.13

31. Bonds payable

Bonds Name	Nominal value (RMB Ten thousand)	Release date	Bond period	Issuing amount (RMB Ten thousand)	Interest payable at the beginning of year (RMB Ten thousand)	Interest payable of this year (RMB Ten thousand)	Paid interest of this year (RMB Ten thousand)	Interest payable in the end of the year (RMB Ten thousand)	Balance in the end of the year (RMB Ten thousand)
Corporate Bonds	200,000.00	March 25, 2013	10 Years	200,000.00	9,828.00	13,100.00	13,100.00	9,828.00	200,000.00
Total	200,000.00			200,000.00	9,828.00	13,100.00	13,100.00	9,828.00	200,000.00

32. Other non-current liabilities

Project	Content	Amount in the end of the year	Amount at the beginning of the year
Deferred income	Government subsidies	52,023,976.76	39,098,205.13
Total		52,023,976.76	39,098,205.13

In which, deferred income statement is as follows:

Liability project	Balance at the beginning of the year	Newly increased subsidy amount in current period	Included non-business income amount in current period	Other changes	Balance in the end of the year	Related to assets/ earnings
Subsidy for science and technology	1,000,000.00				1,000,000.00	Related with assets
Fund for enterprise independent innovation technology Subsea Pipeline Steel		300,000.00			300,000.00	Related with assets
Restructuring and revitalization and technical transformation of second batch of key industries in 2009	9,138,461.54			309,988.52	8,828,473.02	Related with assets
2009 industrial enterprise	8,596,923.07			291,618.83	8,305,304.24	Related

energy management center construction demonstration project						with assets
Revitalization and technical transformation of key industries in 2010	2,707,692.31			91,848.45	2,615,843.86	Related with assets
Special fund for provincial emerging industries and key industries development in 2010	338,461.54			11,481.06	326,980.48	Related with assets
Special fund for environmental protection in 2011	4,333,333.33			194,029.85	4,139,303.48	Related with assets
400 Sintering desulfurization innovation fund	866,666.67			38,805.97	827,860.70	Related with assets
Special funds for Second batch of environmental protection	4,000,000.00	2,500,000.00		325,000.00	6,175,000.00	Related with assets
Special fund for state support plan	250,000.00		250,000.00			Related with assets
1# 2# 5# project of refitting coke oven, ramming and coking	400,000.00				400,000.00	Related with assets
1 #5# renovation project of coke oven desulfuration	7,466,666.67			249,789.03	7,216,877.64	Related with assets
Subsidy for energy power plant heating supply with waste heat innovation project		1,580,000.00			1,580,000.00	Related with assets
Environmental protection fund related with 320 sintering machine flue gas desulfurization project		1,500,000.00	75,000.00	75,000.00	1,350,000.00	Related with assets
Reclaimed water reuse project		3,000,000.00			3,000,000.00	Related with assets
Project fund for sewage treatment and recycle engineering in industrial park		6,500,000.00	216,666.66	325,000.00	5,958,333.34	Related with assets
Total	39,098,205.13	15,380,000.00	541,666.66	1,912,561.71	52,023,976.76	

33. Capital stock

Project	Amount at the beginning of the year		Increase-decrease change of this year (+ -)			Amount in the end of the year	
	Amount	Proportion	Issuing New share	Bonus issue	Subtotal	Amount	Proportion
I. Shares with restricted conditions							
1. Family Shares							
2. Legal Person Shares	1,093,137,645	16.98				1,093,137,645	16.98
3. Other Domestic Shares							
4. Capital shares							
Sum of Restricted Shares	1,093,137,645	16.98				1,093,137,645	16.98
II. Shares with							

restricted conditions							
1. RMB- ordinary shares	5,343,158,152	83.02				5,343,158,152	83.02
2. Foreign shares listed in domestics							
3. Foreign shares listed overseas							
Sum of Restricted Shares	5,343,158,152	83.02				5,343,158,152	83.02
III. Total pieces	6,436,295,797	100.00				6,436,295,797	100.00

34. Capital reserve

Project	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
Capital premium	7,154,356,979.37			7,154,356,979.37
Other capital reserves	527,510,628.48		17,411,388.44	510,099,240.04
Total	7,681,867,607.85		17,411,388.44	7,664,456,219.41

Note: Reduction of capital reserve is due to adjustment corresponding to disposal of subsidiaries of this current year.

35. Special reserve

Project	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
Safety production expense	11,570,850.91	121,771,115.85	121,558,617.93	11,783,348.83
Total	11,570,850.91	121,771,115.85	121,558,617.93	11,783,348.83

Note: The Company, according to provisions specified in CQ [2012] No. 16 *The Measures on the Use and Draw of Production Safety Fund issued by Ministry of Finance and State Administration of Work Safety*, will draw production safety costs by classification, and reduction of current year is due to expenditure of current year within range of safety production cost as regulated by management methods.

36. Surplus reserves

Project	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
Statutory surplus reserve	715,200,012.60			715,200,012.60
Total	715,200,012.60			715,200,012.60

37. Undistributed profit

Project	Amount of this year	The amount of last year	Extraction or allocation proportion
Undistributed profits in the end of the last year before adjustment adjusting total of undistributed profits at the beginning of the year (Increased+ Reduced-)	-1,976,952,161.17	1,854,616,827.66	
Undistributed profit after adjustment at the beginning of the year	-1,976,952,161.17	1,854,616,827.66	
Add: Net profits attributable to the parent company shareholders	158,294,827.37	-3,836,510,885.35	
Surplus reserve to cover the deficit			
Other transfer-in			
Subtraction: Withdrawal of statutory surplus reserves			
Withdrawal discretionary surplus reserves			
Common stock dividends payable			

Common stock dividend which has been converted to capital stock			
Others		-4,941,896.52	
Undistributed profits in the end of the year	-1,818,657,333.80	-1,976,952,161.17	

38. Operating proceeds and operating costs**(1) Operating proceeds and operating costs**

Project	The amount of this year	The amount of last year
Revenue from main business	61,839,861,425.03	69,100,074,382.18
Other business income	8,629,935,984.62	4,203,609,593.80
Total operating income	70,469,797,409.65	73,303,683,975.98
Cost of main business	58,943,534,519.33	69,185,677,768.35
Cost of other business	8,055,112,583.74	3,838,241,899.96
Total operating costs	66,998,647,103.07	73,023,919,668.31

(2) Business (Industry-classified)

Industry name	The amount of this year		The amount of last year	
	Operating income	Operating cost	Operating income	Operating cost
Iron and steel product	49,137,860,456.02	48,393,087,952.35	59,289,530,949.92	60,223,145,372.79
Coking, power, etc.	12,702,000,969.01	10,550,446,566.98	9,810,543,432.26	8,962,532,395.56
Total	61,839,861,425.03	58,943,534,519.33	69,100,074,382.18	69,185,677,768.35

(3) Business (Product-classified)

Product name	The amount of this year		The amount of last year	
	Operating income	Operating cost	Operating income	Operating cost
Ordinary steel	9,524,559,972.59	9,401,041,580.71	11,849,115,230.61	11,814,551,976.19
Fine steel	5,585,876,070.89	5,407,217,537.04	5,144,266,205.21	5,266,553,696.32
Plates	11,288,494,300.46	10,733,053,213.91	13,910,079,504.65	14,527,365,379.75
Bar	9,388,985,544.52	9,096,539,330.48	12,195,037,522.25	12,386,170,673.03
Billet, molten iron and mineral products	12,417,001,825.03	11,907,099,620.96	10,083,198,328.51	9,910,535,281.04
Cold and hot rolling	4,118,240,433.86	4,110,518,260.51	6,107,834,158.69	6,317,968,366.46
Coking, power, etc.	9,516,703,277.68	8,288,064,975.72	9,810,543,432.26	8,962,532,395.56
Total	61,839,861,425.03	58,943,534,519.33	69,100,074,382.18	69,185,677,768.35

(4) Main Business (Sub-regions)

Name of region	The amount of this year		The amount of last year	
	Operating income	Operating cost	Operating income	Operating cost
East China	53,701,592,729.79	51,176,289,925.93	59,602,986,722.23	59,694,462,527.67
-China Northern:	3,557,870,342.61	3,424,270,362.04	3,071,541,628.97	3,064,556,274.63
Northeast China Region	140,930,100.20	136,944,218.64	757,529,133.27	755,791,193.91
Central-South China	792,221,325.84	751,117,171.31	1,160,788,766.45	1,170,574,460.45
Northwest China	209,681,132.86	187,941,611.56	487,348,110.75	487,662,539.73
Central China	256,629,493.02	236,482,269.14	231,183,036.37	228,046,468.54
-China Southern:	505,930,738.46	472,980,513.48	178,194,473.25	175,776,825.91
Southwest China	102,344,928.04	97,034,793.61	326,865,438.90	329,620,983.46
Export	2,572,660,634.21	2,460,473,653.62	3,283,637,071.99	3,279,186,494.05
Total	61,839,861,425.03	58,943,534,519.33	69,100,074,382.18	69,185,677,768.35

(5) Operation revenue of top five clients of the Company

Period	Total operating income from the top five customers	Proportion of business revenue at the same period (%)
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2013 year	18,620,983,792.92	26.42
2012 year	9,551,604,350.04	13.03

39. Business tax and surcharges

Project	The amount of this year	The amount of last year
Business tax	6,812,384.49	6,549,984.84
Urban maintenance and construction tax	83,864,315.99	79,536,040.51
Extra charges of education funds and extra charges of local education funds	59,891,494.30	58,311,026.02
Others	12,322,363.47	11,348,755.03
Total	162,890,558.25	155,745,806.40

Note: See Note V Tax Item for calculating standard of business tax and surcharges

40. Selling expenses

Project	The amount of this year	The amount of last year
Employees' Remuneration	38,749,021.28	75,063,655.60
Office expenses	2,046,334.58	2,234,017.75
Depreciation cost	1,065,923.15	1,583,938.58
Freight and miscellaneous charges	112,586,010.26	192,869,058.38
Business entertainment expenses	2,739,931.25	4,339,448.17
Export charges	47,474,381.04	63,113,834.37
Weighing expense	3,533,740.06	3,074,514.08
Others	8,414,102.50	23,926,065.08
Total	216,609,444.12	366,204,532.01

41. Administrative expenses

Project	The amount of this year	The amount of last year
Employees' Remuneration	300,685,913.27	462,425,684.85
Depreciation cost	15,032,042.91	30,891,425.22
Repair costs	967,347,286.88	1,055,827,647.26
Amortization of intangible assets	3,588,380.19	3,095,292.84
Entertainment expenses	19,643,025.79	34,430,132.68
Tax:	76,583,652.76	71,808,735.59
Rental expenses	137,659,374.69	130,813,844.77
Research and development expenses	50,145,526.98	64,559,656.08
Office, public expenses and others	325,736,870.37	281,875,938.26
Total	1,896,422,073.84	2,135,728,357.55

42. Finance expenses

Project	The amount of this year	The amount of last year
Interest expenses	1,038,591,903.48	1,243,581,128.74
Subtraction: Interest income	31,248,142.83	36,276,655.72
Exchange losses (-Exchange income)	-248,911,612.57	-42,486,539.34
The share of unrecognized financing charges	43,684,034.03	85,252,413.14
Discount interest expense	94,584,181.53	19,414,850.07
Others	41,372,878.37	58,141,860.31
Total	938,073,242.01	1,327,627,057.20

43. Profits or losses on the changes in fair value

Source of income from changes in fair value	The amount of this year	The amount of last year
Trading financial assets (Note)	-27,143,440.15	-2,939,841.51

Including: Income from changes in fair value produced by derivative financial instruments		
Trading financial liabilities		40,598,736.01
Total	-27,143,440.15	37,658,894.50

Note: Trading financial assets is held by Laiwu Iron & Steel International. Stock rights of Laiwu Iron & Steel International are transferred in the current year, and amount incurred is fair value change of trading financial assets from beginning of the year to the date of stock right transfer.

44. Investment income

(1) Investment income details

Project	The amount of this year	The amount of last year
Investment income of long term equity accounted by equity method	1,694,907.68	2,832,942.53
Investment income occurred from long-term equity disposal	275,810,180.14	
Investment income obtained during holding trading financial assets	2,017,052.89	
Investment income obtained from disposal of trading financial assets	476,239.74	
Others		91,486.29
Total	279,998,380.45	2,924,428.82

(2) Investment income of long term equity accounted by equity method

The name of the invested units	The amount of this year	The amount of last year	Causes of increase or decrease change
Bisalloy Jigang (Shangdong) Steel Plate Co., Ltd	1,694,907.68	2,832,942.53	
Total	1,694,907.68	2,832,942.53	

45. Loss on the asset impairment

Project	The amount of this year	The amount of last year
Loss on bad debts	38,750,073.88	-2,094,428.12
Loss on inventory valuation	159,687,190.57	18,333,665.36
Impairment losses of fixed assets	32,400,000.00	
Total	230,837,264.45	16,239,237.24

46. Non-operating proceeds

Project	The amount of this year	The amount of last year	The amount reckoned in Non-recurring Profit and Loss of the Current Period
Gains from disposal of non-current assets	23,544,944.20	3,687,239.48	23,544,944.20
Including: Fixed assets disposal gains	23,544,944.20	3,687,239.48	23,544,944.20
Government subsidies	11,133,533.46	60,615,206.17	11,133,533.46
Liquidated damages income	4,507.65		4,507.65
Other gains	144,426.57	1,042,770.49	144,426.57
Total	34,827,411.88	65,345,216.14	34,827,411.88

Including, detail of governmental subsidies:

Project	The amount of this year	The amount of last year	Related to assets/ earnings
Government's regional economic rewards	1,120,000.00	1,230,000.00	Related with earnings
Deferred income	2,513,515.46	2,289,230.77	Related with assets
2013 export credit insurance subsidies 9.12	136,064.00	85,000.00	Related with earnings
Others	662,854.00	32,000.00	Related with earnings
Two-increase & One-guarantee fund for	4,985,500.00		Related with earnings

supporting foreign trade			
Industrial enterprises development award	50,000.00		Related with earnings
Guide fund for the development of municipal foreign trade and economies	403,000.00		Related with earnings
Receive 2012 foreign trade guiding fund 7.09 from Bureau of Commerce.	103,600.00		Related with earnings
2013 municipal foreign trade development guiding fund	285,000.00		Related with earnings
Xuejia Island financial taxation refunds	204,000.00		Related with earnings
Financial refunds	300,000.00		Related with earnings
Special fund for safety	200,000.00		Related with earnings
Assisting funds for patent development	20,000.00		Related with earnings
Special fund for national support plan	150,000.00		Related with earnings
Receive financial subsidies for Yinshan front area project from Laiwu		45,000,000.00	Related with earnings
Transfer public subsidies of gas-steam combined cycle generating project		8,620,000.00	Related with earnings
Assessment reward funds for city pollution reduction and environmental improvement in 2011		200,000.00	Related with earnings
Collect refund on collection for VAT		2,098,975.40	Related with earnings
Subsidy of special funds for the financial resource construction of Finance Bureau		1,060,000.00	Related with earnings
Total	11,133,533.46	60,615,206.17	

47. Non-operating expenditure

Project	The amount of this year	The amount incurred of last year shall be included into non-recurring losses of current year	The amount reckoned in non-recurring profit and loss of the current period
Losses from disposal of non-current assets	26,094,088.79	13,511,752.58	26,094,088.79
Including: Losses due to the disposal of fixed assets	26,094,088.79	9,100,206.14	26,094,088.79
Disposal losses on intangible assets		4,411,546.44	
Donation expenditure	10,400.00	26,800.00	10,400.00
Penalty expenditure	109,346.85		109,346.85
Estimated loss from unsettled law suit (Note 1)	28,000,000.00		28,000,000.00
Compensation (Note 2)	39,588,127.65	149,967,065.08	39,588,127.65
Other Expenditures	1,722,911.01		1,722,911.01
Total	95,524,874.30	163,505,617.66	95,524,874.30

Note 1: See Note IX contingent events for disclosure of estimated details of pending action loss.

NOTE2: In 2013, the Company's liquidated damages occurred from termination of partial COA were RMB 24.41974768 million Yuan; the Company compensated for RMB 13.92948520 million Yuan with regard to product quality problem according to Liaoning Provincial Higher Peoples Court (2013) LMEZZ No. 00064 Written Judgment.

48. Income tax expense

Project	The amount of this year	The amount of last year
Current income tax according to tax law and related provisions	48,846,480.92	11,332,528.08
Adjustment deferred income tax	5,790,561.44	44,528,671.32
Total	54,637,042.36	55,861,199.40

49. The basic earnings per share and diluted earnings per share

Basic earnings per share shall be calculated based on dividing net profit of the current period belonging to common stock holders of the company by weighted average of outstanding common capital stock. In accordance with the specific terms and clauses of the issuance contract, the number of newly issued ordinary shares shall be calculated and decided as of the date of receivable consideration (generally the date of issuance of stocks).

Numerator of diluted earnings per share shall be confirmed by net profit of the current period belonging to common stock holders of the Company as well as after adjusting the following factors: (1) The interests of the diluted potential ordinary shares determined to be expenses in the current period; and (2) The gains or expenses to be resulted from the conversion of the diluted potential ordinary shares. With (3) The effects of the relevant income tax on the aforesaid modulation.

Denominator of diluted earnings per share equals to the sum of the following items: (1) Weighted average of common stock issued by parent company in the basic earnings per share; and (2) Increased weighted average of common stock by assuming that dilutive potential ordinary share has transferred to common stock

When calculating the weighted average number of increased ordinary shares resulted from that the diluted potential ordinary shares convert into ordinary shares already issued, the diluted potential ordinary shares issued in prior periods shall be supposed to be converted at the beginning of the current period. The diluted potential ordinary shares issued in the current period shall be supposed to be converted on the date of issuance.

(1) List of amount of the basic earnings per share and the diluted earnings per share of all periods

Profits in the report period	The amount of this year		The amount of last year	
	Earnings of per basic share	Earnings of per diluted share	Earnings of per basic share	Earnings of per diluted share
Net profit attributable to ordinary shareholders of the Company	0.0246	0.0246	-0.6501	-0.6501
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss				
	-0.0054	-0.0054	-0.5838	-0.5838

(2) The calculating process on the basic earnings per share and diluted earnings per share

Within report period, our Company does not possess diluted potential ordinary shares, and therefore, diluted EPS is equal to basic EPS.

☐ While calculating basic EPS, net profit of the current period belongs to ordinary shares shall be:

Project	The amount of this year	The amount of last year
Current net profits attributable to the common stockholders of the Company	158,294,827.37	-3,836,510,885.35
Including: Net profit attributed to sustainable operation	158,294,827.37	-3,836,510,885.35
Net profit attributed to discontinued operation		
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring profit and loss	-34,516,352.34	-3,434,692,156.19
Including: Net profit attributed to sustainable operation	-34,516,352.34	-3,434,692,156.19
Net profit attributed to discontinued operation		

☐ While calculating basic EPS, the calculating process for the denominator that is weighted average of outstanding ordinary shares shall be:

Project	The amount of this year	The amount of last year
Number of ordinary shares issued at the beginning of the year	6,436,295,797.00	3,120,480,000.00
Add: Weight number of ordinary shares issued in current year		2,763,179,830.83
Subtraction: Weight number of ordinary shares buy-backed in current year		

Number of ordinary shares issued at the beginning of the year	6,436,295,797.00	5,883,659,830.83
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50. Other comprehensive income

Project	The amount of this year	The amount of last year
Converted difference in financial statements of foreign currencies		100,116.45
Subtraction: Net amount which is transferred to the current profits and losses for disposing foreign operation	-17,311,271.99	
Total	17,311,271.99	100,116.45

51. Notes to the Cash Flow Statements**(1) Other cash received relating to operating activities**

Project	The amount of this year	The amount of last year
Interest income	26,608,405.02	37,054,317.41
Received retired salary from the insurance department	201,042,426.10	153,847,434.22
financial subsidies and indemnification for export	19,115,318.00	60,725,297.63
Stamp tax payable on behalf of others	21,366,319.44	18,232,383.06
Safety risk deposit and quality guarantee deposit, etc.	1,347,833.74	25,146,278.59
Others	9,860,857.85	4,013,387.62
Total	279,341,160.15	299,019,098.53

(2) Other cash paid relating to operating activities

Project	The amount of this year	The amount of last year
Bank charges	46,497,284.00	76,295,160.65
Petty cash and revolving fund	30,487,839.52	43,833,555.59
Business entertainment expenses	19,643,025.79	51,925,388.38
Agent export proceeds	12,647,278.96	17,472,992.39
Travel expenses	5,134,067.10	3,436,528.10
Payment for the issuing cost	19,912,949.62	16,497,312.42
Salary for retired workers	308,524,690.51	236,782,522.45
Stamp tax payment	23,367,713.36	18,232,383.06
Management fees and other expenditures	43,976,518.96	115,816,362.80
Discount interest expense	94,584,181.53	19,414,850.07
Cash deposit like bills	118,387,568.40	
Total	723,163,117.75	599,707,055.91

(3) Other cash paid related to financing activities

Project	The amount of this year	The amount of last year
Payment for purchasing assets of the group by installment	865,059,080.00	865,059,693.33
Payment for overall listing expense		10,000,000.00
Total	865,059,080.00	875,059,693.33

52. Supplementary information of cash flow statement**(1) Information about transforming the net profit into cash flows of operating activities**

Project	Amount of current year	The amount of last year
<input type="checkbox"/> Adjust net profit to cash flows from operating activities:		
Net profit	163,838,159.43	-3,835,218,960.33
Add: Preparation for assets impairment	230,837,264.45	16,239,237.24
The depreciation of fixed assets, the depletion of oil and gas assets, the	2,018,432,546.49	2,746,208,649.33

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depreciation of productive biological assets		
Amortization of intangible assets	3,877,380.27	3,336,126.23
Amortization of long-term unamortized expenses	242,550.12	87,129.17
Disposal of loss of fixed assets, intangible assets and other long-term assets (the gain is filled with “-”)	2,549,144.59	1,320,042.17
losses of fixed assets retirement (the gain is filled with “-”)		12,916,017.37
Loss from fair value change (the gain is filled with “-”)	27,143,440.15	-37,658,894.50
Financial expenses (the gain is filled with “-”)	884,020,176.65	1,133,397,970.93
Investment loss (the gain is filled with “-”)	-279,998,380.45	-2,924,428.82
Deferred income tax assets decrease (the increase is filled with “-”)	16,695,192.94	66,234,395.22
Deferred income tax debt increase (the decrease is filled with “-”)	-10,904,631.50	-21,259,423.53
Decrease in Inventory (the increase is filled with “-”)	-1,023,254,293.83	1,984,801,910.60
Decrease in operational items receivable (the increase is filled with “-”)	-6,557,160,565.33	-1,645,273,887.92
Increase in operational items receivable (the decrease is filled with “-”)	7,705,194,246.50	2,669,697,664.32
Others		
Net cash flow from operating activities	3,181,512,230.48	3,091,903,547.48
□ Significant investment and financing activities without involving cash receipt and payment:		
Conversion of debt into capital		
Convertible corporation bonds due within one year		
Fixed assets by finance leased		
□ Net changes condition of cash and cash equivalents:		
The cash balance in the end of the year	1,855,770,723.04	2,728,374,991.05
Subtraction: The cash balance at the beginning of the year	2,728,374,991.05	2,887,298,058.46
Add: The cash equivalents in the end of the year	61,479,856.93	
Subtraction: The cash equivalent at the beginning of the year		
Net increase amount of cash and cash equivalents	-811,124,411.08	-158,923,067.41

(2) The relevant information obtained in current period or disposal of subsidiaries and other operating units:

Project	Amount of current year	The amount of last year
The relevant information on disposal of subsidiaries and other operating business units:		
A. The prices of disposal of subsidiaries and other operating business units	605,206,747.51	
B. The cash and cash equivalents received from the disposal of subsidiaries and other operating business units	584,000,000.00	
Subtraction: Cash and cash equivalents held by subsidiaries and other operating business units	363,343,137.57	
C. Net cash received from disposal of subsidiaries and other operating units	220,656,862.43	
D. The net assets of disposal of subsidiaries	336,530,405.13	
Including: Current assets	15,095,999,986.61	
Non-current assets	16,594,024.56	
Current liabilities:	14,776,063,606.04	

(3) Composition of Cash and Cash Equivalents

Project	Amount in the end of the year	Amount at the beginning of the year
□ Cash	1,855,770,723.04	2,728,374,991.05
Including: Cash on hand	1,040,669.50	1,427,135.71
Bank deposits available for payment at any time	1,854,730,053.54	2,192,974,350.13
Other currency and capital available for payment at any time		533,973,505.21
Depositing Money available for payment in Central Bank		

Depositing money in the same industries		
Parting money in the same industries		
<input type="checkbox"/> Cash equivalents	61,479,856.93	
Including: Bond investment due within three months		
<input type="checkbox"/> The balance of cash and cash equivalents in the end of year	1,917,250,579.97	2,728,374,991.05

VIII. Related parties and related transaction

1. Parent company condition of the Company

Parent Company name	Related relationships	Enterprise Type	Registration place	Legal representative	Business nature
Shandong Iron& Steel Group Co., Ltd.	Parent Company	Enterprise solely funded by the state	Jinan City	Ren Hao	Smelting, processing and manufacturing, sale of iron and steel
Parent Company name	Registered Capital (RMB thousand)	Shares proportion from parent Company into this enterprise (%)	Voting power proportion from the parent company to this enterprise (%)	The final controller of the Company	Organization code
Shandong Iron& Steel Group Co., Ltd.	1,000,000.00	76.18	76.18	State-owned Assets Supervision and Administration Commission of Shandong Province	6722499339

2. Subsidiaries of our Company are seen in Note VI.Item1 Situation of Subsidiary

3. The conditions of joint venture and associated enterprises of our Company are shown in Note VII.Item9 Long-term Equity Investment (3).

4. Condition of other related parties of the Company

Name of related parties	Relationship with the Company	Organization code
Jinan Iron & Steel Group Co., Ltd.	Also controlled by Shandong Iron & Steel Group	16314815-7
Jinan Iron & Steel Hong Kong Shareholding Co., Ltd	Also controlled by Shandong Iron & Steel Group	452071
Jinan Iron & Steel (Ma) Steel Plate Co., Ltd	Also controlled by Shandong Iron & Steel Group	249230-K
Jigang International Engineering & Technology Co., Ltd	Also controlled by Shandong Iron & Steel Group	264270370
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd	Also controlled by Shandong Iron & Steel Group	163055997
Jinan Iron and Steel Group Commercial Trade Co., Ltd	Also controlled by Shandong Iron & Steel Group	163152930
Jinan Iron & Steel Group Heavy Machinery Co., Ltd	Also controlled by Shandong Iron & Steel Group	163427383
Jinan Baode Thermal Insulation Product Co., Ltd.	Also controlled by Shandong Iron & Steel Group	613203003
Yunnan Baode Real Estate Development Co., Ltd.	Also controlled by Shandong Iron & Steel Group	727556528
Jinan Baode Steel Construction Co., Ltd.	Also controlled by Shandong Iron & Steel Group	751770874
Jinan Baode Furnace Charge Co., Ltd.	Also controlled by Shandong Iron & Steel Group	726219079
Jinan Baode Automobile Transportation Co., Ltd.	Also controlled by Shandong Iron & Steel Group	725410170
Jinan Baode Property Management Co., Ltd.	Also controlled by Shandong Iron & Steel Group	6898149350
Jinan Baode Metallurgical Limestone Co. Ltd	Also controlled by Shandong Iron & Steel Group	755442659
Jinan Second Automobile Refitting Plant	Also controlled by Shandong Iron & Steel Group	264373935
Jinan Gangcheng Mining Co., Ltd	Also controlled by Shandong Iron & Steel Group	723865112
Jinan Iron and Steel Group Head Office Heze Hardware Factory	Also controlled by Shandong Iron & Steel Group	168890895
Jinan Huarui Cross Linked Pipe Co. Ltd.	Also controlled by Shandong Iron & Steel Group	724250793
Jinan Huarui Decoration Engineering Co., Ltd	Also controlled by Shandong Iron & Steel Group	732616580
Jinan Jigang Iron Alloy Factory	Also controlled by Shandong Iron & Steel Group	163144201
Jinan Luxin New Building Materials Co., Ltd	Also controlled by Shandong Iron & Steel Group	75350689-0
Jinan Sabo Special Automobile Co., Ltd	Also controlled by Shandong Iron & Steel Group	7628807450
Qingdao Bonded Area Jinan Iron & Steel International	Also controlled by Shandong Iron & Steel Group	743976610

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Logistics Co., Ltd		
Shandong Baode Metal Composite Panels Co., Ltd.	Also controlled by Shandong Iron & Steel Group	742413445
Shandong Baode Coal Co., Ltd	Also controlled by Shandong Iron & Steel Group	755413903
Shandong Baode Yongjun Wing Panel Co., Ltd	Also controlled by Shandong Iron & Steel Group	75825316-7
Shandong Jinan Iron & Steel Acryl Chemical Engineering Co. Ltd	Also controlled by Shandong Iron & Steel Group	75354757X
Shandong Luzhi Ruibao Electric Automation Co., Ltd	Also controlled by Shandong Iron & Steel Group	749865583
Shandong Ductile Cast Iron Pipes Co., Ltd.	Also controlled by Shandong Iron & Steel Group	614072500
Shandong Metallurgical Geological and hydrological Survey Company	Also controlled by Shandong Iron & Steel Group	163045473
Shandong Metallurgical Science Research Institute	Also controlled by Shandong Iron & Steel Group	163059947
Dalian Jilian Metallurgical Machinery Complete Equipment Co., Ltd.	Also controlled by Shandong Iron & Steel Group	7113847410
Qingdao Xinlai Weiye Economic and Trade Co., Ltd	Also controlled by Shandong Iron & Steel Group	753773235
Shandong Vocational College of Industry	Also controlled by Shandong Iron & Steel Group	493224159
Shandong Hengxin Magnesium Industry Co., Ltd.	Also controlled by Shandong Iron & Steel Group	7262452930
Shandong Jinling Chemical Co., Ltd.	Also controlled by Shandong Iron & Steel Group	1641051919
Shandong Jinling Iron Ore	Also controlled by Shandong Iron & Steel Group	164105191
Shandong Lunai Window Industry Co., Ltd	Also controlled by Shandong Iron & Steel Group	7286310590
Shandong Province Xinli Metallurgical Industrial Company	Also controlled by Shandong Iron & Steel Group	1630592859
Shandong Province Metallurgical Materials Company	Also controlled by Shandong Iron & Steel Group	163051427
Shandong Metallurgical Machinery Factory	Also controlled by Shandong Iron & Steel Group	16410915X
Shandong Zhongqi Refractories Group Co., Ltd.	Also controlled by Shandong Iron & Steel Group	750442377
Zibo Heiwang Mining Co., Ltd	Also controlled by Shandong Iron & Steel Group	164109096
Zibo Tieying Iron & Steel Co., Ltd.	Also controlled by Shandong Iron & Steel Group	7563996720
Production Services Company Jinan Iron & Steel Group Head Office	Other enterprises that greatly influenced by parent company	16314812-2
Dingtao Jinan Iron & Steel Steel Sales Co., Ltd	Other enterprises that greatly influenced by parent company	55991153-4
Dezhou Jinan Iron & Steel Longma Steel Processing and Distribution Co., Ltd	Other enterprises that greatly influenced by parent company	79616516-8
Laiwu Iron & Steel Group Co., Ltd.	Also controlled by Shandong Iron & Steel Group	16953055X
Laiwu Iron & Steel Group Machinery Manufacturing Co., Ltd.	Also controlled by Shandong Iron & Steel Group	745678596
Laiwu Iron & Steel Group Laiwu Mining Co., Ltd.	Also controlled by Shandong Iron & Steel Group	869532767
Laiwu Iron & Steel Group Mine Construction Co., Ltd.	Also controlled by Shandong Iron & Steel Group	169531181
Shandong Laiwu Iron & Steel Automobile Transportation Co., Ltd	Also controlled by Shandong Iron & Steel Group	73261805X
Laiwu Iron and Steel Group Blue Sky business Travel Vehicle Co., Ltd.	Also controlled by Shandong Iron & Steel Group	66135800X
Laiwu Iron & Steel Group Lunan Mining Co., Ltd.	Also controlled by Shandong Iron & Steel Group	706078504
Laigang Group Taidong Industrial Co., Ltd.	Also controlled by Shandong Iron & Steel Group	724996931
Xintai Copper Industrial Co., Ltd of Laiwu Iron and Steel Group	Also controlled by Shandong Iron & Steel Group	72498085X
Shandong La/Gank Construction Co., Ltd.	Also controlled by Shandong Iron & Steel Group	750441892
Luyin Investment Group Company Limited	Also controlled by Shandong Iron & Steel Group	163068413
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	Also controlled by Shandong Iron & Steel Group	757493927
Shandong Lubi Construction Materials Co., Ltd.	Also controlled by Shandong Iron & Steel Group	613720051
Laiwu Iron & Steel Group Jinding Industrial Co., Ltd.	Also controlled by Shandong Iron & Steel Group	731719166
Laiwu Iron & Steel Group Powder Metallurgy Co., Ltd.	Also controlled by Shandong Iron & Steel Group	72481638X
Laiwu Iron & Steel Group Zibo Anchor Chain Co., Ltd.	Also controlled by Shandong Iron & Steel Group	725416599
Shandong Iron and Steel Group Laiwu Iron and Steel Xinjiang Co., Ltd	Also controlled by Shandong Iron & Steel Group	580216990

5. The transaction situation of related transaction

(1) According to *Purchase and Sale Agreement*, *Service Agreement*, *Rental Agreement*, *Agreement on Providing Energy Service*, and the Contract of current period signed between the Company and associated party, the associated party will provide the Company with raw and auxiliary material and service price, and the Company will sell raw and auxiliary material and product to associated party as well as provide the associated party with labor price which shall be confirmed by the following principles: If the state regulates fixed price, it shall be executed based on fixed prices, and if the state does not regulate fixed price, it shall be executed based on market price; It shall be priced according to cost plus in case there is no market price for reference. If there is neither market price nor price based on cost plus, it shall be priced according to negotiated price.

□ State fixed price. It concludes national price standard and industrial price standard. Such as employee training tuition shall implement national price, and grid-generation and power supply shall implement industrial price.

□ Market price: Refers to price and rate of product and labor confirmed by price or charging standard of independent third party not deviating from the market.

□ Bid-winning price for partial equipment manufacturing and maintenance labor services, raw materials beyond the requirements shall use bid-winning price.

□ Cost plus price: In case trading product or labor has not exact market price, trading price and rate shall be confirmed by adding reasonable profits on the basis of cost of trading product or labor service.

□ Agreement price In case trading product or labor has not exact market price as well as it is not proper to fix a price with cost plus, trading price shall be confirmed upon consultation of trading parties, price agreed by associated parties shall not go over or lower than price of same products provided to any other third parties.

□ Quota price: For partial labor service price (for example, affiliated person provides comprehensive logistics service), labor cost quota shall be commonly measured by both parties and quota price shall be implemented.

(2) The related transaction of purchasing merchandise and accepting labors

Related party	Content of related transactions	Amount incurred in this year		Amount incurred in last year	
		Amount (RMB Ten thousand)	The proportion of the similar transaction amount (%)	Amount (RMB Ten thousand)	The proportion of the similar transaction amount (%)
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd	Iron and steel product	524.69	0.01		
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd	Engineering maintenance labor service	11,896.31	0.78	405.13	0.03
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd	Spare parts and supporting materials	240.93	0.02	479.81	0.04
Jigang International Engineering & Technology Co., Ltd	Engineering and labor service	9,921.14	0.65		
Jinan Iron & Steel Group Commercial Trade Co., Ltd	Raw and auxiliary material	1700.81	0.11	1046.25	0.08
Jinan Iron & Steel Group Commercial Trade Co., Ltd	Processing, maintenance and other labor services	3,805.75	0.25		
Jinan Iron & Steel Group Co., Ltd.	Iron and steel product	112,602.32	2.27	825.07	0.01
Jinan Iron & Steel Group Co., Ltd.	Integrated service	16,779.38	1.10	16,896.24	1.22
Jinan Iron & Steel Group Co., Ltd.	Power	650.18	0.04	667.94	0.05
Jinan Iron & Steel Group Co., Ltd.	Raw and auxiliary material	7,815.69	0.51	10,066.32	0.82

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Jigan Group Heavy Machinery Co., Ltd	Processing and maintenance services	3,963.37	0.26		
Jigan Group Heavy Machinery Co., Ltd	Spare parts and supporting materials	4,029.88	0.27	4,905.26	0.40
Jinan Iron & Steel Hong Kong Shareholding Co., Ltd	Raw and auxiliary material	655,956.55	13.23	751,512.99	10.71
Jinan Baode Steel Construction Co., Ltd.	Iron and steel product	3,879.80	0.08	15.05	0.01
Jinan Baode Steel Construction Co., Ltd.	Processing, maintenance and other labor services	1,139.65	0.07		
Jinan Baode Furnace Charge Co., Ltd.	Raw and auxiliary material	22,230.30	1.46	18,766.50	1.52
Jinan Baode Furnace Charge Co., Ltd.	Processing, maintenance and other labor services	282.35	0.02		
Jinan Baode Automobile Transportation Co., Ltd.	Iron and steel product	419.05	0.01		
Jinan Baode Automobile Transportation Co., Ltd.	Transportation labor service	13,291.75	0.87	33,652.38	2.73
Jinan Baode Automobile Transportation Co., Ltd.	Raw and auxiliary material	306.45	0.02		
Jinan Baode Metallurgical Limestone Co. Ltd	Raw and auxiliary material	3,604.31	0.24	5,397.77	0.44
Jinan Gangcheng Mining Co., Ltd	Raw and auxiliary material	59,768.63	3.93	26,190.16	2.13
Jinan Gangcheng Mining Co., Ltd	power	2,488.83	0.16		
Jinan Gangcheng Mining Co., Ltd	Processing, maintenance and other labor services	2,064.15	0.14		
Jinan Iron & Steel Group Refractory Material Co., Ltd	Raw materials	31,815.90	2.09	50,801.58	3.12
Jinan Iron & Steel Group Refractory Material Co., Ltd	Processing, maintenance and other labor services	306.38	0.02		
Jinan Iron & Steel Group New Cause Co.Ltd	Iron and steel product	218.58	0.01		
Jinan Iron & Steel Group New Cause Co., Ltd	Raw and auxiliary material	28,948.64	1.90	18,235.51	1.48
Jinan Iron & Steel Group New Cause Co., Ltd	Processing, maintenance and other labor services	2,832.51	0.19		
Jinan the Yellow River Blasting Co., Ltd	Others	24.89	0.01		
Jinan Huarui Cross Linked Pipe Co., Ltd.	Raw and auxiliary material			25.85	0.01
Jinan Jigang Iron Alloy Factory	Processing, maintenance and other labor services	747.44	0.05		
Jinan Jigang Iron Alloy Factory	Raw and auxiliary material	33,194.23	2.18	34661.3	2.81
Jinan Jinai Industry Trading Co. Ltd.	Raw and auxiliary material	207.96	0.01		
Laiwu Iron & Steel Group Machinery Manufacturing Co., Ltd.	Spare parts and supporting materials	3,829.89	0.25	3,889.91	0.32
Laiwu Iron & Steel Group Jinding Industrial Co., Ltd.	power			142.13	0.01
Laiwu Iron & Steel Group	Raw and auxiliary	5,145.50	0.34	6,234.28	0.51

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Jinding Industrial Co., Ltd.	material				
Laiwu Iron & Steel Group Mine Construction Co., Ltd.	Raw and auxiliary material	34,917.29	2.30	46,084.35	3.74
Laiwu Iron & Steel Group Laiwu Mining Co., Ltd.	Engineering			782.9	0.06
Laiwu Iron & Steel Group Laiwu Mining Co., Ltd.	Raw and auxiliary material	71,218.60	4.69	7,725.23	0.63
Laiwu Iron and Steel Group Blue Sky Business Travel Vehicle Co., Ltd.	Processing and maintenance services	3,374.34	0.22	2,092.12	0.17
Laiwu Iron and Steel Group Blue Sky business Travel Vehicle Co., Ltd.	Spare parts and supporting materials	2,106.69	0.14	1,529.67	0.12
Laiwu Iron & Steel Group Lunan Mining Co., Ltd.	Raw and auxiliary material	17,390.74	1.14	41,373.47	3.36
Laigang Group Taidong Industrial Co., Ltd.	Spare parts and supporting materials	21,352.98	1.40	20,264.00	1.65
Xintai Copper Industrial Co., Ltd of Laiwu Iron and Steel Group	Spare parts and supporting materials	5,017.18	0.33	13,605.63	1.10
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	Molten iron, steel billet	719,151.95	14.51	907,397.23	14.69
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	Iron and steel product	122.98	0.01	8,863.34	0.14
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	Power, etc.	25,331.13	1.67	27,561.03	2.24
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	Raw and auxiliary material			429.55	0.03
Laiwu Iron & Steel Group Co., Ltd.	power	231,561.39	15.23	223,076.96	12.28
Laiwu Iron & Steel Group Co., Ltd.	Iron and steel product	68,436.09	1.38	61,598.47	1.00
Laiwu Iron & Steel Group Co., Ltd.	Molten iron, steel billet	177,508.40	3.58	122,785.53	1.99
Laiwu Iron & Steel Group Co., Ltd.	Integrated service	14,730.71	0.97	15,285.46	0.95
Laiwu Iron & Steel Group Co., Ltd.	Processing and maintenance services	9,710.30	0.64	1822.96	0.15
Luyin Investment Group Company Limited	Raw and auxiliary material	9,017.20	0.59	43,007.59	2.49
Luyin Investment Group Company Limited	Iron and steel product	59,345.88	1.20		
Qingdao Bonded Area Jinan Iron & Steel International Logistics Co., Ltd	Iron and steel product	467.92	0.01	91.02	0.01
Qingdao Bonded Area Jinan Iron & Steel International Logistics Co., Ltd	Transportation and other services	52.76	0.01		
Qingdao Xinlai Weiye Economic and Trade Co., Ltd	Spare parts			133.21	0.01
Shandong Baode Metal Composite Panels Co., Ltd.	Iron and steel product	143.93	0.01	53.34	0.01
Shandong Baode Coal Co., Ltd	Raw and auxiliary material	69,687.79	4.58	37,976.74	3.08
Shandong Baode Flange Plate Co., Ltd	Raw and auxiliary material	849.16	0.06	1,071.19	0.09

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Shandong Iron& Steel Group Rizhao Iron and Steel Co., Ltd.	Iron and steel product			2,572.87	0.04
Shandong Jinan Iron & Steel Acryl Chemical Engineering Co. Ltd	Spare parts and supporting materials	394.29	0.03	660.22	0.05
Shandong Jinling Chemical Co., Ltd.	Raw and auxiliary material	2,489.89	0.16	6,275.58	0.51
Shandong La/Gank Construction Co., Ltd.	Engineering maintenance labor service	12329.44	0.81	16,855.99	1.37
Shandong Laiwu Iron & Steel Automobile Transportation Co., Ltd	Processing and maintenance services	79,065.50	5.20	48,888.23	2.52
Shandong Lubi Construction Materials Co., Ltd.	Spare parts and supporting materials	27,556.54	1.81	27,199.64	2.21
Shandong Luzhi Ruibao Electric Automation Co., Ltd	Spare parts and supporting materials	993.27	0.07	760.79	0.06
Shandong Refractories Group Co., Ltd	Raw and auxiliary material	1,201.75	0.08	918.46	0.07
Shandong Ductile Cast Iron Pipes Co., Ltd.	Raw and auxiliary material	70,322.21	4.63	119,847.94	7.66
Shandong Ductile Cast Iron Pipes Co., Ltd.	Processing and maintenance services	11.61	0.01		
Shandong Metallurgical Geological and hydrological Survey Company	Maintenance and spare part	904.22	0.06	2,679.35	0.22
Shandong Metallurgical Science Research Institute	Maintenance and spare part	2,669.52	0.18	567.14	0.05
Shandong Province Metallurgical Materials Company	Auxiliary materials			17.99	0.01
Zibo Tiesing Iron & Steel Co., Ltd.	Raw materials			1,087.10	0.09
Dingtao Jinan Iron & Steel Steel Sales Co., Ltd	Iron and steel product			7.79	0.01
Total		2,786,067.84		2,797,767.51	

Related transaction for selling goods or providing labor services

Related party	Content of related transactions	Amount incurred in this year		Amount incurred in last year	
		Amount (RMB Ten thousand)	The proportion of the similar transaction amount (%)	Amount (RMB Ten thousand)	The proportion of the similar transaction amount (%)
Bisalloy Jigang (Shangdong) Steel Plate Co., Ltd	Iron and steel product	115.61	0.01	1,512.42	0.03
Dezhou Jinan Iron & Steel Longma Steel Processing and Distribution Co., Ltd	Iron and steel product	20,451.82	0.42	1,193.21	0.02
Dingtao Jinan Iron & Steel Steel Sales Co., Ltd	Iron and steel product	23.69	0.01	3,475.10	0.06
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd	Iron and steel product	259.06	0.01	1,339.28	0.02
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd	Power and Others	290.68	0.02	167.35	0.02
Jinan Iron & Steel Group Commercial Trade Co., Ltd	Iron and steel product	4,217.56	0.09	3,135.38	0.05
Jinan Iron & Steel Group	Power and	3,444.45	0.27	637.79	0.07

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Commercial Trade Co., Ltd	Others				
Jigang Group Co.,Ltd.	Iron and steel product	61,961.41	1.26	68,434.42	1.15
Jigang Group Co.,Ltd.	Molten iron and steel billet	374,019.40	7.61		
Jigang Group Co.,Ltd.	Raw and auxiliary material etc.	43,245.64	3.40		
Jigang Group Co.,Ltd.	Power and Others	45,567.63	3.59	17,964.93	1.75
Jinan Iron & Steel Group Heavy Machinery Co., Ltd	Power and Others	1030.02	0.08	1,605.57	0.16
Jinan Iron & Steel Hong Kong Shareholding Co., Ltd	Steel and ore	15,303.15	0.31	23,117.92	0.39
Jinan Iron & Steel Singapore Co., Ltd	Steel and ore	13,085.37	0.27		
Jinan Baode Real Estate Development Co., Ltd.	power	11.26	0.01	93.14	0.01
Jinan Baode Steel Construction Co., Ltd.	Steel products, etc.	1,855.47	0.04	1,354.64	0.02
Jinan Baode Metal Composite Panels Co., Ltd.	Others	8	0.01		
Jinan Baode Furnace Charge Co., Ltd.	Slag etc.	2,309.04	0.18	3,505.09	0.36
Jinan Baode Furnace Charge Co., Ltd.	Iron and steel product			3,586.25	0.06
Jinan Baode Automobile Transportation Company	Iron and steel product	13,708.67	0.28	3,399.39	0.06
Jinan Baode Automobile Transportation Company	Power, etc.	211.7	0.02	203.48	0.02
Jinan Baode Metallurgical Limestone Co. Ltd	Iron and steel product	27.78	0.01	60.61	0.01
Jinan Gangcheng Mining Co., Ltd	Iron and steel product	3,238.80	0.07		
Jinan Gangcheng Mining Co., Ltd	Mineral etc.	5,475.64	0.11	31.53	0.01
Jinan Iron and Steel Group Refractory Material Co., Ltd	Iron and steel product	5.72	0.01	1118.49	0.02
Jinan Iron & Steel Group Commercial Trade Co., Ltd	Others	1.23	0.01		
Jinan Iron & Steel Group New Cause Co.Ltd	Others	14.55	0.01		
Jinan Iron and Steel Group Head Office Heze Hardware Factory	Steel products, etc.	123.3	0.01	0.21	0.01
Jinan Iron & Steel Group Head Office Mechanical Equipment Manufacturing Factory	Others			190.76	0.02
Production Services Company of Jinan Iron & Steel Group Head Office	Iron and steel product	6,225.33	0.13	14,897.42	0.25
Jinan Jigang Iron Alloy Factory	Iron and steel product	13,510.32	0.27	12,678.50	0.21
Jinan Jigang Iron Alloy Factory	Others	338.92	0.03	514.76	0.05
Jinan Luxin New Building Materials Co., Ltd	granulating slag	9,187.50	0.72	14,891.59	1.52
Laiwu Iron & Steel Group Mine Construction Co., Ltd.	power	2,634.33	0.21	2,475.87	0.25
Laiwu Iron & Steel Group Mine Construction Co., Ltd.	Auxiliary materials, etc.	2,325.05	0.18	2,257.46	0.23
Laiwu Iron & Steel Group Blue	Iron and steel	708.64	0.01		

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Sky Business Travel Vehicle Co., Ltd	product				
Laiwu Iron & Steel Group Blue Sky Business Travel Vehicle Co., Ltd	Others	37.81	0.01	47.52	0.01
Laiwu Iron & Steel Group Powder Metallurgy Co., Ltd.	Power	1,581.99	0.12	1,561.67	0.16
Laiwu Iron & Steel Group Powder Metallurgy Co., Ltd.	Auxiliary materials, etc.	10,617.09	0.84	9,693.25	0.99
Laiwu Iron & Steel Group Machinery Manufacturing Co., Ltd.	Iron and steel product	19,776.83	0.40		
Laiwu Iron & Steel Group Machinery Manufacturing Co., Ltd.	Power, etc.	301.37	0.02	2,565.91	0.26
Laiwu Iron & Steel Group Jinding Industrial Co., Ltd.	Power	1,015.01	0.08	3,624.21	0.37
Laiwu Iron & Steel Group Jinding Industrial Co., Ltd.	Others	3,537.91	0.28		
Laiwu Iron & Steel Group Laiwu Mining Co., Ltd.	Auxiliary materials, etc.	517.1	0.04	2370.6	0.24
Laiwu Iron & Steel Group Lunan Mining Co., Ltd.	Electronics (10%)			34.23	0.01
Laigang Group Taidong Industrial Co., Ltd.	Iron and steel product	6,780.77	0.14		
Laigang Group Taidong Industrial Co., Ltd.	Power, etc.	15,596.21	1.23	5,372.28	0.55
Xintai Copper Industrial Co., Ltd of Laiwu Iron and Steel Group	Iron and steel product	39.74	0.01		
Xintai Copper Industrial Co., Ltd of Laiwu Iron and Steel Group	Others	413.64	0.03		
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	Coke and mineral etc.	876,798.07	17.84	858,478.26	14.48
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	Transportation	5,367.54	0.42	5,672.23	0.58
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	Integrated service	5,302.58	0.42	6,958.01	0.71
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	Power, etc.	104,582.73	8.23	121,897.08	12.43
Laiwu Iron & Steel Group Co., Ltd.	Iron and steel product	90,636.95	1.84		
Laiwu Iron & Steel Group Co., Ltd.	Coke, ore	172,555.83	3.51		
Laiwu Iron & Steel Group Co., Ltd.	Integrated service	1,926.13	0.15	158.8	0.02
Laiwu Iron & Steel Group Co., Ltd.	Power, etc.	80,861.10	6.37	299,755.19	30.55
Laiwu Iron & Steel Group Zibo Anchor Chain Co., Ltd.	Iron and steel product	1,417.49	0.03	2,898.55	0.05
Luyin Investment Group Company Limited	Iron and steel product	245,885.48	5.00	229,617.57	3.87
Luyin Investment Group Company Limited	Shipping and maintenance services	172.35	0.01		
Luyin Investment Group Company Limited	Power, etc.	6,726.39	0.53	7,374.96	0.75
Qingdao Bonded Area Jinan Iron & Steel International Logistics Co., Ltd	Steel products, etc.	9,894.97	0.20	2,782.33	0.05
Qingdao Xinlai Weiye Economic	Iron and steel	7,082.29	0.14	765.35	0.01

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and Trade Co., Ltd	product				
Shandong Baode Metal Composite Panels Co., Ltd.	Iron and steel product	4,364.27	0.09	4,422.86	0.07
Shandong Baode Metal Composite Panels Co., Ltd.	Power, etc.	168.32	0.01	123.58	0.01
Shandong Baode Flange Plate Co., Ltd	Iron and steel product			21,630.71	0.36
Shandong Baode Yongjun Wing Panel Co., Ltd	Others	34.05	0.01		
Shandong Iron& Steel Group Co., Ltd.	Electronics (10%)	462.58	0.04		
Shandong La/Gank Construction Co., Ltd.	Iron and steel product	13,501.51	0.27		
Shandong La/Gank Construction Co., Ltd.	Power, etc.	305.1	0.02	9,798.10	1.00
Shandong Laiwu Iron & Steel Automobile Transportation Co., Ltd	Iron and steel product	12,627.94	0.26	14,251.84	0.24
Shandong Laiwu Iron & Steel Automobile Transportation Co., Ltd	Power, etc.	87.66	0.01	99.36	0.01
Shandong Lubi Construction Materials Co., Ltd.	Iron and steel product	5,164.45	0.11	11,648.74	0.20
Shandong Lubi Construction Materials Co., Ltd.	Power, etc.	26,687.09	2.10	19,701.87	2.01
Shandong Luzhi Ruibao Electric Automation Co., Ltd	Iron and steel product	0.49	0.01	32.82	0.01
Shandong Ductile Cast Iron Pipes Co., Ltd.	Iron and steel product	87.14	0.01	6,462.46	0.11
Shandong Ductile Cast Iron Pipes Co., Ltd.	Coke, ore	8,435.52	0.17	6,965.52	0.12
Shandong Ductile Cast Iron Pipes Co., Ltd.	Power, etc.	1332.09	0.10	5187.18	0.53
Shandong Rongxin Investment Co., Ltd	Mineral	38,346.08	0.78		
Shandong Metallurgical Geological and hydrological Survey Company	Iron and steel product	775.06	0.02	1,830.56	0.03
Shandong Metallurgical Geological and hydrological Survey Company	Power, etc.	60.11	0.01	43.42	0.01
Shandong Province Metallurgical Construction Development	Others			278.96	0.03
Shandong Metallurgical Science Research Institute	Others	8.37	0.01		
Shandong Iron & Steel Group Laiwu Iron & Steel Xinjiang Co., Ltd	Steel products, etc.	1,247.49	0.03	5,705.96	0.10
Weifang Jinan Iron & Steel Steel Material Processing and Distribution Co., Ltd	Iron and steel product	10,798.06	0.22	3,749.75	0.06
Total		2,438,855.49		1,857,404.25	

(3) Related renting situation

☐ The Company as a lessor

Name of lessor	Name of tenant	Type of leasing asset	Starting date of leasing	Terminating date of leasing	Confirmation basis for leasing income	Annually confirmed leasing income
Shandong Iron &	Jinan Baode	Transport	January 1,	December 31,	Depreciation+	7,490,400.00

Steel Group Co., Ltd.	Automobile Transportation Co., Ltd.	equipment	2013	2013	average assets income level of the same industry of last year + taxes and dues	
Shandong Iron & Steel Group Co., Ltd.	Shandong Baode Metal Composite Panels Co., Ltd.	Machinery equipment	April 1, 2013	March 31, 2014		4,500,000.00
Shandong Iron & Steel Group Co., Ltd.	Jinan Iron & Steel Group Co., Ltd.	Machinery equipment (Note 1)	January 1, 2013	December 31, 2013		540,000,000.00

Note 1: On January 8, 2013, in the 6th meeting of the fourth session of the board of directors held the Company, the Company deliberated and passed *Proposal on Rental Company Jinan Branch Steelmaking 4# Converter -4300mm Wide and Thick Plate Production Line Asset*, and taking advantage of parent company Shandong Iron & Steel Group in terms of research and development of wide and thick plate, the Company leased Jinan Branch Steelmaking 4# Converter -4300mm Wide and Thick Plate Production Line to Jinan Iron & Steel Group Company-the subsidiary of Shandong Iron and Steel Group for operation, and signed *Asset Leasing Management Agreement* with Jinan Iron & Steel Group Company. The original value of assets leased by our Company is RMB 6373.9448 million Yuan, and total net asset value is RMB 5853.8505 million Yuan. The lease expense is RMB 540 million Yuan Rental periods is from January 1, 2013 to December 31, 2013, and our Company has received full rental fees in the current year.

☐ The Company as the tenant

Name of lessor	Name of tenant	Type of leasing asset	Starting date of leasing	Terminating date of leasing	Confirmation basis for leasing pricing	Annually confirmed leasing income
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	Machinery equipment	January 1, 2012	December 31, 2014	contract price	8,042,700.00
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	Land	January 1, 2012	December 31, 2014	contract price	56,780,000.00
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	Land	January 1, 2012	December 31, 2014	contract price	1,448,400.00
Jinan Iron & Steel Group Co., Ltd.	Jinan Baode Gas Co., Ltd	Housie, pipelines, building and machinery equipments	January 1, 2012	December 31, 2014	contract price	4,000,000.00
Jinan Iron & Steel Group Co., Ltd.	Jinan Baode Gas Co., Ltd	Land use right	January 1, 2012	December 31, 2014	contract price	1,074,800.00
Laiwu Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	Land	January 1, 2012	December 31, 2014	contract price	54,165,900.00
Laiwu Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	Fixed assets	January 1, 2012	February 28, 2013	contract price	8,300,000.00
Laiwu Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	Housing	February 27, 2012	December 31, 2014	contract price	38,088,000.00
Laiwu Iron & Steel Group Co., Ltd.	Laiwu Tianyuan Gas Co., Ltd	Land	January 1, 2012	December 31, 2014	contract price	795,292.50
Laiwu Iron & Steel Group Co., Ltd.	Laiwu Iron & Steel Group Electronics Corporation	Land	January 1, 2012	December 31, 2014	contract price	12,753.40

(4) Related guarantee situation.

Guarantor	Secured party	Guarantee amounts	The beginning date of	The expire date of	Whether the guarantee has been fulfilled
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			guarantee	guarantee	completely or not
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	60,000,000.00	November 28, 2014	November 28, 2014	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	30,000,000.00	December 11, 2014	December 11, 2014	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	180,000,000.00	May 22, 2014	May 22, 2014	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	20,000,000.00	May 22, 2014	May 22, 2014	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	January 14, 2016	January 14, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	200,000,000.00	January 14, 2016	January 14, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	February 5, 2016	February 5, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	February 28, 2016	February 28, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	200,000,000.00	May 6, 2016	May 6, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	101,000,000.00	May 16, 2016	May 16, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	120,000,000.00	July 11, 2014	July 11, 2014	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	80,000,000.00	July 7, 2014	July 7, 2014	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	40,000,000.00	August 1, 2016	August 1, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	60,000,000.00	August 12, 2016	August 12, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	158,000,000.00	August 15, 2016	August 15, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	120,000,000.00	October 23, 2014	October 23, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	98,000,000.00	October 14, 2014	October 14, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	70,000,000.00	November 21, 2014	November 21, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	60,000,000.00	November 21, 2014	November 21, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	120,000,000.00	February 15, 2014	February 15, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	500,000,000.00	September 29, 2014	September 29, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	500,000,000.00	March 29, 2014	March 29, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	200,000,000.00	May 9, 2014	May 9, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	May 24, 2014	May 24, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	200,000,000.00	June 3, 2014	June 3, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	January 31, 2014	January 31, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	March 14, 2014	March 14, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	50,000,000.00	March 28, 2014	March 28, 2016	No
Jinan Iron & Steel Group Co., Ltd	Shandong Iron & Steel Group Co., Ltd.	50,000,000.00	April 25, 2014	April 25, 2016	No

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Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	July 15, 2014	July 15, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	July 30, 2014	July 30, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	50,000,000.00	December 24, 2014	December 24, 2016	No
Jinan Iron & Steel Group Co., Ltd	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	June 17, 2014	June 17, 2016	No
Jinan Baode Automobile Transportation Company	Shandong Iron & Steel Group Co., Ltd.	110,000,000.00	November 7, 2014	November 7, 2016	No
Jinan Baode Automobile Transportation Company	Shandong Iron & Steel Group Co., Ltd.	40,000,000.00	November 17, 2014	November 17, 2016	No
Jinan Baode Automobile Transportation Company	Shandong Iron & Steel Group Co., Ltd.	35,000,000.00	December 26, 2014	December 26, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	April 30, 2014	April 30, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	October 31, 2014	October 31, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	27,000,000.00	April 30, 2014	April 30, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	27,000,000.00	October 31, 2014	October 31, 2016	No
Jinan Iron & Steel Group Co.,Ltd.	Shandong Iron & Steel Group Co., Ltd.	6,300,000.00	April 30, 2014	April 30, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	6,300,000.00	October 31, 2014	October 31, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	April 30, 2014	April 30, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	October 31, 2014	October 31, 2016	No
Jinan Iron & Steel Group Co.,Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	April 30, 2014	April 30, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	October 31, 2014	October 31, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	April 30, 2014	April 30, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	October 31, 2014	October 31, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	April 30, 2014	April 30, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	October 31, 2014	October 31, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	4,500,000.00	April 30, 2014	April 30, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	4,500,000.00	October 31, 2014	October 31, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	30,000,000.00	August 16, 2014	August 16, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	30,000,000.00	August 16, 2014	August 16, 2016	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	April 30, 2015	April 30, 2017	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	9,000,000.00	October 31, 2015	October 31, 2017	No

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Group Co., Ltd.	Steel Group Co., Ltd.		2015	2017	
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	4,500,000.00	April 30, 2016	April 30, 2018	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	7,000,000.00	October 31, 2016	October 31, 2018	No
Jinan Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	7,000,000.00	April 28, 2017	April 28, 2019	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	500,000,000.00	September 29, 2015	September 29, 2017	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	20,000,000.00	September 29, 2015	September 29, 2017	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	121,938,000.00	September 29, 2015	September 29, 2017	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	249,972,900.00	September 29, 2015	September 29, 2017	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	132,000,000.00	October 1, 2014	October 1, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	600,000,000.00	November 7, 2014	November 7, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	40,000,000.00	June 21, 2014	June 21, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	130,000,000.00	June 28, 2014	June 28, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	150,000,000.00	July 15, 2014	July 15, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	150,000,000.00	July 12, 2014	July 12, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	66,898,412.61	June 25, 2014	June 25, 2016	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	205,795,899.36	May 15, 2016	May 15, 2018	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	20,000,000.00	March 1, 2015	March 1, 2017	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	February 22, 2016	February 22, 2018	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	80,000,000.00	March 1, 2015	March 1, 2017	No
Shandong Iron & Steel Group Co., Ltd.	Shandong Iron & Steel Group Co., Ltd.	300,000,000.00	June 8, 2014	June 8, 2016	No
Total		7,950,205,211.97			

Note: Our Company guarantees the credit amount issued by Jinan Iron & Steel International Trade Co., Ltd with warranties RMB 7800 million Yuan. By the end of the year, actual amount guaranteed is RMB 2316 million Yuan. After the Company transferred equity of Jinan Iron & Steel International Trade Co., Ltd, it will no longer provide guarantee for letter of credit operation service newly issued by Jinan Iron & Steel International Trade Co., Ltd since the completion date of equity delivery.

(5) Fund inter-bank lending of related party

Related party	Amount of inter-bank lending	Starting date:	Maturity date
Borrowing			
Jinan Iron & Steel Group Co., Ltd	385,000,000.00	April 10, 2013	April 9, 2014
Jinan Iron & Steel Group Co., Ltd	170,000,000.00	December 31, 2012	December 31, 2013
Jinan Iron & Steel Group Co., Ltd	400,000,000.00	April 5, 2013	April 5, 2014
Shandong Iron & Steel Group Finance Company	300,000,000.00	January 17, 2013	January 16, 2014
Shandong Iron & Steel Group Finance Company	200,000,000.00	October 22, 2013	October 21, 2014
Shandong Iron & Steel Group Finance Company	200,000,000.00	November 13, 2013	November 12, 2014
Shandong Iron & Steel Group Finance Company	60,969,000.00	October 10, 2013	October 9, 2014

Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	April 11, 2013	April 10, 2014
Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	November 17, 2013	November 16, 2014
Shandong Iron & Steel Group Co., Ltd.	450,000,000.00	April 25, 2013	April 24, 2014
Shandong Iron & Steel Group Co., Ltd.	150,000,000.00	April 18, 2013	April 18, 2014
Shandong Iron & Steel Group Co., Ltd.	300,000,000.00	August 13, 2013	August 12, 2014
Shandong Iron & Steel Group Co., Ltd.	500,000,000.00	October 31, 2013	October 30, 2014
Shandong Iron & Steel Group Co., Ltd.	200,000,000.00	December 3, 2013	December 2, 2014
Shandong Iron & Steel Group Co., Ltd.	15,000,000.00	January 5, 2013	January 4, 2014
Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	August 31, 2013	February 28, 2014
Shandong Iron & Steel Group Co., Ltd.	100,000,000.00	August 31, 2013	February 28, 2014
Shandong Iron & Steel Group Co., Ltd.	200,000,000.00	March 3, 2010	March 29, 2015
Shandong Iron & Steel Group Co., Ltd.	500,000,000.00	March 30, 2010	March 29, 2015
Shandong Iron & Steel Group Co., Ltd.	10,000,000.00	On June 5, 2013	On June 4, 2014
Shandong Iron & Steel Group Co., Ltd.	5,000,000.00	October 10, 2013	October 11, 2014
Shandong Iron & Steel Group Co., Ltd.	5,000,000.00	March 27, 2013	March 26, 2014
Shandong Iron & Steel Group Co., Ltd.	5,000,000.00	May 24, 2013	May 23, 2014
Shandong Iron & Steel Group Co., Ltd.	8,000,000.00	September 5, 2013	September 4, 2014

(6) Situation of transfer assets and debt restructurings of related party

Related party	Type of related transactions	Content of related transactions	Pricing principle of related transaction	Amount incurred in this year		Amount incurred in last year	
				Amount	The proportion of the similar transaction amount (%)	Amount	The proportion of the similar transaction amount (%)
Laiwu Iron & Steel Group Co., Ltd.	Purchasing fixed assets	Purchasing fixed assets (Note 1)	Fair value	499,027,577.30	23.35	62,343,863.25	3.82
Shandong Iron & Steel Group International Trade Co., Ltd.	Asset transfer	Sale of equity (Note 2)	Fair value	605,206,747.51	100.00		

Note 1: On February 25, 2013, in the 7th (temporary) meeting of the fourth session of board of directors held by the Company, the Company deliberated and approved *Proposal on Purchasing Partial Assets of Laiwu Iron & Steel Group*. The fixed assets purchased by the Company are these newly increased facilities held by Laiwu Iron & Steel Group, such as the transformer substation, water plant, railway weighbridge, railway and other transportation facilities

The assets purchased this time belong to the facilities newly increased and matched with asset of “three department” of Laiwu Iron & Steel Group, this assets are not included in the scope of asset due to in the end of construction when non-public offering shares to purchase. With the continuous improvement of business process of the Company, in order to ensure the integrity of the Company’s assets and business, strengthen professional management and division of labor, give full play to the role of synergies and reduce new related transaction during the period, the Company decided to purchase the above-mentioned assets of Laiwu Iron and Steel Group. This transaction has no significant impact on the Company’s ability to continue doing business, profit and loss and condition of assets.

As of December 31, 2012, the net book asset value of this transaction was RMB 486.6853 million Yuan. Wanlong (Shanghai) Asset Appraisal Co., Ltd issued Wanlong PBZ (2012) No. 018 Asset Appraisal Report, and upon approval of state-owned assets supervision and administration department on February 4, 2013, the appraisal value was confirmed to be RMB 483.36659607 million Yuan partial assets were not transferred due to usage of testing center. Transaction price was finally confirmed to be RMB 499.0275773 million Yuan based on appraisal value of actual transferred assets RMB 472.67067508 million Yuan minus withdrawn fixed assets depreciation RMB 14.06570547 million Yuan from the base date of assets appraisal to January 31, 2013, and plus added-value tax RMB 40.42260769 million Yuan (Equipment evaluation value purchased after January 1, 2009 shall be price exclusive of tax).

Note2: See Note VI. Item 4 for sales of equity

(7) Monetary capital of related party

Related party	Amount in the end of the year	Amount at the beginning of the year
Shandong Iron & Steel Group Finance Company	1,090,693,614.19	264,235,774.38
Total	1,090,693,614.19	264,235,774.38

6. The receivable and payable accounts of the related parties

(1) The account receivable and prepayable of the related parties

Project name	Amount in the end of the year		Amount at the beginning of the year	
	Book balance	Provision for bad debts	Book balance	Provision for bad debts
Account receivable:				
Dingtao Jinan Iron & Steel Steel Sales Co., Ltd	8,994,124.02	887,566.15	23,757,199.02	1,187,859.95
Shandong Laiwu Iron & Steel Yongfeng Iron and Steel Co., Ltd			12,299.57	9,839.66
Yunnan Baode Real Estate Development Co., Ltd.			141,923.90	
Jinan Baode Steel Construction Co., Ltd.	511,445.47	25,572.27		
Jinan Iron & Steel (Ma) Steel Plate Co., Ltd			100,719,474.26	80,575,579.41
Production and service company of Jinan Iron & Steel Group Company Head Office	12,067,437.39	1,206,743.74	12,067,437.39	603,371.87
Jigang Group Co.,Ltd.	76,453,913.65	3,822,695.68	9,103,020.16	455,151.01
Jinan Iron & Steel Group Heavy Machinery Co., Ltd	2,782,454.50	199,660.80	1,875,275.50	93,763.78
Jinan Baode Steel Construction Co., Ltd.	2,280,980.80	114,049.04	26,643,196.68	
Jinan Jigang Iron Alloy Factory	1,571,146.40	78,557.32	207,283.20	10,364.16
Shandong Baode Yongjun Wing Panel Co., Ltd	192,096.73	9,604.84	77,715.00	3,885.75
Jinan Baode Furnace Charge Co., Ltd.	11,863.80	638.82	912.60	45.63
Jinan Iron & Steel Group Head Office Heze Hardware Factory	1,442,648.63	72,132.43		
Jinan Iron & Steel Hong Kong Shareholding Co., Ltd			8,649,801.19	432,490.06
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd			4,563.00	
Shandong Iron & Steel Group Co., Ltd.	541,435.00	27,071.75		
Yantai Steel Pipe Plant of of LaiWu Iron & Steel Group			10,000.00	
Laiwu Iron & Steel Group Powder Metallurgy Co., Ltd.	5,400.00	270.00	13,600.00	
Laiwu Iron & Steel Group Laiwu Mining Co., Ltd.			26,000.00	
Laiwu Iron & Steel Group Lunan Mining Co., Ltd.			165,748.53	
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.			2,653,236,859.44	
Laiwu Iron & Steel Group Co., Ltd.	18,826,831.77	941,341.59	5,910,108.98	
Laiwu Iron & Steel Group Zibo Anchor Chain Co., Ltd.	8,250.00	7,425.00	8,250.00	
Luyin Investment Group Company Limited			6,455,449.14	
Shandong La/Gank Construction Co., Ltd.	39,376,484.51	1,968,824.23	31,040,482.09	
Shandong Iron & Steel Group Laiwu Xinjiang Co., Ltd	10,213,955.00	510,697.75	887,000.00	
Zibo Zhanggang Iron & Steel Co., Ltd.	2,512,984.45	178,578.45	1,138,584.45	
Jinan Iron & Steel Singapore Co., Ltd			114,169,067.74	
Laiwu Iron & Steel Group Machinery Manufacturing Co., Ltd.	16,088,968.20	804,448.41		
Total	193,882,420.32	10,855,878.27	2,996,321,251.84	83,372,351.28

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Notes receivable				
Shandong La/Gank Construction Co., Ltd.	500,000.00			
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	800,000.00			
Jinan Baode Automobile Transportation Co., Ltd.	700,000.00			
Jinan Iron & Steel Group Heavy Machinery Co., Ltd	500,000.00			
Jinan Baode Furnace Charge Co., Ltd.			20,000.00	
Jinan Baode Steel Construction Co., Ltd.			300,000.00	
Jinan Iron & Steel Group Heavy Machinery Co., Ltd	100,000.00			
Jigang Group Co., Ltd.	500,000.00			
Laiwu Iron & Steel Group Co., Ltd	53,150,000.00			
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	370,000.00			
Total	56,620,000.00		320,000.00	
Payments in advance:				
Dezhou Jinan Iron & Steel Group Company Longma Processing and Distribution Company	14,205.91			
Dingtao Jinan Iron & Steel Steel Sales Co., Ltd			467,582.49	
Jinan Iron & Steel Group Company	28,598,186.08		2,675,615.29	166,242.03
Jinan Iron & Steel Hong Kong Shareholding Co., Ltd			145,583,610.83	
Jinan Baode Automobile Transportation Co., Ltd.			4,902,887.27	
Laiwu Iron & Steel Group Mine Construction Co., Ltd	2,071,416.14			
Laiwu Iron & Steel Group Machinery Manufacturing Co., Ltd.	2,002,609.62			
Luyin Investment Group Company Limited	1,501.44			
Qingdao Jinan Iron & Steel Group Company International Logistics Limited	2,154,096.25		28,000.00	
Shandong Iron& Steel Group Rizhao Iron and Steel Co., Ltd.			389,516.94	
Total	34,842,015.44		154,047,212.82	166,242.03
Other Receivables:				
Jinan Baode Automobile Transportation Co., Ltd.	23,488.92	7,046.68	23,488.92	2,348.89
Jinan Iron & Steel Group Yantai Standard Component Co., Ltd	5,610,187.50	1,683,056.25	5,610,187.50	561,018.75
Jinan Iron & Steel Group Refractory Material Factory	90,729.30	9,072.93	90,729.30	4,536.47
Jinan Iron & Steel Group Co., Ltd.	2,630,389.12	131,519.46	649,225.36	32,461.27
Laiwu Iron & Steel Group Zibo Anchor Chain Company			281,519.06	
Shandong La/Gank Construction Co., Ltd.	667,094.20	33,354.71		
Shandong Iron & Steel Group International Trade Co., Ltd.	21,206,747.51			
Total	30,228,636.55	1,864,050.03	6,655,150.14	600,365.38

(2)The account receivable and prepayable of the related parties

Project name	Amount in the end of the year	Amount at the beginning of the year
Accounts payable:		
Dalian Jilian Metallurgical Machinery Complete Equipment Co., Ltd.	66,000.00	
Jinan Iron & Steel Group Thermometry Instrument Factory		6,010,493.61
Jigang International Engineering & Technology Co., Ltd	2,070,500.00	14,637,458.70
Jinan Iron & Steel Group International Trade Co. Ltd.	6,053,222,248.92	
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd	11,465,502.76	8,211,374.77

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Jinan Iron & Steel Group Commercial Trade Co., Ltd	1,134,748.86	3,864,885.45
Jigang Group Co.,Ltd.	4,324,988.74	
Jinan Iron & Steel Group Heavy Machinery Co., Ltd	647,787.93	2,781,871.71
Jinan Iron & Steel Hong Kong Shareholding Co., Ltd		3,408,016,078.15
Jinan Baode Steel Construction Co., Ltd.	294,858.63	1,112,507.40
Jinan Baode Furnace Charge Co., Ltd.	13,101,240.08	37,398,291.25
Jinan Baode Automobile Transportation Co., Ltd.	15,297,033.25	20,200,637.23
Jinan Baode Metallurgical Limestone Co. Ltd	1,014,662.21	8,898,868.08
Jinan Gangcheng Mining Co., Ltd	170,822,608.88	149,604,474.73
Jinan Iron & Steel Group Geological and Hydrological Survey Company		5,050.00
Jinan Iron & Steel Group Refractory Material Co., Ltd	15,270,583.77	30,708,416.03
Jinan Iron & Steel Group New Cause Co.Ltd	18,785,053.67	48,450,939.43
Jinan Iron & Steel Group Head Office Liuling Iron Mine Co., Ltd		1,584,399.47
Jinan Iron & Steel Group Head Office Production Services Company		3,351,891.50
Jinan Jigang Iron Alloy Factory	7,320,356.64	14,569,584.04
Laiwu Iron & Steel Group Mine Construction Co., Ltd		10,594,334.79
Laiwu Iron & Steel Group Machinery Manufacturing Co., Ltd.	6,787,170.40	550,000.00
Laiwu Iron & Steel Group Jinding Industrial Co., Ltd.	7,715,467.37	5,084,073.29
Laiwu Iron & Steel Group Mine Construction Co., Ltd.	15,408,295.47	
Laiwu Iron & Steel Group Laiwu Mining Co., Ltd.	4,781,933.01	2,032,893.44
Laigang Group Taidong Industrial Co., Ltd.	12,801,006.78	1,719,188.75
Xintai Copper Industrial Co., Ltd of Laiwu Iron and Steel Group	269,186.53	
Laiwu Iron & Steel Group Co., Ltd.	205,089.78	
Laiwu Steel Group		4,200.00
Qingdao Bonded Area Jinan Iron & Steel International Logistics Co., Ltd	19,399,980.34	35,200,898.09
Shandong Baode Metal Composite Panels Co., Ltd.	1,716,287.44	565,633.03
Shandong Baode Flange Plate Co., Ltd	2,492,675.53	1,882,131.32
Shandong Jinling Chemical Co., Ltd.	8,056,652.69	
Shandong Jinling Iron Ore	628,999.61	
Shandong Laiwu Steel International Corp	5,532,075,227.10	
Shandong La/Gank Construction Co., Ltd.	29,975,378.21	79,941,653.97
Shandong Laiwu Iron & Steel Automobile Transportation Co., Ltd	2,961,730.96	90,300.00
Shandong Laiwu Iron & Steel Yongfeng Iron & Steel Co., Ltd	456,980.80	
Shandong Luzhi Ruibao Electric Automation Co., Ltd		23,700.00
Shandong Ductile Cast Iron Pipes Co., Ltd.	33,290,961.75	51,329,196.99
Shandong Metallurgical Geological and hydrological Survey Company	1,131,406.93	1,499,193.27
Shandong Metallurgical Science Research Institute	20,447,031.87	12,533,738.94
Shandong Province Metallurgical Materials Company	40,538.74	
Zibo Tieying Iron & Steel Co., Ltd.	725,718.84	
Zibo Zhanggang Iron Cast Pipes Co., Ltd.	13,185.28	
Total	12,016,219,079.77	3,962,458,357.43
Notes payable		
Jinan Baode Furnace Charge Co., Ltd.	10,000,000.00	
Jigang Group Co.,Ltd.	200,000,000.00	
Shandong Ductile Cast Iron Pipes Co., Ltd.	20,000,000.00	
Jinan Gangcheng Mining Co., Ltd	30,000,000.00	
Shandong Jinling Mining Co., Ltd.	1,000,000.00	
Total	261,000,000.00	
Account collected in advance:		
Bisalloy Jigang (Shangdong) Steel Plate Co., Ltd		1,060,715.24

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Dezhou Jinan Iron & Steel Longma Steel Processing and Distribution Co., Ltd	5,701,516.87	
Jigang International Engineering & Technology Co., Ltd		8,000.00
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd		111,300.00
Jinan Iron & Steel Group Commercial Trade Co., Ltd	4,645,960.44	5,751,575.75
Jigang Group Co.,Ltd.	1,612,164.34	1,179,418.89
Jinan Iron & Steel Group Heavy Machinery Co., Ltd	56,928.25	101,786.05
Jinan Baode Steel Construction Co., Ltd.	1,224,141.30	1,830,834.28
Jinan Baode Automobile Transportation Co., Ltd.	52,051,571.73	28,479,328.77
Jinan Desheng Property Management Co., Ltd	8,000,000.00	
Jinan Second Automobile Refitting Plant	18,331.38	18,331.38
Jinan Gangcheng Mining Co., Ltd		3,247,019.25
Jinan Iron & Steel Group Refractory Material Co., Ltd	580,123.58	1,039,994.57
Jinan Iron & Steel Group New Cause Co., Ltd	4,150,869.18	1,823.20
Jinan Iron & Steel Group Head Office Heze Hardware Factory	115.48	
Xingda Company of Jinan Iron & Steel Group Company Refractories Plant	52,842.00	52,842.00
Jinan Jigang Iron Alloy Factory	3,549,964.22	9,968,799.30
Laiwu Iron & Steel Group Blue Sky Business Travel Vehicle Co., Ltd	6,424.31	172,616.93
Yantai Steel Pipe Plant of of Laiwu Iron & Steel Group		9,910.00
Laiwu Iron & Steel Group Laiwu Mining Co., Ltd.	614,442.45	654,566.40
Laigang Group Taidong Industrial Co., Ltd.	7,301,853.87	84,910.36
Laiwu Iron & Steel Group Co., Ltd.	18,362,358.81	
Laiwu Iron & Steel Group Zibo Anchor Chain Co., Ltd.	372,219.35	418,823.76
Luyin Investment Group Company Limited	4,157.98	
Qingdao Bonded Area Jinan Iron & Steel International Logistics Co., Ltd	44,729,979.52	11,119,781.57
Qingdao Xinlai Weiye Economic and Trade Co., Ltd	1,512,654.35	4,250,951.99
Shandong Baode Metal Composite Panels Co., Ltd.	2,554,554.28	40,136.44
Shandong Baode Flange Plate Co., Ltd		16,743.10
Shandong Iron& Steel Group Co., Ltd.		2,718,565.00
Shandong Vocational College of Industry	103,748.15	103,748.15
Shandong Jinling Mining Co., Ltd.	23,705.44	
Shandong Jinling Iron Ore	9,210.88	9,210.88
Shandong La/Gank Construction Co., Ltd.	259,764.08	2,679,645.85
Shandong Laiwu Iron & Steel Automobile Transportation Co., Ltd	2,264,488.03	2,732,576.06
Shandong Lubi Construction Materials Co., Ltd.	416,180.28	708,501.90
Shandong Luzhi Ruibao Electric Automation Co., Ltd		113,531.00
Shandong Ductile Cast Iron Pipes Co., Ltd.	1,833,480.11	1,335,042.51
Shandong Metallurgical Geological and hydrological Survey Company	138,252.86	79,666.10
Shandong Metallurgical Science Research Institute	6,074.64	
Shandong Province Metallurgical Materials Company	62,081.41	62,081.41
Shandong Iron & Steel Group Laiwu Iron & Steel Xinjiang Co., Ltd		2,477,899.85
Weifang Jinan Iron & Steel Steel Material Processing and Distribution Co., Ltd	2,546,504.89	
Zhangdian Iron & Steel Works	462,036.24	462,036.24
Zibo Tieying Import and Export Co., Ltd.		139,962.00
Zibo Zhanggang Iron & Steel Co., Ltd.		1,338,503.46
Total	165,228,700.70	84,581,179.64
Other payables:		
Jigang International Engineering & Technology Co., Ltd	20,000.00	20,000.00
Jinan Iron & Steel Group Heze Hardware Factory		27,720.00

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Metal Products Co., Ltd of Jinan Iron & Steel Group Company	2,518,590.01	
Jinan Iron and Steel Group, Shandong Construction Engineering Co., Ltd	4,833,782.02	10,295,403.92
Jinan Iron & Steel Group Commercial Trade Co., Ltd	436,430.40	923,936.00
Jinan Iron & Steel Group Co., Ltd.	5,264,449.44	10,366,605.46
Jinan Iron & Steel Group Heavy Machinery Co., Ltd	1,029,926.17	1,830,474.97
Jinan Baode Steel Construction Co., Ltd.	5,000.00	5,000.00
Jinan Baode Automobile Transportation Co., Ltd.	218,708.85	56,397.32
Jinan Iron & Steel Group Refractory Material Co., Ltd		1,018,891.29
Jinan Huarui Decoration Engineering Co., Ltd	16,000.00	16,000.00
Jinan the Yellow River Blasting Co., Ltd	3,000.00	
Jinan Jigang Iron Alloy Factory	556,838.09	392,411.55
Jinan Fire-fighting Equipment Factory		45,784.00
Laiwu Iron & Steel Group Machinery Manufacturing Company		78,801.20
Laiwu Iron & Steel Group Mine Construction Co., Ltd	940,994.42	7,254,676.04
Laiwu Iron & Steel Group Blue Sky Business Travel Vehicle Co., Ltd	1,900.00	1,900.00
Laiwu Iron & Steel Group Powder Metallurgy Co., Ltd.		57,600.00
Laiwu Iron & Steel Group Machinery Manufacturing Co., Ltd.	153,000.00	153,000.00
Laiwu Iron & Steel Group Jinding Industrial Co., Ltd.	68,100.00	68,100.00
Laiwu Iron & Steel Group Laiwu Mining Co., Ltd.	32,900.00	
Laigang Group Taidong Industrial Co., Ltd.	7,000.00	4,600.00
Laiwu Iron & Steel Group Yinshan Structural Steel Co., Ltd.	468,100.00	12,324,936.57
Laiwu Iron & Steel Group Co., Ltd.	215,500.00	208,984.78
Luyin Investment Group Company Limited	61,100.00	
Shandong Iron& Steel Group Co., Ltd.	17,002,000.00	
Shandong Laiwu Steel International Corp.	25,128,874.85	
Shandong La/Gank Construction Co., Ltd.	216,600.00	5,356,582.05
Shandong Laiwu Iron & Steel Automobile Transportation Co., Ltd	56,800.00	105,800.00
Shandong Lubi Construction Materials Co., Ltd.	9,000.00	9,000.00
Shandong Luzhi Ruibao Electric Automation Co., Ltd	228,934.01	469,169.14
Shandong Luzhong Steel Logistcis Co., Ltd	248,600.00	56,293.35
Shandong Ductile Cast Iron Pipes Co., Ltd.	1,246,286.48	334,051.80
Shandong Rongxin Investment Co., Ltd	51,200,000.00	
Shandong Province Xinli Metallurgical Industrial Company	26,230.36	26,230.36
Shandong Metallurgical Geological and hydrological Survey Company	4,595,808.39	5,933,292.71
Shandong Metallurgical Science Research Institute	926,859.19	808,057.09
Total	117,737,312.68	58,249,699.60

IX. Contingencies

1. Since 2012, due to client's breach of *Confirmer Wharf Finance Service Trilateral Cooperation Agreement* signed by the Company, bank and client, the Company is willing to assume joint and several liabilities for the defendant and the cases have involved RMB 1185 million Yuan. By the end of April 23, 2014, in addition to that partial lawsuits of Industrial Bank Co Jinan Branch were not finally judged or withdrawn, other lawsuits had been withdrawn. For the defeat lawsuits of the Company during first or second instance, it shall combine opinions of Finance Department and Legal Affairs Department of the Company and withdraw estimated liabilities RMB 28 million Yuan. The estimated loss will not constitute a significant adverse impact on operation results or financial conditions.

Serial No.	Accuser	Defendant	Serial number of the case	Amount of object of litigation (RMB Ten thousand)	Remarks
1	Industrial Co Bank Shanghai North Subbranch	Shanghai Zhongpu Enterprise Development Co., Ltd.	(2012) JME(S) CZ No. 967	19,819.74	Note 1
2	Industrial Bank Co Jinan Branch	Laiwu Deyu Commerce and Trade Co., Ltd.	(2013) JSCZ No.12	3,590.51	Note 2
3	CMBC Nanjing Branch	Changshu City Tianming Materials Co., Ltd	(2013) SSCZ No.0012	48,050.00	Note 3
4	Industrial Bank Co Jinan Branch	Fujian Wanglong Trading Co., Ltd	(2012) JSCZ No.157,158,159	7,834.43	Note 4 :
5	Industrial Bank Co Jinan Branch	Fujian Wanglong Trading Co., Ltd	(2012) JSCZNo. 160	5,705.00	Note 4 :
6	Industrial Bank Co Jinan Branch	Shanghai Qingfan Industries Co., Ltd.	(2012) JSCZ No. 108	2,727.47	Note 5
7	Industrial Bank Co Jinan Branch	Shanghai Qingfan Industries Co., Ltd.	(2013) JSCZNo.55,56,57	3,593.19	
8	Industrial Bank Co Jinan Branch	Shanghai Lianye Supplies Co., Ltd.	(2013) JSCZ No. 109,110,111,114	12,826.69	Note 6
9	Industrial Bank Co Jinan Branch	Shandong Liwei Petroleum Machinery Equipment Co., Ltd	(2013) JSCZ No. 127,128,129,130	14,313.66	

Note 1: Company lost the lawsuit during first instance on September 2013. Shanghai Jing'an People's Court issued (2012) JME(S) CZ No.967 Paper of Civil Judgment. The defendant- Shandong Iron & Steel Group Jinan Branch shall be jointly and severally liable for banker's acceptance bill RMB 198.19736008 million Yuan returned by the defendant-Shanghai Zhongpu Enterprise Development Co., Ltd originally paid by accuser - Industrial Bank Shanghai North Branch.

On December 31, 2013, the accuser withdrew the lawsuit. Shanghai No.2 Intermediate People's Court delivered (2013) HEZM Six (S) ZZ No.323 *Civil Ruling Paper* and judged as follows: 1. Appellor - Shandong Iron & Steel Group Jinan Branch is allowed to withdraw an appeal. 2. Appellee-Industrial Bank Co Shanghai North Sub-branch is allowed to withdraw all claims during first instance towards appellor - Shandong Iron & Steel Group Jinan Branch, as well as allowed to no longer advocate any entity rights and interests towards appellor - Shandong Iron & Steel Group Jinan Branch

Note 2: In October, 2013, the accuser withdrew the lawsuit. Shandong Jinan Intermediate People's Court delivered (2013) JSCZ No.12-1 *Civil Ruling Paper* and judged as follows: 1. The accuser-Industrial Bank Co Jinan Branch is allowed to withdraw lawsuit; 2. Court acceptance fee and maintenance costs shall be fully assumed by the accuser-Industrial Bank Co Jinan Branch.

Note3: On December 24, 2013, the accuser withdrew the lawsuit, Jiangsu Superior People's Court delivered (2013) SSCZ No.0012 *Civil Ruling Paper* and judged as follows: The accuser - CMBC Nanjing Branch is allowed to withdraw lawsuit against the defendant Changshu Tianming Materials Co., Ltd, Changshu Tianming International Hotel Co., Ltd, Chen Xueming, Gong Meifang, Shandong Iron & Steel Group, and Shandong Iron & Steel Group Jinan Branch.

Note4: In August 2013, Jinan Intermediate People's Court delivered (2012) JSCZ No. 160 Civil Written Judgement and judged as follows: 1. The defendant Fujian Wanglong Trading Co., Ltd shall return the accuser Industrial Bank Co Jinan Branch total amount of RMB 57.78894228 million Yuan including principal of

acceptance bill RMB 56.70717704 million Yuan and the interest RMB 1.08176524 million Yuan. 2. The defendant Shandong Iron & Steel Group and Shandong Iron & Steel Group Jinan Branch can be jointly and severally liable within the range of loss (that is, debts confirmed in the item 1 of the judge) due to their shipment without authorization.

In December, 2013, Shandong Jinan Intermediate People's Court delivered (2012) JSCZ No. 157, 158, 159 Civil Written Judgement and judged as follows: 1. The defendant Fujian Wanglong Trading Co., Ltd shall return the accuser Industrial Co Bank Jinan Branch total amount of RMB 81.62499921 million Yuan including principal of acceptance bill RMB 77.96130438 million Yuan and the interest RMB 3.66369483 million Yuan. 2. The defendant Fujian Tianhe Building Materials Market Management Co., Ltd, Ningde Julong Sanduao Tourism Wharf Co., Ltd, Fuzhou Libao Real Estate Co Ltd, Lai Liangbin, Li Huiying and Wu Jintong shall assume joint and several liabilities. 3. The defendant Shandong Iron & Steel Group and Shandong Iron & Steel Group Jinan Branch can be jointly and severally liable within the range of loss (that is, debts confirmed in the item 1 of the Judgement) due to their shipment without authorization. The Company has currently instituted an appeal against Shandong Superior People's Court.

In December 2013, Shandong Superior People's Court delivered (2013) LSZZ No. 243 *Civil Written Judgment*, and made final judgment concerning that the Company refuses to accept (2012) JSCZ No. 160 Paper of Civil Judgment. Reject the appeal and sustain the original judgment by the end of April 23, 2014, Shandong Superior People's Court still has not judged the remaining appeals.

The Company shall be jointly and severally liable for RMB 139.41394149 million Yuan, and the Company has learned from Court and Industrial Bank Co Jinan Branch that Jinan Intermediate People's Court has sealed up and frozen assets of other defendants in addition to our company. Frozen and seized assets including: Bank deposit is about RMB 105 million Yuan; land and commercial property is about 28000 m²; the equity investment is RMB 257 million Yuan. According to the judgment made by the Company financial department and legal affair department, the several and joint damage assumed by the Company is little. So according to the principle of prudence, if calculated by 20% of joint several liability, the Company's predicted liability is RMB 28 million Yuan.

Note 5: In June 2013, the Company received the (2012)JSCZ No. 108 *Application for Adding Defendants and Changing, Adding Litigation Requisition* and (2013) JSCZ No. 55, No. 56 and No. 57 *Notice of Response to Action* sent by Jinan Intermediate People's Court, Industrial Bank Co. Jinan Branch filed a lawsuit against Shanghai Qingfan Industrial Co., Ltd. and the Company for *Confirming Warehouse Business Triple Agreement* and requested to judge the Company to undertake joint liability of payment.

In December 2013, Jinan Intermediate People's Court delivered (2012) JSCZ No. 108 *Civil Written Judgment*, which judged the defendant Shanghai Qingfan Industrial Co., Ltd. to pay Industrial Bank Co Jinan Branch the following money: the principal of advance payment for acceptance of draft RMB 26.6186 million Yuan and interest RMB 0.65610856 million Yuan thousand. Judge the Company to undertake joint and several liabilities. The Company has currently instituted an appeal against Shandong Superior People's Court.

In January 2014, the accuser Industrial Bank Co Jinan Branch submitted the *Application for Withdrawing* to Jinan Intermediate People's Court in order to apply for withdrawing the claims against the Company in (2012) JSCZ No.108 and (2013) JSCZ No. 55, 56, 57 contract dispute cases.

In April 2014, Jinan Intermediate People's Court delivered (2013) JSCZ No. 55, 56, 57 *Civil Ruling Paper* and judged as follows: The accuser Industrial Bank Co Jinan Branch is allowed to withdraw lawsuit against the defendant Shandong Iron & Steel Group Company Limited, Shandong Iron & Steel Group Company Jinan branch.

By the end of April 23, 2014, the accuser's withdrawing application for JSCZ (2012) No.108 legal case now is in the process of reviewing in Jinan Intermediate People's Court, and the Company holds the opinion that: The party is allowed to waive the power to prosecute the Company's substantive right. According to laws and regulations as well as existing cases, the people's court should allow the accuser to withdraw its prosecution.

Note 6: In July 2013, the Company received JSCZ No. 109, 110, 111, 114, 127, 128, 129, 130 *Notice of Response to Action* sent by Jinan Intermediate People's Court, which Industrial Bank Co Jinan Branch filed a lawsuit against Shanghai Lianyue Logistics Co., Ltd., Shandong Liwei Oilfield Mechanical Equipment Co., Ltd. and the company for *Confirming Warehouse Business Triple Agreement* and requested to judge the Company to undertake several and joint liability.

In February 2014, Jinan Intermediate People's Court delivered (2013) JSCZ No. 127-2 *Civil Ruling Paper* and

judged as follows: The accuser Industrial Bank Co Jinan Branch is allowed to withdraw lawsuit against the defendant Shandong Iron & Steel Group Company Limited, Shandong Iron & Steel Group Company Jinan branch.

In April 2014, the accuser Industrial Bank Jinan Branch submitted *the Application for Withdrawing* to Jinan Intermediate People's Court in order to apply for withdrawing the claims against the Company in (2012) JSCZ No.108 and (2013) JSCZ No. 109, 110,111, 114, 128, 129, 130 contract dispute cases. By April 23, 2014, this application has been under the process of reviewing in Jinan Intermediate People's Court, and the company holds the opinion that: The party is allowed to waive the power to prosecute the Company's substantive right. According to laws and regulations as well as existing cases, the people's court should allow the accuser to withdraw its prosecution.

2. In respect of the contract dispute between the Company and Shanghai Chuanyang Industrial Co., Ltd., according to (2012) HZAZ No. 1308 *Written Judgment* made by Shanghai Arbitration Commission and (2013) HYZMS (S) No. 73 *Civil Ruling Paper* made by Shanghai First People's Court, Shanghai Chuanyang Industrial Co., Ltd. should pay RMB 26.5495 million Yuan to the Company. The People's Court of Shanghai Yangpu District has frozen 10 housing property with a value of RMB 45.0582 million Yuan and bank deposit of RMB 4.03628503 million Yuan of Shanghai Chuanyang Shiye Co., Ltd.

X. Commitment matters

Up to December 31, 2013, there are not any significant commitment matters in the Company.

XI. Events after balance sheet date

The events after balance sheet date that need to be disclosed by the Company are contentious matters, which shall refer to Note IX for details.

XII. Notes to the main items of Parent Company's financial tables

1. Accounts receivable

(1) Accounts receivable is listed by type.

Type	Amount in the end of the year			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable of provision for bad debts according to aging combination	353,146,637.63	95.95	66,386,581.35	18.80
Account receivables that need to do impairment test separately and without impairment.	7,501,714.71	2.04		
Combination subtotal	360,648,352.34	97.99	66,386,581.35	18.41
Accounts receivable with amounts which are not individually significant but subject to respective assessment for provision for bad debts:	7,411,736.38	2.01	7,411,736.38	100.00
Total	368,060,088.72	100.00	73,798,317.73	20.05

(Continued)

Type	Amount at the beginning of the year			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Accounts receivable of provision for bad debts according to aging combination	336,260,039.08	32.91	138,071,143.82	41.06
Account receivables that need to do impairment test separately and without impairment.	677,950,757.26	66.36		
Combination subtotal	1,014,210,796.34	99.27	138,071,143.82	13.61
Accounts receivable with amounts which are not individually significant but subject to respective assessment for provision for bad debts:	7,411,736.38	0.73	7,411,736.38	100.00

Total	1,021,622,532.72	100.00	145,482,880.20	14.24
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(2) Provision situation of bad debt reserves

☐ Accounts receivable of provision for bad debts according to combination

A. The accounting receivable with aging analysis method to the provision for bad debts in combination

Account age	Amount in the end of the year			Amount at the beginning of the year		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	225,572,561.27	63.86	11,278,628.65	152,527,643.61	45.36	7,552,576.57
1 to 2 years	69,495,254.14	19.68	6,949,525.41	7,277,541.30	2.16	727,754.13
2 to 3 Years	4,269,629.02	1.21	1,280,888.71	28,874,775.09	8.59	8,662,432.53
3 to 4 years	7,223,374.96	2.05	5,778,699.98	8,334,191.75	2.48	6,667,353.40
4 to 5 years	8,283,978.06	2.35	6,627,182.44	108,633,034.07	32.31	86,909,459.26
Over 5 years	38,301,840.18	10.85	34,471,656.16	30,612,853.26	9.10	27,551,567.93
Total	353,146,637.63	100.00	66,386,581.35	336,260,039.08	100.00	138,071,143.82

B. In the combination, account receivables that need to do impairment test separately and without impairment.

Name of combination	Book balance	Withdrawal percentage (%)	Provision for bad debts	Reason
Modern comprehensive business affairs	95,483.79			Payment by letter of credit (L/C)
Jiaqin Industries Co., Ltd	953,017.84			Payment by letter of credit (L/C)
Oriental United Resources (Hong Kong) Co., Limited	1,491,290.03			Payment by letter of credit (L/C)
Yonghua Steel Enterprise Corporation	3,724,623.04			Payment by letter of credit (L/C)
KHALID ALI AL KHARAFI&BROS.CO.	1,237,300.01			Payment by letter of credit (L/C)
Total	7,501,714.71			

☐ Accounts receivable with amounts which are not individually significant but subject to respective assessment for provision for bad debts in the end of the year

The content of accounts receivable	Book balance	Withdrawal percentage (%)	Provision for bad debts	Reasons for provision
Shandong Hualu Real Estate Development Civil Construction Office	7,411,736.38	100.00	7,411,736.38	For account aging above five years, the chance for receiving is slim.
Total	7,411,736.38	100.00	7,411,736.38	

(3) The condition of large account receivable that shall be actually canceled after verification during the reporting period

Name of organization	Nature of receivables	Amount of cancellation after verification	Reasons for cancellation after verification	Whether it is produced due to the related party transactions
Jinan Iron & Steel (Ma) Steel Plate Co., Ltd	Payment for goods	100,719,474.26	Product price reduction (Note)	Yes
Weihai Sanjin Boat Industry Co., Ltd	Payment for goods	576,021.00	Due to the problem of product quality	No
Jining Jinnuo Machinery Co., Ltd, etc.	Payment for goods	268,682.75	Can't take back	No
Total		101,564,178.01		

Note: For details, please see Note VII, Item 4 (3).

(4) The condition of units of the shareholders holding 5% (including 5%) or more shares with voting power in the prepayment during the reporting period:

For details see Note VIII, Item 6 Amount receivables and payables from related parties

(5) Conditions of top five units of receivable amount

Name of organization	Relationship with the Company	Amount	Year limit	Ratio in total account receivable (%)
Qingdao Xinlai Weiye Economic and Trade Co., Ltd	The common ultimate controller	39,376,484.51	Within 1 year	10.70
Yanggu Baode Sheet Co., Ltd	Non-related parties	37,149,156.31	1 to 2 years	10.09
Shanghai Huanqiu Petroleum Chemical Engineering Company Limited	Non-related parties	27,208,245.46	Within 1 year	7.39
Daqing Oilfield Engineering Co., Ltd.	Non-related parties	21,027,714.00	Within 1 year	5.71
Laiwu Iron & Steel Group Machinery Manufacturing Co., Ltd.	The common ultimate controller	16,088,968.20	Within 1 year	4.37
Total		140,850,568.48		38.26

(6) The condition of the account receivables from related parties

For details see Note VIII, Item 6 Amount receivables and payables from related parties

2. Other receivables

(1) Other receivables are shown by type

Type	Amount in the end of the year			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other account receivables of single significant amount and individual provision for bad debt.	245,020,562.45	36.40	245,020,562.45	100.00
Other accounts receivable of provision for bad debts according to ombination				
Accounts receivable combination based on provision for bad debts with account receivable age analysis method	48,023,658.43	7.13	6,389,353.73	13.30
Other accounts receivable that separately undertake impairment tests but no impairment incurred.	370,618,830.13	55.06		
Combination subtotal	418,642,488.56	62.19	6,389,353.73	1.53
Other accounts receivables with amounts which are not individually significant but subject to respective assessment for provision for bad debt.	9,487,333.10	1.41	1,149,559.50	12.12
Total	673,150,384.11	100.00	252,559,475.68	37.52

(Continued)

Type	Amount at the beginning of the year			
	Book balance		Provision for bad debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other amount receivables of single significant amount and individual provision for bad debt.	245,020,562.45	44.22	245,020,562.45	100.00
Other accounts receivable of provision for bad debts according to combination				
Accounts receivable combination based on provision for bad debts with account receivable age analysis method	86,576,869.90	15.62	8,718,855.39	10.07
Other receivables that need to perform impairment test separately and have no impairment occurred.	213,030,725.68	38.45		
Merger subtotal	299,607,595.58	54.07	8,718,855.39	2.91
Other accounts receivables with amounts which are not individually significant but subject to respective	9,487,333.10	1.71	1,025,391.68	10.81

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assessment for provision for bad debt.				
Total	554,115,491.13	100.00	254,764,809.52	45.98

(2) Provision situation of bad debt reserves

☐ Other accounts receivables of single significant amount and individual provision for bad debt

Contents of other accounts receivable	Book value	Provision for bad debts	Withdrawal percentage	Reason
Kunlun Securities Co., Ltd.	226,954,469.00	226,954,469.00	100.00	The company has been bankrupt, the liquidation is in progress.
Jining Yuanda Iron and Steel Company	18,066,093.45	18,066,093.45	100.00	Specific identification
Total	245,020,562.45	245,020,562.45		

☐ Other accounts receivable of provision for bad debts according to aging combination

A. Other receivables of provision for bad debts according to account age analysis in combination

Account age	Amount in the end of the year			Amount at the beginning of the year		
	Book balance		Provision for bad debts	Book balance		Provision for bad debts
	Amount	Proportion (%)		Amount	Proportion (%)	
Within 1 year	33,695,010.91	70.17	1,684,750.55	71,255,774.18	82.30	3,995,855.28
1 to 2 years	5,639,927.36	11.74	563,992.73	8,346,131.02	9.64	834,613.10
2 to 3 Years	5,843,315.00	12.17	1,752,994.50	3,791,753.14	4.38	1,137,525.94
3 to 4 years	1,562,548.90	3.25	1,250,039.12	1,004,848.72	1.16	803,878.98
4 to 5 years	169,938.11	0.35	135,950.50	135,444.69	0.16	108,355.75
Over 5 years	1,112,918.15	2.32	1,001,626.33	2,042,918.15	2.36	1,838,626.34
Total	48,023,658.43	100.00	6,389,353.73	86,576,869.90	100.00	8,718,855.39

B. Other accounts receivable that separately undertake impairment tests but no impairment incurred.

Name of combination	Book balance	Provision for bad debts	Reason
Pending deduct VAT on purchase	149,793,831.92		Have authenticated after the period
VAT of imported ore	16,875,096.58		Have authenticated after the period
Petty fund	2,919,949.49		Specific identification
Shandong Iron & Steel Group International Trade Co., Ltd.	21,206,747.50		Specific identification
Shandong Laiwu Steel Huanyou Chemical & Energy Co., Ltd	179,823,204.64		The communication of related parties within the scope of mergence
Total	370,618,830.13		

☐ Other receivable fund prepared for single withdraw the bad debt which is not significant in the single amount in the end of the year.

Contents of Other Accounts Receivable	Book balance	Withdrawal percentage (%)	Provision for bad debts	Reasons for provision
Zibo Iron & Steel Co., Ltd	9,487,333.10	12.12	1,149,559.50	Specific identification
Total	9,487,333.10		1,149,559.50	

(3) Conditions of the shareholders holding 5% (including 5%) or more shares with voting power in the accounts receivable of this reporting period

For details see note VIII, Item 6 Receivables and payables from related parties

(4) Situations of top five units of other accounts receivable

Name of organization	Relationship with the Company	Amount	Year limit	Proportion accounting for the total amount of other
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				receivables (%)
Kunlun Securities Co., Ltd.	Non-related parties	226,954,469.00	Over 5 years	33.72
Shandong Laiwu Steel Huanyou Chemical & Energy Co., Ltd	Subsidiaries	179,823,205.64	Within 1 year	26.71
Pending deduct VAT on purchase	Non-related parties	149,793,831.92	Within 1 year	22.25
Shandong Iron & Steel Group International Trade Co., Ltd.	The common ultimate controlling party	21,206,748.50	Within 1 year	3.15
Jining Yuanda Iron and Steel Company	Non-related parties	18,066,093.45	Over 5 years	2.68
Total		595,844,348.51		88.51

(5) The condition of the account receivables from related parties

For details see Note VIII, Item 6 Receivables and payables from related parties

3. Long-term equity investment

(1) Classification of long-term equity investment

Item	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
Investments in subsidiaries	2,301,725,420.30		153,137,860.30	2,148,587,560.00
Investment in cooperative enterprises	9,747,942.10	7,866,907.68	2,759,490.00	14,855,359.78
Investments in other equity	243,400,000.00			243,400,000.00
Subtraction: Long-term equity investment depreciation reserves	60,000,000.00			60,000,000.00
Total	2,494,873,362.40	7,866,907.68	155,897,350.30	2,346,842,919.78

(2) Details of the long-term equity investment

Invested entity	Accounting method	Investment cost	Amount at the beginning of the year	Changes of increase and decrease	Amount in the end of the year
Investments in subsidiaries					
Laiwu Iron & Steel Wuxi Economy and Trade Co., Ltd.	Cost method	15,000,000.00	16,059,980.50		16,059,980.50
Laiwu Iron & Steel (Guangdong) Economy and Trade Co., Ltd.	Cost method	59,000,000.00	60,811,425.62		60,811,425.62
Laiwu Iron & Steel Shanghai Economy and Trade Co., Ltd.	Cost method	9,000,000.00	9,000,000.00		9,000,000.00
Qingdao Laiwu Iron & Steel Economy and Trade Co., Ltd.	Cost method	8,220,000.00	15,667,786.21		15,667,786.21
Laiwu Lida Logistics Co., Ltd.	Cost method	8,200,000.00	17,567,834.88		17,567,834.88
Shandong Laiwu Steel Huanyou Chemical & Energy Co., Ltd	Cost method	300,000,000.00	300,036,222.19		300,036,222.19
Laiwu Iron and Steel Metallurgical Ecological Engineering Technology Co., Ltd	Cost method	5,100,000.00	5,100,000.00		5,100,000.00
Laiwu Iron & Steel Group Electronics Corporation	Cost method	36,000,000.00	94,331,994.07		94,331,994.07
Laiwu Tian Gas Co., Ltd	Cost method	505,811,390.36	858,661,072.02		858,661,072.02
Shandong Laiwu Steel International Corp.	Cost method	60,000,000.00	126,858,993.60	-126,858,993.60	
Jinan Steel Group International Trade	Cost	26,278,866.70	26,278,866.70	-26,278,866.70	

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Co. Ltd.	method				
Nanjing Jinan Iron & Steel Trade Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00
Heze Jinan Iron & Steel Trade Co., Ltd.	Cost method	2,750,000.00	2,750,000.00		2,750,000.00
Shanghai Jinan Iron and Steel Trade Co., Ltd.	Cost method	15,300,000.00	15,300,000.00		15,300,000.00
Wuxi Jinan Iron & Steel Trade Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00
Xi'an Jinan Iron & Steel Trade Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00
Jinan Baode Gas Co., Ltd	Cost method	698,301,244.51	698,301,244.51		698,301,244.51
Tianjin Jinan Iron & Steel Economic and Trade Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00
Hangzhou Jinan Iron & Steel Industrial Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00
Qingdao Jinan Iron & Steel Economy and Trade Co., Ltd.	Cost method	30,000,000.00	30,000,000.00		30,000,000.00
Investment in cooperative enterprises					
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd	The equity method	12,561,600.00	9,747,942.10	5,107,417.68	14,855,359.78
Other investments on equity					
Shandong Laiwu Steel Furnace Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00
Shandong Iron& Steel Group Finance Company	Cost method	170,000,000.00	170,000,000.00		170,000,000.00
Tiantong Security Co., Ltd.	Cost method	60,000,000.00	60,000,000.00		60,000,000.00
Heze Ju Long Energy Co., Ltd.	The equity method	8,400,000.00	8,400,000.00		8,400,000.00
Total		2,059,923,101.57	2,554,873,362.40	.148,030,442.62	2,406,842,919.78

(Continued)

Invested entity	Shareholding proportion in the invested entity (%)	Voting right proportion enjoyed in the invested unit (%)	The instructions of inconsistent of shareholding proportion and voting right proportion in the invested unit	Impairment reserve	Withdrawing impairment reserve of this year	Cash bonus of this year
Investments in subsidiaries						
Laiwu Iron & Steel Wuxi Economy and Trade Co., Ltd.	100.00	100.00				
Laiwu Iron & Steel (Guangdong)Economy and Trade Co., Ltd.	95.16	95.16				
Laiwu Iron & Steel Shanghai Economy and Trade Co., Ltd.	90.00	90.00				
QingdaoLaiwu Iron & Steel Economy and Trade Co., Ltd.	100.00	100.00				
Laiwu Lida Logistics Co., Ltd.	70.09	70.09				
Shandong Laiwu Steel Huanyou Chemical Energy Company	100.00	100.00				

Laiwu Iron & Steel Metallurgical Ecological Engineering Technology Co., Ltd	51.00	51.00				
Laiwu Iron & Steel Group Electronics Co., Ltd.	100.00	100.00				
Laiwu Tian Gas Co., Ltd	100.00	100.00				
Shandong Laiwu Iron & Steel International Trade Co., Ltd.						
Jinan Iron & Steel International Trade Co., Ltd.						
Nanjing Jinan Iron & Steel Trade Co., Ltd.	100.00	100.00				
Heze Jinan Iron & Steel Trade Co., Ltd.	55.00	55.00				
Shanghai Jinan Iron & Steel Trade Co., Ltd.	51.00	51.00				1,713,233.49
Wuxi Jinan Iron & Steel Trade Co., Ltd.	100.00	100.00				
Xi'an Jinan Iron & Steel Trade Co., Ltd.	100.00	100.00				
Jinan Baode Gas Co., Ltd	100.00	100.00				
Tianjin Jinan Iron & Steel Economic and Trade Co., Ltd	100.00	100.00				
Hangzhou Jinan Iron & Steel Industrial Co., Ltd.	100.00	100.00				
Qingdao Jinan Iron & Steel Economy and Trade Co., Ltd.	100.00	100.00				
Investment in cooperative enterprises						
Bisalloy Jigang (Shandong) Steel Plate Co., Ltd	66.67	50.00	章程规定			2,759,490.00
Investment in affiliated businesses						
Investments in other equities						
Shandong Laiwu Iron & Steel Iron Furnace Charge Co. Ltd.	20.00	20.00				
Shandong Iron & Steel Group Financial Co., Ltd	10.63	10.63				
Tiantong Security Co., Ltd.	3.51	3.51		60,000,000.00		
Heze Ju Long Energy Co., Ltd.	3.00	3.00				
Total				60,000,000.00		4,472,723.49

(3) Statement of provision for impairment of long-term equity investment

Project	Amount at the beginning of the year	Increased amount of this year	Decreased amount of this year	Amount in the end of the year
Investments in other equities				
Tiantong Security Co.,	60,000,000.00			60,000,000.00

Ltd.				
Total	60,000,000.00			60,000,000.00

4. Operating proceeds and operating costs

(1) Operating proceeds and operating costs

Project	The amount of this year	The amount of last year
Revenue from main business	52,877,124,522.57	61,085,832,987.98
Other business income	8,598,912,863.37	4,177,225,443.49
Total operating income	61,476,037,385.94	65,263,058,431.47
Cost of main business	50,499,681,310.98	61,707,051,232.45
Other business costs	8,063,071,596.95	3,836,972,736.73
Total operating costs	58,562,752,907.93	65,544,023,969.18

(2) Main business (Industry-classified)

Industry name	Amount incurred in this year		Amount incurred in last year	
	Operating income	Operating cost	Operating income	Operating cost
Iron and steel product	39,218,832,879.33	38,864,524,839.68	49,538,411,881.92	51,059,442,910.35
Coking, power, etc.	13,658,291,643.24	11,635,156,471.30	11,547,421,106.06	10,647,608,322.10
Total	52,877,124,522.57	50,499,681,310.98	61,085,832,987.98	61,707,051,232.45

(3) Main business (Product segment)

Product name	Amount incurred in this year		Amount incurred in last year	
	Operating income	Operating cost	Operating income	Operating cost
Ordinary steel	8,416,660,515.55	8,355,982,575.14	9,949,115,230.61	9,993,520,951.77
Fine steel	4,711,842,578.89	4,572,090,069.87	5,144,266,205.21	5,267,543,137.75
Plates	9,766,596,571.97	9,344,445,355.09	13,031,020,036.59	13,825,135,058.60
BAR	9,810,024,158.10	9,555,968,869.49	12,195,037,522.25	12,371,992,200.38
Billet and melted iron	6,220,367,494.65	5,795,322,190.24	3,111,138,728.57	3,310,605,126.05
Cold and hot rolling	3,481,006,044.51	3,506,094,946.16	6,107,834,158.69	6,290,646,435.80
Coking, power, etc.	10,470,627,158.90	9,369,777,304.99	11,547,421,106.06	10,647,608,322.10
Total	52,877,124,522.57	50,499,681,310.98	61,085,832,987.98	61,707,051,232.45

(4) Main business (Region is distributed)

Name of region	Amount incurred in this year		Amount incurred in last year	
	Operating income	Operating cost	Operating income	Operating cost
East China	47,704,655,253.04	45,564,240,157.24	55,317,929,606.73	55,870,410,975.59
-China Northern:	2,063,411,654.98	2,020,085,528.98	2,756,099,400.01	2,861,840,272.77
Northeast China Region	140,930,100.20	136,944,218.64	156,434,314.52	161,762,720.58
Central-South China	792,221,325.84	751,117,171.31	654,543,382.60	666,594,108.11
Northwest China	179,590,733.84	159,705,874.65	323,825,519.10	332,495,271.39
Central China	252,063,274.73	232,089,167.65	182,805,668.78	191,545,030.41
-China Southern:	140,363,969.68	114,828,218.01	181,463,249.89	190,138,434.71
Southwest China	102,344,928.04	97,034,793.61	216,024,824.16	220,002,033.20
Export	1,501,543,282.22	1,423,636,180.89	1,296,707,022.19	1,212,262,385.69
Total	52,877,124,522.57	50,499,681,310.98	61,085,832,987.98	61,707,051,232.45

(5) Operation income from Top Five Clients of the Company

Period	Total operating income from the top five customers	Proportion of operation income at the same period (%)
2013 year	18,620,983,792.92	30.29
2012 year	6,711,254,101.15	10.28

5. Investment income**(1) Investment income details**

Project	The amount of this year	The amount of last year
Long term equity investment income accounted by cost method	1,713,233.49	1,706,047.30
Long term equity investment income accounted by equity method	1,694,907.68	2,832,942.53
Investment income from long-term equity disposal	452,068,887.21	
Investment income from disposal of trading financial assets	476,239.74	
Others		17,461.23
Total	455,953,268.12	4,556,451.06

(2) Long-term equity investment income accounted by cost method

The name of the invested units	The amount of this year	The amount of last year
Shanghai Jinan Iron & Steel Economic and Trade Co., Ltd	1,713,233.49	1,706,047.30
Total	1,713,233.49	1,706,047.30

(3) Long term equity investment income accounted by equity method

The name of the invested units	The amount of this year	The amount of last year	Causes of increase or decrease change
Bisalloy Jinan Iron & Steel (Shandong) Steel Plate Co., Ltd	1,694,907.68	2,832,942.53	
Total	1,694,907.68	2,832,942.53	

6. Supplementary information of cash flow statement

Project	The amount of this year	The amount of last year
(1) Adjust net profit to cash flows from operating activities:		
Net profit	159,130,477.41	-3,868,406,919.99
Add: Preparation for assets impairment	220,454,426.75	2,015,598.12
The depreciation of fixed assets, the depletion of oil and gas assets, the depreciation of productive biological assets	1,943,968,112.05	2,629,387,096.42
Amortization of intangible assets	3,288,380.19	2,795,292.84
Amortization of long-term unamortized expenses		
Loss of the disposal of fixed assets, intangible assets and other long-term assets (Proceeds are filled in the column with "-")	2,627,500.12	4,411,546.44
Loss on retirement of fixed assets (Proceeds are filled in the column with "-")		9,085,410.12
Loss from fair value change (Proceeds are filled in the column with "-")		
Finance expenses (Proceeds are filled in the column with "-")	838,210,201.41	1,043,055,239.72
Losses on investments (Proceeds are filled in the column with "-")	-455,953,268.12	-4,556,451.06
Decrease in deferred income tax assets (Increase is filled in the column with "-")	19,147,266.65	57,575,807.73
Increase in deferred income tax liabilities (Decrease is filled in the column with "-")	-10,904,631.50	-21,259,423.53
Decrease in inventory (Increase is filled in the column with "-")	-957,788,789.94	2,027,343,356.88
Decrease in receivables under business activities (Increase is filled in the column with "-")	-1,687,199,123.80	-403,864,197.89
Increase in operating payables (Decrease is filled in the column with "-")	5,316,301,117.42	-1,344,641,669.65
Others		
Net cash flow from operating activities	5,391,281,668.64	132,940,686.15
(2) Significant investment and financing activities without involving cash receipt and payment:		
Conversion of debt into capital		
Convertible corporation bonds due within one year		
Fixed assets by finance leased		
(3) Net changes condition of cash and cash equivalents:		

The cash balance in the end of the year	1,797,678,314.44	1,685,627,635.91
Subtraction: The cash balance at the beginning of the year	1,685,627,635.91	2,269,772,787.65
Add: The cash equivalents balance in the end of the year	47,479,856.93	
Subtraction: The cash equivalents balance at the start of the year		
Net increase amount of cash and cash equivalents	159,530,535.46	-584,145,151.74

XIII. Supplementary information

1. Statement of non-recurring profit and loss

Project	Amount of this year	The amount of last year
Profit and loss on non-current assets disposal	273,261,035.55	-9,824,513.10
Ultra vires approval, or without formal approval documents, or incidental tax return, relief.	204,000.00	
Governmental subsidy which is included in current profit and loss are closely related to the regular operating business of the Company, excluding the governmental subsidy which conforms to the state policies and which is enjoyed continuously according to a certain standard rating or ration,.	10,929,533.46	60,615,206.17
Payment for the use of state funds, included charged from non-financial companies which is included in the current profit or loss.		
The investment cost obtained by enterprises from subsidiaries, associates and joint venture is less than the benefits produced from the fair value of identifiable net assets enjoyed by invested unit.		
Profits or losses from non-monetary assets transaction		
The profit and loss from investment or management of assets entrusted to others		
Assets depreciation preparation caused by irresistible factors, such as natural disasters.		
Profit and loss from debt restructuring		
Corporate restructuring costs, such as expenses on placement of workers, integration costs etc.		
The profit or loss over the fair value of the transactions at obviously unfair trading price		
The current net losses and profits generated from business merger under the common control from the merge of subsidiary to the date of merger.		-340,517,352.35
Profit or loss not related to the Company's normal business or resulting from matters.		
In addition to effective hedging activities associated with the Company's normal operations, profit or loss from changes in fair value by holding trading financial assets and trading financial liabilities, and investment income from the disposal of financial assets, financial liabilities and transactions of financial assets made available for sale	-26,667,200.41	37,658,894.50
Reversal of impairment of receivables for separate impairment test.		
Profit or loss from external commissioned loans		
Profit or loss produced from investment property fair value changes caused by subsequent measurement through the fair value mode.		
Impact on the current profit or loss from a one-time adjustment of current profit or loss according to the requirements of tax, accounting and other laws and regulations.		
Custodian fees obtained from the entrusted operation		
Other non-business incomes and expenditures exclusive of the above items	-69,281,851.29	-148,951,094.59
Other profit and loss items meeting the definition of non-recurring profit and loss		
Subtotal	188,445,517.31	-401,018,859.37
Income tax influenced amount	4,956,280.77	-349,348.28
Equity effect amount of few shareholders (After tax)	-590,618.37	-450,521.51
Total	192,811,179.71	-401,818,729.16

Note: In non-recurring profit and loss items, “+” means “profit and income” while “-” means loss or expenditure.

The Company confirms non-recurring profit and loss items according to the regulations of *No.1 Explanatory Notice to Disclose Company Information of Public Issuance of Security-Non-recurring Profit and Loss* (CSRC Notice [2008] No. 43).

2. The net assets income rate and earnings per share

Profits in the report period	Weighted average net assets income rate	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the company	1.22%	0.0246	0.0246
Net profit attributable to ordinary shareholders of the company after deducting non-recurring profit and loss	-0.27%	-0.0054	-0.0054

Note: The calculating process on the basic earnings per share and diluted earnings per share sees Note VII, Item 49.

3. Notes on the abnormal situation and reasons for the main items of consolated accounting statements of the Company

(1) In the end of the year, the bill receivable is RMB 3320.6788 million Yuan, which is increased by 45.96% compared with that in the early year. There are two mains as follows: this year the company expanded its bill settlement business; the company adopts stricter policy on collecting money. As a consequence, the account receivable this year is sharply reduced while the bill receivable is increased.

(2) In the end of this year, the account receivable is RMB 461.6034 million Yuan, which is decreased by 88.48%, compare with that in the early stage of this year. The main reasons are as follows: this year the company sold equity to Jinan Iron & Steel International Trade Co., Ltd. and Laiwu Steel International Corp. The end of the year should not fall into the scope of consolidation. Most balance of accounts receivable in the early stage of the year is held by Jinan Iron & Steel International Trade Co., Ltd. and Laiwu Steel International Corp. For second, the money borrowing to strategic customers and key projects is reduced.

(3) In the end of the year, the account prepaid is RMB 414.8098 million Yuan, which is reduced by 29.59% compared with that at the beginning of the year. The main reason is that the account prepaid by the Company in the end of the year is affected by the goods.

(4) In the end of the year, the project under construction is RMB 4542.8071 million Yuan, which is increased by 33.33% compared with that at the beginning of the year. The main reason is that the project of upgrading special steel system products and improving technology is implemented as scheduled. During reporting period, the project expenditure is increased RMB 1145.1014 million Yuan.

(5) In the end of the year, the fixed asset is RMB 1.1374 million Yuan, which is reduced by 90.07% compared with that at the beginning of the year. The main reason is that 70 sintering machine was handled well in this year.

(6) In the end of this year, long-term unamortized expense is RMB 0.1919 million Yuan, which is reduced by 55.83% compared with that at the beginning of the year. The main reason is that the amortization in this year is RMB 0.2426 million Yuan.

(7) In the end of this year, the short-term loan is RMB 11461.5528 million Yuan, which is reduced by 34.01% compared with that at the beginning of the year. The main reason is that the subsidiary Jinan Iron & Steel International Trade Co., Ltd has a short-term loan balance of RMB 669.1295 million Yuan and the subsidiary Laiwu Steel International Corp. has a short-term loan balance of 5048.9677 million Yuan. This year the Company has sold out these two subsidiaries.

(8) In the end of the year, there is no trading financial liability, which is reduced by 100% compared with that at the beginning of the year. The main reason is that the subsidiary Laiwu Steel International Corp. had a trading financial liability of RMB 3.9345 million Yuan at the beginning of the year. But this year this subsidiary was sold out.

(9) In the end of the year, the bill payable is RMB 802.7437 million Yuan, which is increased by 67.96% compared with that at the beginning of the year. The main reason is that the Company expanded its bill financing scale but narrowed down its loan financing scale in this year.

(10) At then end of the year, the account payable is RMB 18467.5389 million Yuan, which is increased by 74.58% compared with that at the beginning of the year. The main reason is that the due payment for materials is increased. The due material payment mainly is the loans of Jinan Iron & Steel International Co., Ltd. and Laiwu Steel International Corp. In this year, the Company sold out the equity of these two companies, so they should not be counted into merge.

(11) In the end of the year, the taxes and dues payable is RMB -18.6588 million Yuan, which are increased by

87.74% compared with that at the beginning of the year. The main reason is that the VAT payable balance is increased.

(12) In the end of the year, the interest payable is RMB 112.5639 million Yuan, which is decreased by 29.83% compared with that at the beginning of the year. The main reason is that the interest payable of the subsidiary Laiwu Steel International Corp. is RMB 49.3192 million Yuan. The Company sold out this subsidiary this year.

(13) In the end of the year, non-current liability within one year is RMB 225.6 million Yuan, which is reduced by 95.15% compared with that at the beginning of the year. The main reason is as follows: firstly, the long-term loan in one year is RMB 3831.272 million Yuan, which should be paid when it is due. The new fund-raising models mainly are adding bills receivable and long-term loans. Secondly, pay the assets money of RMB 821.4406 million Yuan by installments and the money used for purchasing Jinan Iron & Steel International Ltd. should be paid off in this year.

(14) In the end of this year, the long-term loan is RMB 2506.9068 million Yuan, which is increased by 40.89% compared with that at the beginning of the year. The main reason is that the Company paid the due long-term loan of RMB 3831.272 million Yuan this year. And in order to close the funding gap, the Company added long-term loan.

(15) There is no balance for the deferred income tax liability in the end of the year while this figure at the beginning of the year is RMB 10.9046 million Yuan. This year, the installments for purchasing Jinan Iron & Steel International Ltd, is paid off. For the unconfirmed financing fee, it has been transferred to finance cost.

(16) Sales expense incurred in this year is RMB 216.6094 million billion Yuan, which is reduced by 40.85% compared with that of last year. One of the main reasons is that the Company didn't undertake transportation fee and warehousing fee of partial sale links any more. Secondly, partial sales personnel are transferred to production lines, which reduce wages expenditure.

(17) Financial cost incurred in this year is RMB 938.0732 million Yuan, which is reduced by 29.34% compared with that of last year. The main reason is that there is a larger exchange rate fluctuation than last year, which caused exchange gains increased RMB 206.4251 million Yuan.

(18) Change in fair value of the proceeds in this period is RMB -27.1434 million Yuan, which is reduced by 172.08% compared with that of last year. The main reason is that price falling degree of relevant trading financial assets is fairly large.

(19) Loss from asset devaluation incurred in this year is RMB 230.8373 million Yuan, which is increased by 1321.48% compared with that of last year. The main reason is that the Company made provision for loss on decline in value of inventories in this year.

(20) Non-business income incurred in this year is RMB 34.8274 million Yuan, which is reduced by 46.7% compared with that of last year. The main reason is that the subsidy the Company got from the government is less than that of last year.

(21) Non-business expenditure incurred in this year is RMB 95.5249 million Yuan, which is reduced by 41.58% of that in last year. The main reason is that the company paid less compensation (RMB 39.5881 million Yuan) for breach of contract than last year (RMB 149.9671 million Yuan).

(22) The net cash flow incurred by investment activity in this year is RMB-1471.6182 million Yuan, which is increased by 40.19% compared with that of last year. The main reason is that the company received net cash of 220.6569 million Yuan from selling two subsidiaries (Jinan Iron & Steel International Ltd. and Laiwu Steel International Corp.) Secondly, the cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets is mostly settled by bill receivable.

(23) The net cash flow incurred by financing activity in this year is RMB -2552.1827 million Yuan, which is reduced by 221.08% compared with that of last year. Firstly, the net cash flow earned by loans in this year is reduced by RMB 1458.8288 million than last year. The Company reduced debt financing scale. Instead, the Company raised money through adding bills payable and accounts payable. Secondly, the cash received from attracting investment is RMB 349.5252 million Yuan and the Company will conduct equity financing in the end of this year.