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馬 鞍 山 鋼 鐵 股 份 有 限 公 司

Maanshan Iron & Steel Company Limited

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00323)

SUMMARY OF 2014 ANNUAL RESULTS ANNOUNCEMENT

1. IMPORTANT NOTICE

1.1 This summary of annual results announcement has been extracted from the annual report. Investors should read the full text of the annual report for details, which is also published on the websites designated by China Securities Regulatory Commission, including the website of the Shanghai Stock Exchange.

1.2 Details for director(s) absent from meeting of the board of directors

Position of Director Absent	Name of Director Absent	Reasons for the Absence of Director	Name of Proxy
Director	Su Shihuai	Other business engagements	Ding Yi

1.3 Ernst & Young Hua Ming LLP audited and issued a standard unqualified opinion on the annual financial statements of the Company.

1.4 Mr. Ding Yi, legal representative of the Company, Mr. Qian Haifan, in charge of the accounting operations, and Mr. Xing Qunli, head of accounting department, make representation in respect of the truthfulness and completeness of the financial statements contained in the annual report.

1.5 Company profile

Stock Information

Stock abbreviation	Magang stock	Maanshan Iron & Steel
Stock Code	600808	00323
Type of shares	A Share	H Share
Place of listing	The Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited

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2. MAJOR ACCOUNTING AND FINANCIAL DATA AND SHAREHOLDING OF SHAREHOLDERS**2.1 Major accounting data**

	As at the end of 2014	As at the end of 2013	Increase/Decrease compared to previous year (%)	Unit: RMB'000	
				As at the end of 2012 After restated	Before restated
Total Assets	68,511,175	71,821,618	-4.61	76,011,164	76,011,164
Net assets attributable to equity holders	23,295,566	23,131,446	0.71	23,126,644	23,126,644
	2014	2013	Decrease compared to previous year (%)	2012 After restated	2012 After restated
Net cash flows from operating activities	2,912,854	5,091,359	-42.79	5,592,587	5,592,587
Operating revenue	59,820,938	73,848,883	-19.00	74,404,364	74,404,364
Net profit attributable to equity holders	220,616	157,220	40.32	-3,863,233	-3,863,233
Net loss excluding non-recurring gains or losses attributable to equity holders	-154,967	-445,730	-	-3,949,152	-3,949,152
Return on net assets (weighted average) (%)	0.95	0.68	Increased by 0.27 percentage point	-15.30	-15.30
Basic earnings per share (RMB/Share)	0.0286	0.0204	40.2	-0.502	-0.502
Diluted earnings per share (RMB/Share)	0.0286	0.0204	40.2	-0.502	-0.502

2.2 Major financial data

Major financial indicators

	As at the end of 2014	As at the end of 2013	Decrease compared to previous year (%)	As at the end of 2012 After restated	Before restated
Basic earnings per share (RMB/Share)	0.0286	0.0204	40.2	-0.502	-0.502
Diluted earnings per share (RMB/Share)	0.0286	0.0204	40.2	-0.502	-0.502
Basic earnings per share excluding non-recurring gains or losses (RMB/Share)	-0.020	-0.058	-	-0.513	-0.513
Return on net assets (weighted average) (%)	0.95	0.68	Increased by 0.27 percentage point	-15.30	-15.30
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	-0.67	-1.93	Increased by 1.26 percentage points	-15.64	-15.64

2.3 Items & Amounts of Non-recurring Gains or Losses

		<i>Unit: RMB'000</i>	
Items of non-recurring gains or losses	2014	2013	2012
Gains or losses from disposal of non-current assets	-82,180	433,638	9,839
Government subsidies recognized in current gains	438,440	359,275	47,578
Fair value gains or losses of financial assets held for trading	564	-78	-21
Non-operating income and expenses other than other than the above items	-2,407	-5,894	1,182
Amortization of deferred income	100,182	93,436	90,746
Other investment income	-810	17	137
Effects of minority interests	-869	-206	-255
Effects of income tax	-77,337	-277,237	-63,287
Total	375,583	602,951	85,919

2.4 Total number of shareholders as at the end of the reporting period and table of shareholding of the top ten shareholders, top ten shareholders of marketable shares (or shareholders of shares not subject to selling restrictions)

Unit: Share

Total number of shareholders at the end of the reporting period	339,091	Total number of shareholders as at the fifth trading day before publication of the annual report	318,341
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Shareholding of top ten shareholders

Name	Types of shareholders	As a		Total number of shares held	Number of shares held with selling restrictions	Number of pledged or frozen shares
		percentage of number of shares held (%)	number of shares held			
Magang (Group) Holding Company Limited (“the Holding”)	State-owned shareholders	50.47	3,886,423,927	0	0	
HKSCC (Nominees) Limited	Foreign shareholders	22.19	1,708,420,898	0	Unknown	
GF SECURITIES CO., LTD.	Unknown	0.18	14,000,000	0	Unknown	
GUOSEN SECURITIES CO., LTD.	Unknown	0.13	10,000,000	0	Unknown	
Zhang Junying	Unknown	0.10	7,520,000	0	Unknown	
Hu Lixin	Unknown	0.09	6,698,900	0	Unknown	
Chen Daxin	Unknown	0.06	5,000,002	0	Unknown	
Yinfeng Security Investment Fund	Unknown	0.06	4,999,945	0	Unknown	
Chen Ruiming	Unknown	0.05	4,097,952	0	Unknown	
Wang Diansheng	Unknown	0.05	3,868,388	0	Unknown	

Description of any connected relationships or concerted actions among the above-mentioned shareholders	There was no connected relationship between the Holding and any of the afore-mentioned shareholders, nor were they concerted parties as defined in the Measures on Management of Acquisition for Listed Companies. The Company is not aware of whether the other shareholders mentioned above had associate relationship or whether they were concerted parties.
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As at the end of the reporting period, Holding held a total of 3,886,423,927 shares of the Company (no change in the number of shares held during the reporting period), including 3,830,560,000 A shares of the Company on behalf of the State and increased a total of 55,863,927 A shares of the Company via the trading system of the SSE. Holding is the controlling shareholder of the Company. For details, please refer to “Substantial shareholders and actual holders”

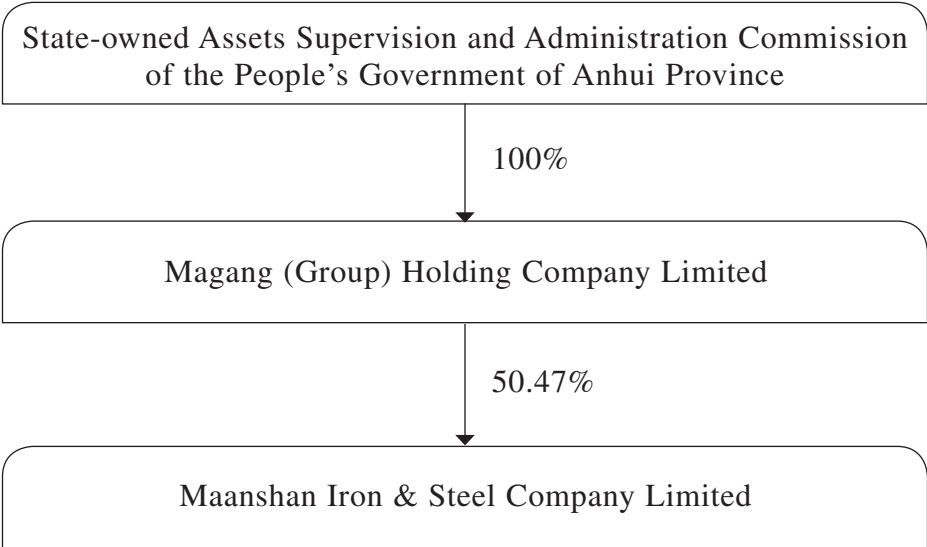
HKSCC (Nominees) Limited held 1,708,420,898 H shares (an increase of 678,000 shares during the reporting period) of the Company on behalf of multiple clients. The Company does not know and cannot confirm whether such shares held by HKSCC (Nominees) Limited during the reporting period were pledged, held in lien or placed in custody.

As at 31 December 2014 and 28 February 2015, which is the latest practicable date for the publication of this report, to the best knowledge of the Directors, the Company had sufficient public float as stipulated by the Rules Governing the Listing of Securities on Hong Kong Stock Exchange (“Hong Kong Listing Rules”).

Save as disclosed above, details of the holders of the Company’s H shares required to be disclosed pursuant to Section 336 of the Securities and Futures Ordinance as at 31 December 2014 were as follows:

Name of shareholder	Capacity as holder or deemed holder of interests	Number of shares interested or deemed interested (Shares)	Approximate percentage of the Company’s issued H shares (%)
Morgan Stanley	Equity held by corporations controlled by substantial shareholders	87,085,566 (Long position)	5.02
		28,148,000 (Short position)	1.62

2.5 Diagram of the Ownership and Controlling Relationship between the Company and the De Facto Controller



3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Business Environment

The steel product market

In 2014, the steel price generally moved lower in volatility and fluctuated more violently than last year in both international and domestic markets.

The average consolidated price index for global steel products was 160.83, down 10.37 year-on-year, representing a decrease of approximately 6.1%. In particular, the average price index for long products was 173.35, down 16.82 year-on-year, representing a decrease of approximately 8.8%. The average price index for steel plates was 155.02, down 7.08 year-on-year, representing a decrease of 4.4%. The biggest difference in consolidated price index for steel products was 18.6, an increase of 6.3% over the previous year.

The average consolidated price index for domestic steel products was 91.27, down 11.34 year-on-year, representing a decrease of 11.05%. In particular, the average price index for long products was 92.48, down 12.39 year-on-year, representing a decrease of approximately 11.81%; and the average price index for steel plates was 92.10, down 10.06 year-on-year, representing a decrease of approximately 9.85%. The biggest difference in consolidated price index for steel products was 14.4, an increase of 25.5% over the previous year.

Net exports of steel products in the PRC continued to pick up in 2014. According to customs statistics, exported steel products in aggregate during the year amounted to 93,780,000 tonnes, a year-on-year increase of 50.5%; imported steel products in aggregate during the year amounted to 14,430,000 tonnes, a year-on-year increase of 2.5%. Net exports of equivalent crude steel were 84,410,000 tonnes, up 33,080,000 tonnes year-on-year, representing an increase of approximately 64.4%.

Generally speaking, in 2014, the prices of steel products in the international and domestic markets trended in a similar way, which were both lower than those in the previous year. In the domestic market, the prices of both long products and steel plates dropped significantly, with long products seeing larger price fluctuations and being more vulnerable to price declines than steel plates.

The markets of raw materials and fuels

In 2014, the prices of iron ore and scrap steel generally moved lower, and coking coal prices dropped significantly in the first quarter of the year and experienced a further downturn afterwards. According to statistics from the Ministry of Industry and Information Technology, the average CIF price of imported iron ores in China was 100.42 USD/t, representing a decrease of 22.5% year-on-year.

3.2 Major work

During the reporting period, the Company implemented all-rounded measures to cut costs and enhance efficiency, established long-term work process and production line benchmarking mechanism, and proceeded with systemic economic operation.

The Company continued to re-built its manufacturing system in an orderly manner, integrated and set up an energy plant, and established the manufacturing department and the cold rolling plant. The Company also established the ironmaking technology department, and built the examination system and external assurance alert mechanism for blast furnace operation, as a result of which production of the blast furnace gradually became stable and smooth. For the steel rolling system, the Company implemented the principle of “stabilizing production, reducing inventory and ensuring order delivery”, optimized the work production division and combination mode for production lines, and improved resource allocation by marginal profit and accelerated utilization of production capacity of plate and strip products, significantly increasing the percentage of plate and strip products.

In terms of purchases, the Company optimized its purchasing strategy, reinforced benchmarking and bidding for procurement, and greatly reduced purchasing cost. In terms of sales, the Company established the commodity stock center and seven regional sales companies, optimized allocation of sales efforts, accelerated transformation of marketing mode, further increased the percentage of directly supplied steel products, and also vigorously explored the overseas market with 790,000 tons of steel products exported in 2014.

The Company improved the equipment management mode of “economical investment and controllable risk”, reinforced equipment precision management, and continued to improve stability and economy of equipment operation.

Efforts were put on reinforcement of quality management and solution of difficult problems related to product quality. The Company was awarded the “Golden Cup” prize for three products including cold heading hot rolled wire rods, and was awarded the “Super Quality” Price for its integral rolled steel wheels used on high-speed railway passenger carriages.

3.3 Operating results during the reporting period under PRC Accounting Standards

Operating income decreased by 19% over the previous year mainly due to the decline in the selling prices of steel products for the year. Operating costs decreased by 20.67% over the previous year mainly due to the drop in the purchase prices of raw materials and fuels during the reporting period. Operating profit, total profit and net profit attributable to the parent company increased by 110.4%, 58.97% and 40.32%, respectively, mainly due to the Company’s cost reduction and efficiency enhancement during the reporting period.

3.3.1 Analysis of Principal Operation

1 Analysis of the change in items of the balance sheets, income statement and cash flow statement

Unit: RMB'000

Items	Amount of the current year	Amount of the same period of last year	Change (%)
Revenue	59,820,938	73,848,883	-19.00
Cost of sales	55,840,223	70,393,963	-20.67
Selling expenses	512,506	423,074	21.14
Administrative expenses	1,310,839	1,333,992	-1.74
Financial expenses	1,243,663	1,154,160	7.75
Net cash flows from operating activities	2,912,854	5,091,359	-42.79
Net cash flows from/(used in) investing activities	1,326,247	-4,542,699	-
Net cash flows used in financing activities	-3,344,296	-5,300,587	-
Research and development expenditure	822,563	785,623	4.7

The net cash flow from operating activities dropped by 43% year-on-year, mainly resulting from the decrease in the cash received from the sale of commodities in the reporting period. The other items experiencing year-on-year changes of over 30% and the reasons for such changes are as follows:

- (1) The asset impairment loss in 2014 was RMB770 million, down by RMB390 million year-on-year, which was mainly because the reduction of ending inventory resulted in the decrease in the provision for inventory depreciation, and the provision last year for inventory depreciation had been all written off this year.
- (2) The investment return in 2014 was RMB150 million, decreasing by RMB140 million year-on-year, which was mainly because the disposal of associated companies, joint ventures and some subsidiaries whose primary business was not iron and steel resulted in the investment return of RMB8,021 million in 2013, while there was no such disposal and thus no such investment return in 2014.
- (3) The non-operating revenue in 2014 was RMB540 million, dropping by RMB350 million year-on-year, which was mainly because the non-operating revenue in 2013 included RMB430 million of revenue from the disposal of non-current assets resulting from disposal of assets which primary business was not iron and steel, and the government subsidy of RMB280 million; while the non-operating revenue in 2014 mainly included the government land purchasing compensation of RMB308 million and other subsidies of RMB230 million granted by government.

- (4) The non-operating expenditure in 2014 was RMB86.87 million, increasing by RMB79.18 million year-on-year, which was mainly because of the loss of RMB83.00 million from the disposal of non-current assets, i.e. some land use rights and fixed assets, by Ma Steel (Hefei) Iron & Steel Co., Ltd in 2014.
- (5) The income tax expense was RMB248 million in 2014, up by RMB134 million year-on-year, which was mainly because the decrease of temporary differences in the provision for asset depreciation and other items resulted in the increase of RMB97.34 million in deferred income tax expense, and the decrease in the tax loss of previous years expected to be available for use in the future resulted in the increase of RMB44.83 million in deferred income tax expense.

2 *Revenue*

Analysis of product revenue by goods sales

Unit: 10,000 tonnes

Product segment	Unit produced during the period	Unit sold during the period	Inventory the end of the period
Steel plates	878.6	880.4	2.5
Section steels	207.7	208.7	0.7
Wire rods	724.8	725.4	7.3
Train wheels	18.8	18.8	0.7
Specialty Steel	7.6	7.3	1

Major customers

The Group's sales to the top five customers totaled RMB6,228 million, representing 10% of the total sales revenue of the Group for the year.

3 *Cost*

Analysis of cost

Unit: RMB Million

By industry	Cost Structure	By industry				Change in proportion of amount in 2014 against amount in 2013
		Amount in 2014	% of total cost in 2014	Amount in 2013	% of total cost in 2013	
Iron and Steel	Raw materials	40,006	75.0	51,434	80.0	-22.2
	Salary	3,888	7.3	4,023	6.3	-3.4
	Depreciation	3,551	6.7	3,733	5.8	-4.9
	Fuels	4,006	7.5	3,463	5.4	15.7
	Others	1,913	3.5	1,645	2.5	16.3

Major suppliers

In 2014, the Group's purchase from the top five suppliers totaled RMB8,329 million, accounting for 22% of the Group's total purchase amount for the year. Among the major suppliers above, the Group Company is the controlling shareholder of the Company. Other than that, in 2014, none of the Directors, Supervisors, their connected parties and other shareholders (to the knowledge of the Board holding 5% or more of the Company's share) held any beneficial interest in the Group's five largest suppliers or customers.

4 *Research and development (R&D) expenditure*

R&D expenditure breakdown

Unit: RMB'000

Expensed R&D expenditure in FY2014	822,563
Capitalized R&D expenditure in FY2014	–
Total R&D expenditure	822,563
Total R&D expenditure as a share of net asset value (%)	3.18
Total R&D expenditure as a share of operating revenue (%)	1.38

5 Cash flow

In 2014, the Group recorded a net profit of RMB221 million attributable to the equity holders of the Company. Compared with the net increase of RMB2,980 million in cash flow generated from operating activities, the RMB2,759 million difference was mainly due to a decrease in cash received from sales of goods during the reporting period. Net cash flow from operating activities decreased by 43% year-on-year mainly due to a decrease in cash received from sales of goods during the reporting period. The cash flow from investment activities turned from net outflow into net inflow, which was mainly because the recovery of the balance consideration in the reporting period from the disposal of equities and assets in non-steel business last year, and the decrease in the deposit of the processing center for bank acceptance bills resulted in the decrease in the monetary capital subject to restricted use and the decrease in the cash expenditure on project construction. The net cash outflow from financing activities decreased by 37% year-on-year, mainly resulting from the issuance of short-term financing bonds.

3.3.2 Analysis by Operation of Industry, Products or Regions

1 Principal operation by industry and products

Unit: RMB Million

Business segment	Principal operation by industry					
	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year increase/ (decrease) of operating income (%)	Year-on-year increase/ (decrease) of operating cost (%)	Year-on-year increase/ (decrease) of gross profit margin (%)
Iron and Steel	56,445	53,364	5.46	-10.47	-12.73	Increase by 2.45 percentage point

Principal operation by products						
Business segment	Revenue	Cost of sales	Gross profit margin (%)	Year-on-year increase/(decrease) of operating income (%)	Year-on-year increase/(decrease) of operating cost (%)	Year-on-year increase/(decrease) of gross profit margin (%)
Steel plates	26,108	23,799	8.84%	-5.04%	-8.66%	Increase by 3.61 percentage point
Section steels	5,595	5,592	0.05%	-29.11%	-29.18%	Increase by 0.09 percentage point
Wire rods	19,579	19,241	1.73%	-17.62%	-17.96%	Increase by 0.41 percentage point
Train wheels	1,393	1,154	17.16%	4.82%	2.40%	Increase by 1.96 percentage point

Analysis of principal business by industry and product

During the reporting period, revenue from principal operation was RMB58,268 million, among which revenue from iron and steel operation was RMB56,445 million, accounting for 97% of revenue from principal operation.

2 Analysis of principal operation by region

Region	Revenue	Year-on-year increase/(decrease) of revenue (%)
Anhui	25,431	67.55
Jiangsu	9,044	-24.32
Shanghai	7,401	5.47
Zhejiang	3,901	73.22
Guangdong	761	-72.79
Other domestic regions	10,505	-65.38
Hong Kong and overseas regions	2,778	-35.52

3.3.3. Analysis of Assets and Liabilities

1. Analysis of Assets and Liabilities

Unit: RMB'000

Item	Closing balance of 2014	Percentage of closing balance of 2013 in total assets (%)	Closing balance of 2013	Percentage of closing balance of 2014 in total assets (%)	Year-on-year change (%)	Notes
Prepayments	648,963	0.95	1,022,395	1.42	-36.53	(1)
Other receivables	255,578	0.37	1,948,145	2.71	-86.88	(2)
Loan and advances						
to customers	633,203	0.92	486,512	0.68	30.15	(3)
Construction in progress	2,831,050	4.13	8,729,815	12.15	-67.57	(4)
Borrowing funds	500,000	0.73	-	-	100.00	(5)
Short-term loans	12,058,395	17.60	8,553,510	11.91	40.98	(6)
Payrolls and benefits payable	299,077	0.44	208,891	0.29	43.17	(7)
Non-current liabilities						
due within one year	2,231,683	3.26	7,951,718	11.07	-71.93	(8)
Deferred income	1,186,359	1.73	609,638	0.85	94.60	(9)

- (1) The prepayment was RMB650 million, decreasing by RMB370 million compared with the end of last year, which was mainly because: first, the continuous downturn of the steel market this year resulted in the decrease in the prices of raw materials, especially iron ores; second, Maanshan Iron & Steel Company Limited and its subsidiaries operated with low inventory in 2014 and controlled the inventory of raw materials such as iron ores so as to enhance turnover, reduce costs and improve benefits. Thus the prepayment was accordingly reduced.
- (2) Other receivables totaled RMB256 million at the end of 2014, decreasing by RMB1,693 million year-on-year, which was mainly because the balance consideration of RMB1,570 million was recovered in 2014 from the sale of equity and some assets of non-steel subsidiaries by Maanshan Iron & Steel Company Limited to the Holding in October 2013.
- (3) Issued loans and advances totaled RMB630 million at the end of 2014, increasing by RMB150 million year-on-year, which mainly resulted from the increase in the loans by the Magang Group Finance Co., Ltd.

- (4) Construction in progress totaled RMB2.8 billion, decreasing by RMB5.9 billion compared with the end of last year, which was mainly because the No. 4 Steel Rolling 1580 mm hot rolling project, the converter and continuous casting project, and Phase-II technological transformation project for silicon steel were converted into fixed assets this year.
- (5) The borrowed fund was RMB500 million at the end of 2014, increasing by RMB500 million from 0 at the end of last year, which was mainly because Magang Group Finance Co., Ltd. borrowed RMB500 million in the interbank lending market to make up the insufficient short-term liquidity.
- (6) The short-term borrowing was RMB12.1 billion, increasing by RMB3.5 billion compared with the end of last year, which was mainly because the Company issued the short-term financing bonds of RMB5 billion and repaid the short-term financing bonds of RMB1.5 billion issued last year.
- (7) The employee remuneration payable was RMB299 million, increasing RMB90 million or 43% compared with the end of last year, mainly resulting from the increase in salaries, bonuses and allowances.
- (8) Non-current liabilities due within one year totaled RMB2.23 billion, down by RMB5.7 billion compared with the end of last year, which was mainly because: first, in 2014, the Company repaid the long-term borrowings of RMB2 billion due within one year, medium-term notes of RMB2.8 billion and bonds payable of RMB3.15 billion; second, the long-term borrowings of RMB2.23 billion was reclassified at the end of 2014 into non-current liabilities due within one year.
- (9) The deferred income was RMB1.19 billion, increasing by RMB580 million compared with the end of last year, which was mainly because RMB652 million of the land purchasing compensation received by Ma Steel (Hefei) Iron & Steel Co., Ltd. will be recognized given that the disposal of relevant assets is completed by 2016.

2. *Notes on the assets measured at fair value and changes to the measurement of primary assets*

In the reporting period, the Group's financial assets held-for-trading were accounted under the fair value method, using the market prices of stocks as the fair values. For details, please refer to "Securities Investment". In the reporting period, there were no significant changes to the measurement of primary assets.

3.3.4 Analysis of core competitiveness

As at 31 December 2014, the Company had 632 valid patents, 8 concessions and 513 valid technical secrets. The patented technologies, technical secrets and technical know-how constitute the Company's core technology system. The Company creates its own core technologies in various key products such as wheels (especially high-speed CRH Wheels), high-power locomotive wheels, high-strength automobile plates, efficient and resource-conserving construction steel, H-shaped steel for marine engineering, hot rolled high-grade pipeline steel and efficient electrical steel. Compared with other similar enterprises, the Company has a competitive advantage. In particular, the Company assumes a dominant position in terms of technology in efficient and resource-conserving construction steel, wheels, high-speed CRH and high-power locomotive wheels in China.

3.3.5 Investment Analysis

1. General analysis of external equity investment

Securities investment

Item no.	Type of securities	Securities Code	Abbreviation	Initial investment amount (RMB)	Number of shares held	Book value of the end of the reporting period (RMB)	Portion of securities investment at the end of the reporting period	Gains/loss in the reporting period (RMB)
1	Stock	601857	PetroChina	584,500	35,000	378,350	35.24	108,500
2	Stock	601390	China Railway Group	158,400	33,000	306,900	28.59	218,460
3	Stock	601186	China Railway Construction	181,600	20,000	305,200	28.43	211,400
4	Stock	601898	China Coal Energy	201,960	12,000	83,040	7.74	25,800
		Total		1,126,460	/	1,073,490	100	564,160

Analysis of Securities investment

At the end of the reporting period, the Company held no stock holdings in other listed companies or equity holdings of non-listed financial institutions except for those listed above. In the reporting period, the Company did not trade in the stocks of other listed companies.

2. *Analysis of the Group's major subsidiaries and investees*

- Ma Steel (Hefei) Iron & Steel Co., Ltd. has a registered capital of RMB2,500 million, in which the Company holds a direct stake of 71%. It is mainly engaged in metallurgy and extended processing of ferrous metals and sale of resulting products and by-products; production and sale of coke and coke chemical products and energy, extended processing of iron and steel products, production and sale of metallic products. Net profit for the reporting period amounted to RMB1.19 million. As at the end of the reporting period, it had total assets amounting to RMB5,562 million and net assets of RMB3,313 million.
- Anhui Chang Jiang Iron and Steel Co., Ltd has a registered capital of RMB1,200 million, in which the Company holds a direct stake of 55%. It is mainly engaged in ferrous metal smelting, the production and sales of screw threaded steel, round steel, section steel, angle steel, deformed steel, wire and rod, sales of iron ore and iron ore fines and scrap steel as well as import and export. As at the end of the reporting period, it recorded net profit of RMB77.2 million, total assets of RMB6,266 million and net assets of RMB2,361 million.
- Magang Group Finance Co., Ltd. has a registered capital of RMB1,000 million and 91% of its equity is directly owned by the Company. It is chiefly responsible for providing corporate finance, financial advisory, consulting and intermediary services to its members. It provides guarantee against borrowing, offers note acceptance and discount, lending and financial leasing services to its members. Its other activities include inter-lending, collection and payment for transactions between members, approved insurance brokerage, entrustment loans for members, internal transfer and bill settlement, design of settlement and liquidation plans, and taking deposits from members. In the reporting period, it posted a net profit of RMB118.8 million. At the end of the reporting period, its total asset value was RMB7,759 million and net asset value RMB1,371 million.
- Anhui Masteel K. Wah New Building Materials Co., Ltd. has a registered capital of US\$8.389 million, in which the Company holds a direct stake of 70%. It is mainly engaged in the production, sale and transportation of slag comprehensive utilisation products and the provision of related technological consultation services. Net loss for the reporting period was RMB6.9 million. As at the end of the reporting period, it had total assets amounting to RMB177 million and net assets of RMB122 million.

- Ma Steel (Wuhu) Processing and Distribution Co., Ltd. has a registered capital of RMB35 million, in which the Company holds direct and indirect stakes of 70% and 27.3%, respectively. It is mainly engaged in the processing and sale of metallic products, processing of automobile spare parts and sale of construction materials and chemical products. Net profit for the reporting period amounted to RMB7.1 million. As at the end of the reporting period, it had total assets amounting to RMB617 million and net assets of RMB114 million.
- Ma Steel (Jinhua) Processing and Distribution Co., Ltd. has a registered capital of RMB120 million, in which the Company holds a direct stake of 75%. It is mainly engaged in the production, processing and sale of steel plates, wire rods and section steel, as well as provision of storage and after-sales services. Net loss for the reporting period amounted to RMB12.5 million. As at the end of the reporting period, it had total assets amounting to RMB344 million and net assets of RMB121 million.
- Ma Steel (Yangzhou) Processing and Distribution Co., Ltd. has a registered capital of US\$20 million, in which the Company holds a direct stake of 71%. It is mainly engaged in the production, processing and sale of steel plates, wire rods and section steel, as well as provision of storage and after-sales services. Net profit for the reporting period amounted to RMB3.2 million. As at the end of the reporting period, it had total assets amounting to RMB702 million and net assets of RMB178 million.
- Anhui Masteel Holly Industries Co., Ltd. has a registered capital of RMB30 million, in which the Company holds a direct stake of 71% and an indirect stake of 26.39%. It is mainly engaged in the production, sale and agency of steel products and other product packaging materials and provision of onsite packaging services. Net profit for the reporting period amounted to RMB3.2 million. As at the end of the reporting period, it had total assets amounting to RMB292 million and net assets of RMB172 million.
- Maanshan Iron and Steel (Australia) Proprietary Limited, a wholly-owned subsidiary, has a registered capital of AU\$21.7379 million. It is mainly engaged in investment and trading. Net profit for the reporting period amounted to RMB60.9 million. As at the end of the reporting period, it had total assets amounting to RMB280 million and net assets of RMB259 million.
- Maanshan BOC-Ma Steel Gases Company Limited has a registered capital of RMB468 million, in which the Company holds a direct stake of 50%. It is mainly engaged in the production and sales of gas products in gaseous or liquid form, as well as the preparation of other industrial gas product projects. Net profit during the reporting period was RMB148.3 million. As at the end of the reporting period, it had total assets amounting to RMB690.8 million and net assets of RMB622.8 million.

- Ma Steel (Hefei) Processing and Distribution Co., Ltd has a registered capital of RMB120 million, in which the Company holds direct and indirect stakes of 61% and 25.48%, respectively. It is mainly engaged in processing and sale of steel plates and production and sale of construction steel framework products, as well as the provision of storage and transportation services. Net profit for the reporting period amounted to RMB2.2 million. As at the end of the reporting period, it had total assets amounting to RMB472 million and net assets of RMB155 million.

3. *Projects financed by other than fundraising proceeds*

✓ Applicable □ Not applicable

Project name	Project amount	<i>Unit: RMB Million</i>	
		Project progress	
4# Blast Furnace Project of No. 2 Iron-making Factory	1,149.9	Foundation Construction	
3# Sintering Machine Project of No. 2 Iron-making Factory	499.8	Foundation Construction	
Public and Auxiliary Supporting Project	411.2	Advance-phrase preparation	
Port Raw Material Plant Adaptability Renovation Project	253.5	Foundation Construction	
Rolled Rebar Finishing Project of Special Steel Company	224.8	Equipment debugging	
Coking Company New District Full CDQ Project	150.0	Equipment assembling	
4th Steel Rolling Plant New Reroll Inspection Line Project	100.0	Foundation Construction	
Total	2,789.2	/	

3.4 The dividend distribution or capital reserves capitalisation

The Dividend Distribution or Capital Reserves Capitalisation and Bonus Sharing Declared by the Company in the Last Three Years (Reporting Period Inclusive)

Year of dividend	Bonus shared for each 10 shares (share)	Dividend distributed for each 10 shares (RMB) (tax inclusive)	Transfer of capital reserve to shares for each 10 shares (share)	Total amount of cash dividends (tax inclusive)	<i>Unit: RMB Million</i>	
					Net profits/(loss) attributed to the shareholders of the Company shown in the consolidated statement for the dividend year	Ratio between the dividends and the net profit/(loss) attributed to the shareholders of the Company in the consolidated statement (%)
2014	0	0	0	0	220.6	0
2013	0	0	0	0	157.2	0
2012	0	0	0	0	-3,863.2	0

4 SIGNIFICANT MATTERS

4.1 Major litigation and arbitration cases and media controversies

Major Litigation and Arbitration Cases and Media Controversies already disclosed in the Temporary Announcements and without New Development

Summary of the case and type of controversy	Information source
Adjudication of Bankruptcy of Mastel Yuyuan Logistics Co., Ltd. (“Logistics Co.”)	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2014-08-01/600808_20140802_1.pdf

4.2 Insolvency or restructuring related matters

Other than bankruptcy of the Logistics Co. as aforementioned, no other insolvency or restructuring related matters occurred during the reporting period.

4.3 Asset Transactions and Merger of Companies

Applicable Not applicable

Matters regarding the acquisition, asset selling and merger that has been disclosed in the transitory announcement and there is no change upon these matters afterwards

Brief description and nature of the matter	Information source
Acquisition of Valdunes S.A.S.	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/2014-06-09/600808_20140610_1.pdf

4.4 Remunerations of the Auditors

During the year, Ernst & Young Hua Ming LLP was appointed as the auditors of the Company, who has completed the annual financial audit and relevant internal control audit and has issued relevant reports. The remuneration for Ernst & Young Hua Ming LLP amounted to RMB4.985 million. Of this fee, the annual audit fee (exclusive of taxes) amounted to RMB4.40 million (including an internal control audit fee of RMB600,000) and the fee for agreed-upon procedures of RMB585,000 (exclusive of taxes). The audit fee and agreed-upon procedures fee for interim report were already inclusive of disbursements incurred by the auditors. Meal and accommodation expenses incurred by auditors while performing professional services at the Company were borne by the Company.

4.5 Audit Committee

The Audit Committee of the board of directors held five meetings in 2014. The incumbent committee members were present at all the meetings they were supposed to attend. The committee was chaired by Mr. Qin Tongzhou and duly performed its duties of reviewing and monitoring the finance and internal control of the Group. It reviewed the 2013 annual accounts, the 2014 first quarterly accounts, the 2014 interim accounts and the 2014 third quarterly accounts of the Company. It reviewed the summary report presented by the external accounting firm as a result of a FY2013 auditing exercise on the Company and made an independent opinion on the Company's engagement of auditors, associated party transactions and external security.

The Company's 2014 annual accounts were reviewed by the Audit Committee.

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

In 2014, the Company has not redeemed any of its securities. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

4.7 Pre-emptive Rights

According to the articles of association of the Company and the laws of the PRC, there are no provisions to grant the existing shareholders of the Company pre-emptive rights for subscribing new shares in proportion to their shareholdings whenever the Company issues new shares.

4.8 Public Float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this announcement, the Company has fulfilled the public float requirement as prescribed by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

5. REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee is of the view that the Company's operations were in compliance with the laws. The Company's financial situation, application of fund raising, associate transactions and acquisitions, and disposal of assets did not harm the interests of either the Company or the shareholders. The Supervisory Committee reviewed the Board's assessment report on the Company's internal control in 2014, and the formation and execution of the Company's internal control system. The Supervisory Committee is of the view that the Company has formed a comparatively sound internal control system and can execute the system effectively. The Company's assessment report on internal control reflected the Company's formation and execution of the internal control system truthfully and objectively.

6. CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Code on Corporate Governance as set out in Appendix 14 of the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange in 2014.

All of the Directors of the Company have confirmed in written that they have complied with the requirements under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities of the Hong Kong Stock Exchange.

7. MATTERS RELATING TO FINANCIAL REPORT

7.1 Auditor's Opinion

Financial Report	<input type="checkbox"/> Unaudited	<input checked="" type="checkbox"/> Audited
Auditor's Opinion	<input checked="" type="checkbox"/> Unqualified standard opinion	<input type="checkbox"/> Non-standard opinion

7.2 Changes in the Accounting Policies, Estimates and Audit Procedures as Compared to the Latest Annual Report

The resolution of the "The adjustment in the depreciation of fixed assets" passed at the 2013 Annual General Meeting on 27 June 2014.

7.2.1 Summary of the changes of accounting estimates

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

Type of fixed assets	Depreciation period Before adjustment (year)	Depreciation period after Adjustment (year)
Structures and buildings	20	30
Equipment	13	15

7.2.2 Explanation on Accounting Estimates Changes

The cost of the Company's existing fixed assets is RMB61 billion, including RMB41.2 billion for equipment-class fixed assets, RMB15.5 billion for buildings & structures class fixed assets and RMB4.3 billion for other-class fixed asset as of the end of the first quarter of 2014. The original value of fixed assets still in use after the due date of their depreciation period is RMB7.3 billion. These are basically online equipment-class assets and buildings and structures still in use, with their asset status and production capacity remaining at a normal level. The RMB22.6 billion fixed asset investment already made and to be made by the Company during the "Twelfth Five Year Plan" period has boosted the overall technology advance of the Company's fixed assets. Meanwhile, in recent years, by intensifying efforts to maintenance and relevant technological transformation programs, the Company has relatively restored the equipment accuracy, improved the equipment performance and extended the usable period of equipment, buildings & structures. From the perspective of the re-verified actual service life of the Company's fixed assets, their actual service life is generally longer than the previously identified accounting estimate period. According to the provisions of Accounting Standards for Business Enterprises, the Company shall at least re-check the service life, expected residual value and depreciation method of fixed assets by the end of each year, and if there is a difference between the expected service life and the previously estimated service life of fixed assets, the service life of fixed assets shall be adjusted. In

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

7.2.3 Impact on the Company From Accounting Estimates Changes

With the new depreciation period being effective since July 2014, the depreciation expenses of fixed assets for 2014 will reduce by RMB450.29 million, while owners' equities and net profits will increase by RMB337.72 million.

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

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

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

7.4.1 New subsidiaries

In 2014, the Company established the following wholly-owned subsidiaries and consolidated their financial statements from the date of establishment: MG-VALDUNES S.A.S. ("MG-VALDUNES"), Nanjing Masteel Steel Sales Co., Ltd. Masteel (Wuhan) Steel Sales Co., Ltd., Masteel (Shanghai) Steel Sales Co., Ltd., Guangzhou Masteel Steel Sales Co., Ltd., Masteel (Hangzhou) Steel Sales Co., Ltd. Maanshan Steel Wuxi Sales Co., Ltd. and Masteel (Chongqing) Steel Sales Co., Ltd.

7.4.2 Business combination

On 22 May 2014, the Board of Directors of the Company approved the acquisition of VALDUNES S.A.S. for a consideration of Euro13,000,000 through a newly established French subsidiary MG-VALDUNES S.A.S. On 29 May 2014, the transaction was approved by the VALENCIENNES Commercial Court in France. As of 30 June 2014, the Company had made full payment of the above consideration through its subsidiary MG-VALDUNES S.A.S. On 19 December 2014, the subsidiary MG-VALDUNES S.A.S. had completed all formalities for change in title to all relevant assets and assumed all assets and employees from VALDUNES S.A.S. This acquisition, in which MG-VALDUNES S.A.S. assumed assets and employees from VALDUNES S.A.S., constituted a business combination and the acquisition date was 19 December 2014.

Apart from aforementioned event, during the period, there is no change to the consolidation scope of the Group's financial statements as compared to the latest annual financial reports.

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2014

Renminbi Yuan

ASSETS	Note	31 December 2014 Group	31 December 2013 Group	31 December 2014 Company	31 December 2013 Company
CURRENT ASSETS:					
Cash and bank balances		4,654,551,519	5,106,718,069	5,033,512,998	4,232,355,957
Financial assets measured at fair value through profit or loss		1,073,490	509,330	1,073,490	509,330
Bills receivable	3	8,483,607,113	8,629,108,926	6,168,408,389	4,924,057,882
Trade receivables	4	856,559,860	800,946,475	1,301,307,701	1,292,033,185
Dividends receivable		–	44,787,460	7,225,723	44,787,460
Interest receivable		1,898,994	3,540,453	–	–
Prepayments	5	648,963,073	1,022,394,879	408,746,555	837,535,356
Other receivables		255,577,937	1,948,145,123	161,823,003	1,766,161,692
Inventories		8,684,293,285	10,049,721,134	6,084,558,454	7,151,763,970
Loans and advances to customers		633,203,277	486,511,748	–	–
Other current assets		665,474,438	504,406,279	346,438,700	294,632,327
Total current assets		24,885,202,986	28,596,789,876	19,513,095,013	20,543,837,159
NON-CURRENT ASSETS:					
Available-for-sale investments		126,772,160	126,772,160	126,772,160	126,772,160
Long term equity investments		1,089,585,013	950,065,445	6,542,246,491	5,907,348,550
Investment properties		62,904,210	64,412,476	77,745,472	79,758,318
Fixed assets		37,041,356,860	30,668,420,630	27,894,663,311	24,560,421,961
Construction materials		–	29,788,206	–	–
Construction in progress		2,831,050,182	8,729,815,208	2,725,983,735	6,477,395,016
Intangible assets		1,826,460,576	1,900,179,245	1,003,515,704	1,033,117,375
Deferred tax assets		647,842,823	755,374,754	583,517,420	723,967,462
Total non-current assets		43,625,971,824	43,224,828,124	38,954,444,293	38,908,780,842
TOTAL ASSETS		68,511,174,810	71,821,618,000	58,467,539,306	59,452,618,001

CONSOLIDATED AND COMPANY BALANCE SHEET (CONTINUED)

31 December 2014

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	31 December 2014 Group	31 December 2013 Group	31 December 2014 Company	31 December 2013 Company
CURRENT LIABILITIES:					
Deposits and balances from banks and other financial institutions		500,000,000	-	-	-
Customer deposits		1,199,618,850	1,390,609,858	-	-
Repurchase agreements		-	344,732,675	-	-
Short term loans		12,058,394,894	8,553,509,860	5,350,000,000	2,009,536,713
Bills payable	6	4,802,906,077	5,542,646,513	3,281,609,644	2,380,386,149
Accounts payable	7	6,679,288,444	6,524,149,751	10,496,946,152	8,843,343,090
Deposits received		3,701,440,863	5,125,265,201	3,158,414,180	4,325,598,569
Payroll and benefits payable		299,077,212	208,890,914	186,884,642	136,411,098
Taxes payable		236,783,996	233,964,348	80,187,544	115,217,039
Interest payable		146,625,806	165,365,086	146,840,022	160,616,364
Dividends payable		7,210,819	80,642,412	6,407,961	6,296,662
Other payables		827,419,110	962,699,474	556,182,231	623,463,137
Non-current liabilities due within one year		2,231,683,000	7,951,717,780	2,180,683,000	7,951,717,780
Accrued liabilities		14,100,985	4,140,000	-	4,140,000
Total current liabilities		32,704,550,056	37,088,333,872	25,444,155,376	26,556,726,601
NON-CURRENT LIABILITIES:					
Long term loans		6,339,132,454	6,059,444,300	8,471,764,660	8,289,928,800
Bonds payable		2,332,666,298	2,328,266,077	2,332,666,298	2,328,266,077
Deferred income		1,186,358,849	609,637,532	500,208,915	583,338,640
Long-term employee benefits payable		25,877,746	-	-	-
Deferred tax liabilities		33,191,420	36,900,781	-	-
Total non-current liabilities		9,917,226,767	9,034,248,690	11,304,639,873	11,201,533,517
Total liabilities		42,621,776,823	46,122,582,562	36,748,795,249	37,758,260,118
Share capital		7,700,681,186	7,700,681,186	7,700,681,186	7,700,681,186
Capital reserve		8,329,067,663	8,329,067,663	8,338,358,399	8,338,358,399
Other comprehensive income		(137,159,480)	(72,208,059)	-	-
Special reserve		21,511,442	13,055,678	2,807,567	-
Surplus reserve		3,831,458,700	3,789,735,764	2,993,175,001	2,991,017,140
General reserve		98,706,649	98,706,649	-	-
Retained profits		3,451,299,829	3,272,406,740	2,683,721,904	2,664,301,158
Including: Proposed cash dividend	8	-	-	-	-
Equity attributable to owners of the parent		23,295,565,989	23,131,445,621	21,718,744,057	21,694,357,883
Minority interests		2,593,831,998	2,567,589,817	-	-
Total shareholders' equity		25,889,397,987	25,699,035,438	21,718,744,057	21,694,357,883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		68,511,174,810	71,821,618,000	58,467,539,306	59,452,618,001

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2014

Renminbi Yuan

Items	Note	2014 Group	2013 Group	2014 Company	2013 Company
Revenue	9	59,820,938,286	73,848,883,383	51,283,769,806	56,385,722,558
Less: Cost of sales	9	55,840,222,612	70,393,962,617	48,445,542,832	54,498,417,736
Business taxes and surcharges		235,299,998	226,431,646	173,389,039	161,497,080
Selling expenses		512,505,919	423,074,212	278,512,914	228,294,265
Administrative expenses		1,310,839,451	1,333,991,968	926,657,507	888,482,627
Financial expenses	10	1,243,663,019	1,154,159,806	952,163,510	982,149,711
Assets impairment losses		770,488,879	1,164,499,129	705,527,220	1,161,281,311
Add: Changes in fair value		564,160	(77,790)	564,160	(77,790)
Investment income		149,598,960	289,004,676	205,063,466	950,135,547
including: share of profits of associates and jointly-controlled entities		136,512,001	177,184,255	138,150,343	177,224,960
Operating profit/(loss)		58,081,528	(558,309,109)	7,604,410	(584,342,415)
Add: Non-operating income	12	540,901,409	888,138,225	155,646,691	813,515,855
including: income from disposal of non-current assets		1,915,776	433,638,305	1,906,614	432,576,296
Less: Non-operating expenses	13	86,866,543	7,683,672	1,222,452	5,118,831
including: loss from disposal of non-current assets		84,095,373	–	–	–
Profit before tax		512,116,394	322,145,444	162,028,649	224,054,609
Less: Income tax	14	248,068,879	114,210,366	140,450,042	(44,435,774)
Net profit		264,047,515	207,935,078	21,578,607	268,490,383
Including: Net profit attributable to the acquire prior to business combination under common control		–	11,496,935	–	–
Less: Minority interests		43,431,490	50,714,880	–	–
Net profit attributable to the equity holders of the parent		220,616,025	157,220,198	–	–
EARNINGS/(LOSS) PER SHARE:	15				
Basic		2.86 cents	2.04 cents	–	–
Diluted		2.86 cents	2.04 cents	–	–
Other comprehensive income					
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		(64,951,421)	(102,718,483)	–	–
Total comprehensive income attributable to non-controlling interests, net of tax		(857,819)	(1,992,622)	–	–
Total comprehensive income		198,238,275	103,223,973	21,578,607	268,490,383
Including:					
Total comprehensive income attributable to owners of the parent		155,664,604	54,501,715	–	–
Total comprehensive income attributable to minority shareholders		42,573,671	48,722,258	–	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

Renminbi Yuan

	Attributable to owners of parent							Sub-total	Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained profits			
1. At 1 January 2014	7,700,681,186	8,329,067,663	(72,208,059)	13,055,678	3,789,735,764	98,706,649	3,272,406,740	23,131,445,621	2,567,589,817	25,699,035,438
2. Increase/(decrease) during the year										
1) Total comprehensive income	-	-	(64,951,421)	-	-	-	220,616,025	155,664,604	42,573,671	198,238,275
2) Capital contribution and withdrawal from shareholders										
(i) Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	12,955,267	12,955,267
3) Profits appropriation										
(i) Transfer to surplus reserve	-	-	-	-	41,722,936	-	(41,722,936)	-	-	-
(ii) Distribution to shareholders	-	-	-	-	-	-	-	-	(29,286,757)	(29,286,757)
4) Special reserve										
(i) Additions	-	-	-	190,629,467	-	-	-	190,629,467	-	190,629,467
(ii) Used	-	-	-	(184,981,270)	-	-	-	(184,981,270)	-	(184,981,270)
(iii) Changes in the share of associates' special reserve, net	-	-	-	2,807,567	-	-	-	2,807,567	-	2,807,567
5) Others	-	-	-	-	-	-	-	-	-	-
3. At 31 December 2014	7,700,681,186	8,329,067,663	(137,159,480)	21,511,442	3,831,458,700	98,706,649	3,451,299,829	23,295,565,989	2,593,831,998	25,889,397,987

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2013

Renminbi Yuan

	Attributable to owners of parent							Non-controlling interests	Total shareholders' equity	
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained profits			Sub-total
1. At 1 January 2013	7,700,681,186	8,329,067,663	30,510,424	14,768,610	3,750,928,170	55,650,161	3,245,037,973	23,126,644,187	2,385,412,385	25,512,056,572
2. Increase/(decrease) during the year										
1) Total comprehensive income	-	-	(102,718,483)	-	-	-	157,220,198	54,501,715	48,722,258	103,223,973
2) Capital contribution and withdrawal from shareholders										
(i) Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	281,000,000	281,000,000
3) Profits appropriation										
(i) Transfer to surplus reserve	-	-	-	-	104,726,623	-	(104,726,623)	-	-	-
(ii) Transfer to general reserve	-	-	-	-	-	26,399,571	(26,399,571)	-	-	-
(iii) Distribution to shareholders	-	-	-	-	-	-	-	-	(11,655,176)	(11,655,176)
(iv) Others	-	-	-	-	-	16,656,917	-	16,656,917	1,055,082	17,711,999
4) Special reserve										
(i) Additions	-	-	-	74,080,251	-	-	-	74,080,251	10,943,433	85,023,684
(ii) Used	-	-	-	(75,793,183)	-	-	-	(75,793,183)	(12,344,922)	(88,138,105)
5) Disposal of subsidiaries	-	-	-	-	(65,919,029)	-	1,274,763	(64,644,266)	(135,543,243)	(200,187,509)
3. At 31 December 2013	7,700,681,186	8,329,067,663	(72,208,059)	13,055,678	3,789,735,764	98,706,649	3,272,406,740	23,131,445,621	2,567,589,817	25,699,035,438

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2014

Renminbi Yuan

	2014	2013
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	71,987,144,817	89,212,385,934
Refunds of taxes	68,339,480	45,247,610
Deposits in central bank	61,932,358	78,883,349
Net increase in customer deposits	309,008,992	825,441,876
Cash received for interest charges, fees and commissions	191,073,156	199,205,804
Cash received relating to other operating activities	51,231,771	35,243,995
	<u>72,668,730,574</u>	<u>90,396,408,568</u>
Sub-total of cash inflows		
Cash paid for purchase of goods and services	(62,284,727,884)	(77,832,649,475)
Decrease in repurchase agreements	(344,732,675)	(150,021,323)
Increase in loans and advances to customers	(154,133,779)	(278,234,150)
Cash paid to or on behalf of employees	(4,418,965,256)	(4,608,107,096)
Cash paid for all taxes	(2,111,753,212)	(2,020,820,138)
Cash paid for interest charges, fees and commissions	(25,203,501)	(31,208,668)
Cash paid relating to other operating activities	(416,360,438)	(384,009,163)
	<u>(69,755,876,745)</u>	<u>(85,305,050,013)</u>
Sub-total of cash outflows		
Net cash flows from operating activities	<u>2,912,853,829</u>	<u>5,091,358,555</u>
2. Cash flows from investing activities:		
Cash received from retrieval of investments	–	67,556,005
Cash received from investment income	247,240,780	439,715,038
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets	1,628,518,176	301,819,164
Decrease/(increase) in restricted cash	1,285,552,366	(218,455,270)
Gain on disposal of subsidiaries and other units	–	391,716,548
Cash received relating to other investing activities	989,765,127	84,076,474
	<u>4,151,076,449</u>	<u>1,066,427,959</u>
Sub-total of cash inflows		

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Year ended 31 December 2014

Renminbi Yuan

	2014	2013
2. Cash flows from investing activities (continued)		
Purchase of property, plant and equipment, intangible assets and other non-current assets	(2,599,448,741)	(5,520,646,569)
Cash paid for investments	(105,244,733)	(88,480,000)
Acquisition of a subsidiary	(108,774,997)	–
Cash paid relating to other investing activities	(11,361,096)	–
	<u>(2,824,829,567)</u>	<u>(5,609,126,569)</u>
Sub-total of cash outflows		
	<u>(2,824,829,567)</u>	<u>(5,609,126,569)</u>
Net cash flows from/(used in) investing activities	<u>1,326,246,882</u>	<u>(4,542,698,610)</u>
3. Cash flows from financing activities:		
Cash received from borrowings	20,526,622,204	17,698,491,235
Cash received from investors	30,000,000	281,000,000
Including: Capital contribution from non-controlling interests	30,000,000	281,000,000
	<u>20,556,622,204</u>	<u>17,979,491,235</u>
Sub-total of cash inflows		
	<u>20,556,622,204</u>	<u>17,979,491,235</u>
Repayment of borrowings	(22,500,139,926)	(21,986,537,135)
Cash paid for distribution of dividends or profits and for interest expenses	(1,400,778,356)	(1,293,541,070)
Including: dividends paid to non-controlling interests by subsidiaries	(74,345,750)	(11,655,176)
	<u>(23,900,918,282)</u>	<u>(23,280,078,205)</u>
Sub-total of cash outflows		
	<u>(23,900,918,282)</u>	<u>(23,280,078,205)</u>
Net cash flows used in financing activities	<u>(3,344,296,078)</u>	<u>(5,300,586,970)</u>
4. Effect of foreign exchange rate changes, net	<u>513,541</u>	<u>(63,350,942)</u>
5. Net increase/(decrease) in cash and cash equivalents	<u>895,318,174</u>	<u>(4,815,277,967)</u>
Add: cash and cash equivalents at the beginning of the year	<u>1,814,518,125</u>	<u>6,629,796,092</u>
6. Cash and cash equivalents at the end of the year	<u><u>2,709,836,299</u></u>	<u><u>1,814,518,125</u></u>

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements are prepared in accordance with “China Accounting Standards for Business Enterprises – General Principles” issued by the Ministry of Finance (the “MOF”) and related application guidance, interpretations and other related regulations issued later (collectively known as the “CAS”).

As at 31 December 2014, the net current liabilities of the Group were RMB7,819,347,070. The directors of the Company have considered the availability of funding sources, including but not limited to an unused bank credit quota of RMB32.7 billion. After assessment, the Company’s board of directors believes that the Group has sufficient resources to continue as a going concern for no less than 12 months after the approval of the financial statements. Therefore, the Company’s board of directors continues to prepare the Group’s financial statements as at 31 December 2014 on a going concern basis.

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

1.2 Statement of adoption of the CAS

The financial statements have been prepared in accordance with the CAS, and present truly and completely, the financial position of the Company and the Group as of 31 December 2014, and the results of their operations and their cash flows for the year then ended.

1.3 Adoption of the new CAS

During January to March 2014, the MOF formulated CAS No.39 – Fair Value Measurement and CAS No.40 – Joint Arrangements and CAS No.41-Disclosure of Interests in Other Entities, revised and issued CAS No.2 – Long Term Investments, CAS No.9 – Employee Benefits, CAS No.30 – Presentation of Financial Statements, and CAS No.33 – Consolidated Financial Statements. The above seven CASs became effective from 1 July 2014, but the MOF encourages early adoption for overseas listed companies. As listed both domestically and overseas, the Company early adopted the above seven CASs in the 2013 consolidated financial statements, and applied the relevant standards. The impacts were reflected in the 2013 annual financial statements. The Company applied these standards in the 2014 consolidated financial statements.

In July 2014, the MOF revised CAS – Basic Standard and CAS No.37 – Presentation of Financial Instruments, which require the companies to apply revised CASs to prepare financial statements and present financial instruments in accordance with the revised standards. The Company has prepared the 2014 annual financial statements in accordance with the revised CASs. The adoption of the above CASs has no impact on the Group.

The new Hong Kong Companies Ordinance (Cap. 622) comes into effect since 3 March 2014 and the Group has assessed the impact on the consolidated financial statements and attached notes, and concluded that the changes do not have significant impact on the financial statements for the year ended 31 December 2014. For the impact on the presentation and disclosure of certain information in the consolidated financial statements for the year ended 31 December 2015, the Group is in the process of making an assessment of the impact of these changes.

2. OPERATING SEGMENT INFORMATION

Operating segment

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

- Production and sale of iron and steel products and related by-products: the Company and subsidiaries except for Magang Group Finance Co., Ltd.
- Financial service: Magang Group Finance Co., Ltd.

The Group did not consider trade service and financial service as an individual reportable segment, as Magang Group Finance Co., Ltd mainly offers financial service to internal companies. Therefore, the Group focuses on the production and sale of steel and it is unnecessary for the Group to disclose more detailed information.

Other information

Products and service information

External principal operation income

	2014	2013
Sale of steel products	55,585,856,267	62,297,934,327
Sale of steel billets and pig iron	858,707,345	748,130,427
Sale of coke by-products	857,921,647	976,386,077
Others	965,040,749	2,280,300,125
	<u>58,267,526,008</u>	<u>66,302,750,956</u>

Geographical information

External principal operation income

	2014	2013
The PRC	55,338,273,936	64,487,713,563
Overseas	2,929,252,072	1,815,037,393
	<u>58,267,526,008</u>	<u>66,302,750,956</u>

Non-current assets

	2014	2013
The PRC	42,622,288,089	42,267,826,947
Overseas	229,068,752	201,626,423
	<u>42,851,356,841</u>	<u>42,469,453,370</u>

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

Major customer information

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

3. **BILLS RECEIVABLE**

	2014	2013
Bank acceptance bills	8,483,607,113	8,623,990,738
Commercial acceptance bills	–	5,118,188
	<u>8,483,607,113</u>	<u>8,629,108,926</u>

The pledged bills receivable were as follows:

	2014	2013
Bank acceptance bills	4,723,683,840	4,053,734,443
	<u>4,723,683,840</u>	<u>4,053,734,443</u>

As at the date of balance sheet, the undue bills discounted or endorsed were as follows:

	2014		2013	
	Derecognition	No termination of recognition	Derecognition	No termination of recognition
Bank acceptance bills	<u>3,371,814,170</u>	<u>241,358,860</u>	<u>7,708,848,973</u>	<u>911,117,144</u>
	<u>3,371,814,170</u>	<u>241,358,860</u>	<u>7,708,848,973</u>	<u>911,117,144</u>

As at 31 December 2014 and 31 December 2013, there were no trade receivables transferred from bills receivable because of the drawers' inability to pay.

4. TRADE RECEIVABLES

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

The aging of trade receivables is analyzed below:

	2014	2013
Within one year	775,850,830	776,614,818
One to two years	77,466,943	28,600,288
Two to three years	11,226,000	1,184,316
Over three years	8,574,303	8,756,853
	<u>873,118,076</u>	<u>815,156,275</u>
Less: Provisions for bad debts	<u>16,558,216</u>	<u>14,209,800</u>
	<u><u>856,559,860</u></u>	<u><u>800,946,475</u></u>

The balances of trade receivables are analyzed as follows:

	2014				2013			
	Book value Balance	Provision for bad debts Ratio (%)	Provision for bad debts Amount	Provision for bad debts Ratio (%)	Book value Balance	Provision for bad debts Ratio (%)	Provision for bad debts Amount	Provision for bad debts Ratio (%)
Individually significant and assessed for impairment individually	835,909,910	96	(6,927,040)	1	761,681,928	93	(6,927,040)	1
Other insignificant but assessed for impairment individually	37,208,166	4	(9,631,176)	26	53,474,347	7	(7,282,760)	14
	<u>873,118,076</u>	<u>100</u>	<u>(16,558,216)</u>		<u>815,156,275</u>	<u>100</u>	<u>(14,209,800)</u>	

As at 31 December 2014, those individually significant and assessed for impairment individually were as follows:

	Book value	Provisions for bad debts	Percentage	Reason
Company 1	<u>6,927,040</u>	<u>(6,927,040)</u>	100%	Uncollectable

As at 31 December 2013, those individually significant and assessed for impairment individually were as follows:

	Book value	Provisions for bad debts	Percentage	Reason
Company 1	<u>6,927,040</u>	<u>(6,927,040)</u>	100%	Uncollectable

In 2014, provision for bad debts was RMB1,989,407 (2013: RMB121,936), and there was no recovery or reversal of provision for bad debts (2013: None).

In 2014, there were no trade receivables that had been written off (2013: RMB547,527).

As at 31 December 2014 and 31 December 2013, there were no trade receivables that were derecognized due to the transfer of financial assets.

5. PREPAYMENTS

An aged analysis of the prepayments is as follows:

	2014		2013	
	Balance	Ratio (%)	Balance	Ratio (%)
Within one year	605,876,337	94	1,000,361,657	98
One to two years	35,064,880	5	12,157,694	1
Two to three years	1,232,762	–	1,265,699	–
Over three years	6,789,094	1	8,609,829	1
	<u>648,963,073</u>	<u>100</u>	<u>1,022,394,879</u>	<u>100</u>

Prepayments aged over one year were mainly unsettled prepayments for the material and equipment purchase. The goods were not yet delivered which resulted in the corresponding prepayments not being settled.

6. **BILLS PAYABLE**

	2014	2013
Bank acceptance bills	4,785,906,077	5,542,646,513
Commercial acceptance bills	17,000,000	–
	<u>4,802,906,077</u>	<u>5,542,646,513</u>

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

7. **ACCOUNTS PAYABLE**

The ageing analysis of accounts payable is as follows:

	2014	2013
Within one year	6,549,854,820	6,396,013,395
One to two years	71,503,745	53,967,042
Two to three years	5,021,121	21,827,472
Over three years	52,908,758	52,341,842
	<u>6,679,288,444</u>	<u>6,524,149,751</u>

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

At 31 December 2014, the accounts payable with material amounts aged more than one year (over RMB2 million) are as follows:

Name of the company	Amount due	Reason for non-settlement
Company 1	28,282,900	Note
Company 2	19,000,000	Note
Company 3	7,917,184	Note
Company 4	5,241,160	Note
Company 5	4,935,168	Note
Others	27,478,795	Note

Note: The Group's accounts payable aged over one year are mainly attributable to the balances of purchasing equipment with settlement periods beyond one year.

8. DIVIDEND

	2014	2013
Proposed final- Nil	<u><u>-</u></u>	<u><u>-</u></u>

The board of directors does not recommend the payment of any dividends for the year ended 31 December 2014.

9. REVENUE AND COST OF SALES

Revenue is stated as follows:

	2014	2013
Principal operating income	58,267,526,008	66,302,750,956
Other operating income	1,553,412,278	7,546,132,427
	<u><u>59,820,938,286</u></u>	<u><u>73,848,883,383</u></u>

Principal operating income represents the net invoiced value of goods sold, after allowance for returns and trade discounts, and excludes sales taxes and intra-group transactions.

Cost of sales is stated as follows:

	2014	2013
Principal cost of sales	54,322,488,251	62,899,401,695
Other cost of sales	1,517,734,361	7,494,560,922
	<u><u>55,840,222,612</u></u>	<u><u>70,393,962,617</u></u>

10. FINANCIAL EXPENSES

	2014	2013
Interest expenses (i)	1,360,504,202	1,356,985,823
Less: Interest income	130,653,118	85,077,732
Less: Capitalised interest	44,981,975	83,123,380
Exchange gain/(loss), net	2,361,363	(81,515,847)
Others	56,432,547	46,890,942
	<u><u>1,243,663,019</u></u>	<u><u>1,154,159,806</u></u>

- (i) The Group's interest expenses include interest on bank loans, other loans, corporate bonds and MTN (Medium-term Note). Capitalized amount of borrowing costs had been included in construction in progress.

11. DEPRECIATION AND AMORTIZATION

	2014	2013
Depreciation of fixed assets	3,597,068,686	3,788,221,572
Amortisation of investment properties	1,705,447	60,787
Amortisation of intangible assets	59,467,659	71,031,962
	<hr/>	<hr/>
Total	3,658,241,792	3,859,314,321
	<hr/> <hr/>	<hr/> <hr/>

12. NON-OPERATING INCOME

	2014	2013	Included in 2014 non-recurring gains and losses
Gain on disposal of non-current assets	1,915,776	433,638,305	1,915,776
Including: Gain on disposal of fixed assets	1,915,776	134,259,166	1,915,776
Gain on disposal of intangible assets	–	299,379,139	–
Subsidies granted by governments (Note)	538,621,712	452,710,625	538,621,712
Others	363,921	1,789,295	363,921
	<hr/>	<hr/>	<hr/>
	540,901,409	888,138,225	540,901,409
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note: In 2014, the subsidies granted by the governments of the Group was mostly contributed from the gain on disposal of land use rights by Ma Steel (Hefei) Iron & Steel Co., Ltd., a subsidiary of the Company.

13. NON-OPERATING EXPENSES

	2014	2013	Included in 2014 non-recurring gains or losses
Loss on disposal of non-current assets	84,095,373	–	84,095,373
Including: Loss on disposal of fix assets	36,674,721	–	36,674,721
Gain on disposal of intangible assets	47,420,652	–	47,420,652
Public relief donation	780,000	820,000	780,000
Penalty expenditure	811,364	4,975,835	811,364
Others	1,179,806	1,887,837	1,179,806
	<hr/>	<hr/>	<hr/>
	86,866,543	7,683,672	86,866,543
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. INCOME TAX

	2014	2013
Mainland China:		
Current income tax expense	97,947,044	125,134,536
Adjustments in respect of current tax of previous periods	(361,303)	(1,894,206)
Deferred tax income	120,114,272	(56,833,508)
Hong Kong current income tax expense (ii)	3,870,537	5,687,079
Overseas current income tax expense	26,498,329	42,116,465
	<u>248,068,879</u>	<u>114,210,366</u>

Relationship between income tax and profit before tax:

	2014	2013
Profit before tax	512,116,394	322,145,444
Tax at the applicable tax rate of 25% (i)	128,029,099	80,536,361
Effect of different tax rates of subsidiaries	2,048,506	4,139,448
Expenses not deductible for tax	31,798,862	42,095,133
Adjustments in respect of current tax of previous periods	(361,303)	(1,894,206)
Other tax concessions	(36,277,861)	(74,175,568)
Income not subject to tax	(4,562,119)	(9,296,092)
Unrecognised deductible temporality difference and tax losses	161,964,235	125,520,174
Tax losses utilised	(32,954)	(8,408,643)
Profits and losses attributable to entities Joint venture and associates	(34,537,586)	(44,306,241)
Withholding income tax of dividends received from associates in the mainland of the PRC	-	-
	<u>248,068,879</u>	<u>114,210,366</u>

- (i) The Group's income tax has been provided at the rate on the estimated taxable profits arising in the PRC during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.
- (ii) Income tax for a subsidiary operating in Hong Kong has been provided at the rate of 16.5% on the profits arising in Hong Kong during the year.

In June 2007, the State Administration of Taxation issued a tax circular (Guo Shui Han [2007] No. 664) regarding the preferential tax treatment granted to nine state-owned enterprises listed on the Stock Exchange of Hong Kong Limited in 1993 (including the Company). According to the circular, the relevant local tax authorities were required to immediately rectify the expired preferential tax treatments adopted by the Company and take appropriate action on the differences of income taxes collected in prior years arising therefore in accordance with the applicable rules and provisions under the promulgated Law on Tax Collection and Administration of the PRC.

As one out of the above-mentioned nine companies, the Company adopted corporate income tax rate at 15% before 2007. The Company was required by the tax authorities to settle the corporate income tax for 2007 at a rate of 33%. To date, the Company was not notified by any tax authority regarding the exposure of prior years.

The directors are of the view that the final outcome cannot be reliably estimated and, therefore, no provision for potential corporate income tax exposure in prior years had been made in the financial statements.

The applicable corporate income tax rate of the Company for the current year is 25%.

15. EARNINGS PER SHARE

Basic earnings per share shall be calculated by dividing profit attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. Shares are usually included in the weighted average number of shares from the date of their issue.

The calculations of basic and diluted earnings per share amounts are based on:

	2014	2013
Earnings/(Loss)		
Profit/(loss) attributable to ordinary equity holders	220,616,025	157,220,198
Weighted average number of ordinary shares in issue during the year	7,700,681,186	7,700,681,186
Basic earnings per share (cents)	<u>2.86</u>	<u>2.04</u>

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

16. CONTINGENT LIABILITIES

Difference of corporate income tax

As stated in note 14, the directors are of the view that the final outcome cannot be reliably estimated and, therefore, no provision for potential corporate income tax exposure in prior years had been made in the financial statements.

Pending litigation

As of 31 December 2014, the significant pending litigation of the Group and the Company was as follows:

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

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

Zhejiang Wukuangyuda Import and Export Co., Ltd launched litigation against Ma Steel (Jinhua) Steel Processing and Distribution Co., Ltd. regarding dispute over losses in transaction, and the relevant claim amounts was RMB7,680,000. This lawsuit was heard by the Court of Xiacheng District of Hangzhou in June 2014, which is pending for judicial decision by the court so far.

Xinxing Development (Ningbo) Metal Resources Co., Ltd. launched litigation against Shanghai Trading Co., Ltd. over purchase and sales contract disputes, and the relevant claim amounts was RMB11,481,692. The claim of the plaintiff was dismissed by the Intermediate Court of Ma'anshan Municipality. The plaintiff then appealed to the High Court of Anhui Province, and the lawsuit is currently in the second instance trial.

17. NET CURRENT ASSETS

	Group		Company	
	2014	2013	2014	2013
Current assets	24,885,202,986	28,596,789,876	19,513,095,013	20,543,837,159
Less: Current liabilities	32,704,550,056	37,088,333,872	25,444,155,376	26,556,726,601
Net current liabilities	(7,819,347,070)	(8,491,543,996)	(5,931,060,363)	(6,012,889,442)

18. TOTAL ASSETS LESS CURRENT LIABILITIES

	Group		Company	
	2014	2013	2014	2013
Total assets	68,511,174,810	71,821,618,000	58,467,539,306	59,452,618,001
Less: Current liabilities	32,704,550,056	37,088,333,872	25,444,155,376	26,556,726,601
Total assets minus current liabilities	35,806,624,754	34,733,284,128	33,023,383,930	32,895,891,400

19. COMPARATIVE DATA

The pre-paid corporate income tax and VAT input tax deductible are reclassified to other current assets at the year end, and certain prior year adjustments have been made accordingly.

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

25 March 2015

Maanshan City, Anhui Province, the PRC

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

Executive Directors: Ding Yi, Qian Haifan, Ren Tianbao

Non-executive Director: Su Shihuai

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