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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 2015 INTERIM RESULTS ANNOUNCEMENT**

### **§1 IMPORTANT NOTICE**

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

## §2 COMPANY BASIC INFORMATION

### 2.1 Company profile

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

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

	<b>Secretary to the Board</b>	<b>Representative for Securities Affairs</b>
Name	Hu shunliang	He Hongyun
Correspondence address	No. 8 Jiu Hua Xi Road, Maanshan, Anhui Province, the PRC	No. 8 Jiu Hua Xi Road, Maanshan, Anhui Province, the PRC
Telephone	86-555-2888158/2875251	86-555-2888158/2875251
Fax	86-555-2887284	86-555-2887284
Email address	mggfdms@magang.com.cn	mggfdms@magang.com.cn

## §3 THE COMPANY'S MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

### 3.1 Major accounting data and financial indicators

#### 3.1.1 Major accounting data

Major accounting data	Six months ended	Six months ended	Increase/(decrease) over
	30 June 2015	30 June 2014	the corresponding period of the previous year (%)
Operating revenue	23,447,521	28,864,352	-18.8
Net loss attributable to shareholders of the Company	1,236,592	730,266	69.3
Net loss excluding non-recurring gains or losses attributable to shareholders of the Company	1,345,736	792,094	69.9
Net cash flows from operating activities	4,628,268	1,388,044	233.4
	30 June 2015	31 December 2014	Increase/(decrease) over the end of the previous year (%)
Net assets attributable to shareholders of the Company	22,012,632	23,295,566	-5.5
Total assets	68,319,391	68,511,175	-0.3

### 3.1.2 Major financial data

Major financial indicators	Six months ended 30 June 2015	Six months ended 30 June 2014	Increase/(decrease) over the corresponding period of the previous year (%)
Basic losses per share (RMB/share)	-0.161	-0.095	-
Diluted losses per share (RMB/share)	-0.161	-0.095	-
Basic losses per share excluding non-recurring gains or losses (RMB/share)	-0.175	-0.103	-
Return on net assets (weighted average) (%)	-5.46	-3.21	Decrease by 2.25 percentage points
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	-5.94	-3.48	Decrease by 2.46 percentage points

### 3.2 ITEMS OF NON-RECURRING GAINS OR LOSSES

*Unit: RMB*

Items of non-recurring gains or losses	Amount
Government grant recorded as current period profit	106,326,270
Amortization of deferred income	63,643,381
Profit from disposal of non-current assets	660,487
Realized investment income from disposal of financial assets measured at fair value through profit or loss	625,118
Non-operating income and expenses other than the above items	-13,146,595
Other investment loss	- 7,385,938
Impact of minority interests	-1,262,024
Impact of income tax	-40,317,616
Total	<u><u>109,143,083</u></u>

## §4 REPORT OF THE BOARD

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

#### 4.1.1 *The macro environment for production and operation*

During the period under review, China's overall national economic performance remained steady. GDP grew by 7%, down 0.4 percentage point when compared with same period of last year; while fixed asset investment across the country grew by 11.4%, down 5.9 percentage point when compared with same period of last year. The general oversupply situation in the Chinese domestic iron and steel industry became intense, while the pace of growth in the major downstream steel-consuming sectors decelerated so that the demand for steel products declined, leading to a plunge in steel price. The consolidated price index for domestic steel products as at the end of June was 66.69, down 28.28% when compared with same period of last year, down 16.40 points over that as at the end of last year, a wider drop than that of last year. The cost savings of the iron and steel industry achieved by benchmarking, tapping potentials and improving management can not fully make up for the losses incurred by the price drop of steel products. Member companies posted an average profit margin of 0.11% in the first half of this year, down 0.3 percentage point when compared with same period of last year, according to China Iron and Steel Association.

As for imports and exports, according to customs statistics, exported steel products during the first half of 2015 amounted to 52,400,000 tonnes, an increase of 27.8% when compared with same period of last year, while imported steel products amounted to 6,650,000 tonnes, a decrease of 8.2% when compared with same period of last year. Equivalent net export of crude steel amounted to 47,660,000 tonnes in the first half of 2015, an increase of 33.5% when compared with some period of last year.

#### 4.1.2 *Production and operation of the Company*

Due to the plunge in steel price during the reporting period, the Company recorded greater losses as compared with the corresponding period of previous year.

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

- Implemented the blast furnace checkup system with joint efforts across departments to assure production stability. During the reporting period, the Group produced 8,680,000 tonnes of pig iron, 9,150,000 tonnes of crude steel and 8,910,000 tonnes of steel products, representing an increase of 0.36%, 1.10%, and 2.67%, respectively when compared with same period of last year (in which the Company produced 6,490,000 tonnes of pig iron, 6,930,000 tonnes of crude steel and 6,740,000 tonnes of steel products, representing an increase of 5.5%, 5% and 6.5%, respectively when compared with same period of last year).
- Developed new direct-sale customers, expanded exports and promoted online sales. During the reporting period, the Group's total sales of steel products amounted to 8,760,000 tonnes, among which the sales of steel plates, section steels, wire rods, train wheels and rims, and special steel amounted to 4,610,000 tonnes, 860,000 tonnes, 3,190,000 tonnes, 60,000 tonnes and 40,000 tonnes, respectively.
- Acquired 50% equity interests in Maanshan Masteel Jinxi Rail Transportation Equipment Co., Ltd., which enabled the Company to extend its wheel industrial chain and establish a manufacturing platform for train-related facilities and equipment.

#### *4.1.3 Financial position and exchange rate risks*

As at 30 June 2015, the total loans of the Group amounted to RMB21,559 million, including short-term loans of RMB13,517 million for working capital and long-term loans of RMB8,042 million. Except for foreign currency loans amounting to US\$1,034 million, all other loans were denominated in Renminbi. Except for US dollar loans amounting to US\$758 million with fixed interest rates and US dollar loans of US\$276 million at LIBOR plus premium, among the Renminbi-denominated loans of the Group, loans amounting to RMB7,725 million carried fixed interest rates and loans amounting to RMB7,515 million carried floating interest rates.

As at 30 June 2015, the Group's total amount of direct financing reached RMB11.34 billion, including 5-year bonds of RMB2.34 billion issued in 2011, short-term financing bonds of RMB5 billion issued in 2014, and two RMB2 billion mid-term notes, totaling RMB4 billion, issued in July and August 2015 respectively. The Group's level of loans and borrowings varies according to the scale of production and progress of construction projects. The Group had no overdue loans in the reporting period, except for Shanghai Trading's short-term bank loans.

At present, the Group is financing its capital projects primarily via its own funds. As at the end of the reporting period, banking facilities available to the Group amounted to approximately RMB42,890 million.

As at 30 June 2015, the Group's cash and bank balances amounted to RMB7,979 million and bills receivable amounted to RMB5,939 million, the majority of which derived from sales proceeds.

The Group's import of raw materials was mainly settled in US dollar, while import of equipment and spare parts was settled in Euro or Japanese Yen, and export of products was settled in US dollar. During the reporting period, the Group's purchase of equipment in Europe and Japan was not significant and, as a result, the impact of foreign exchange rate fluctuations on procurement payment was relatively immaterial.

#### *4.1.4 Status of internal control*

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

During the reporting period, the Company compiled and published the "Self-evaluation Report on Internal Control of Maanshan Iron & Steel Co., Ltd. for Year 2014". The Company enhances control measures to improve the internal control policy; and continues to improve the internal control system to ensure its internal control always remains effective.

#### *4.1.5 The environment for production and operation and responding strategies*

In the second half of the year, China will adhere to the main theme of “make progress while maintaining stability” for its effort to promote the healthy growth of the country’s economy and maintain consistent and stable macroeconomic policies. The effects of the measures for maintaining stability will show gradually, and may drive up steel consumption, though with limited growth. As there is no instant wire to the steel overcapacity issue, the business environment of steel companies will still be challenging.

In the second half of the year, the Company will focus on the following areas:

- To reshape the business processes, drive consolidation with specialization, focus on core business, optimize resource allocation and improve operational efficiency;
- To optimize the mix of production capacities, adapt the production organization model, and drive production efficiency of key production lines and furnaces; suspend utilization of production lines and furnaces without marginal profit; redouble efforts on restructuring and elimination of outdated capacities and shut down certain production lines and furnaces permanently;
- To optimize human resources, enhance productivity and reduce the use of external labor;
- To drive upgrade of product mix and make significant improvements in the quality control of key production lines;
- To achieve synergy between domestic and international markets, win as many overseas orders as possible and boost market share in the global market; in the meantime, promote globalization by integrating overseas resources and optimizing the overseas business mix.

## 4.2 Principal operation by industry and product

*Unit: RMB Million*

Business segment/ by product	Operating income	Operating cost	Gross profit (%)	Increase/(decrease) of operating income when compared with same period of last year (±%)	Increase/(decrease) of operating cost when compared with same period of last year (±%)	Increase/(decrease) of gross profit margin when compared with same period of last year (±%)
Iron and steel	22,182	21,433	3.38	-17.70	-19.07	Increase by 1.63 percentage point
<b>Product segment</b>						
Steel plates	11,305	10,745	4.95	-3.48	-5.51	Increase by 2.05 percentage point
Section steels	1,657	1,641	0.97	-39.44	-40.63	Increase by 1.99 percentage point
Wire rods	6,521	6,529	-0.12	-36.00	-35.86	Decrease by 0.22 percentage point
<b>specialty steel</b>						
Train wheels and wheel rims	414	333	19.57	-40.00	-40.85	Increase by 1.16 percentage point

Of which: the Group has entered into connected transaction in respect of the sale of products and provision of services with the controlling shareholder and its subsidiaries with a total amount of RMB196 million in aggregate.

### 4.3 Principal operation by region

*Unit: RMB million*

Region	Operating income	Increase/(decrease) in operating income the as compared to corresponding period of the previous year (±%)
Anhui	8,336	-31.27
Jiangsu	3,584	-17.19
Shanghai	3,268	-2.85
Zhejiang	1,458	-19.09
Guangdong	1,261	0.64
Other regions in the PRC	3,393	-25.35
Exports	2,147	48.68

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

✓ Not applicable

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

✓ Not applicable

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

✓ Not applicable

### 4.7 Proceeds raised

#### 4.7.1 Proceeds raised

✓ Not applicable

#### 4.7.2 Change in projects to be financed by the proceeds

✓ Not applicable



#### 4.8 Projects financed by other than fundraising proceeds

<i>Unit: RMB million</i>		
Project name	Project amount	Project progress
Adaptability reconstruction project of relocated port-based raw materials plant of Hefei Company for environmental protection	253	Equipment Assembling
Relocation of 4# Blast Furnace Project of No. 2 iron plant of Hefei Company for environmental protection	1,150	Framework Assembling
Relocation of 3# Sintering Machine Project of No. 2 Iron-making Factory of Hefei Company for environmental protection	500	Plant Construction
Relocation of Public and Auxiliary Supporting Project of Hefei Company for environmental protection	411	Equipment Foundation Construction
Relocation of general drawing-transport engineering of Hefei Company for environmental protection	88	Railway Foundation Construction
Cold-roll Plant new Reroll Inspection Line Project	100	Equipment Assembling
Cold-roll Plant new electrolytic degreasing Project	80	Construction Commencement
Third Steel Rolling Plant high line innovation project	118	Equipment Foundation Construction
Coking Company New District full CDQ project	150	Equipment Assembling
Major maintenance project for Coking Company 5# Coke Oven	150	Early Stage Removal Preparation
Smoke desulfurization project of No. 2 Iron-marking Factory 2# sintering machine	58	Equipment Assembling
Smoke desulfurization project of Thermoelectricity Plant Old District pulverized coal furnace	80	Civil Pile Foundation Construction
	<hr/>	
Total	<u><u>3,168</u></u>	/

**4.9 Revised Operating Plan for the Second Half of the year by the Board**

✓ Not applicable

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

The Company expects a loss in accumulative net profit during the period from the beginning of the year to the end of the third quarter mainly because the aggregate net loss of the company as at the end of the reporting period is significant, and changes in the raw materials market and the steel products market which benefit the iron and steel industry and the Group are unlikely to occur in the third quarter.

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

✓ Not applicable

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

✓ Not applicable

## **§5 SIGNIFICANT MATTERS**

### **5.1 Material Litigation, Arbitration**

No material litigation and arbitration in the report period.

### **5.2 Insolvency or restructuring related matters**

No insolvency or restructuring related matters occurred during the reporting period.

### **5.3 Asset transactions and merger of companies**

<b>Summary and type of the case</b>	<b>Information source</b>
Acquisition of 50% equity interests of Maanshan Masteel Jinxi Rail Transportation Equipment Co., Ltd.	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ; <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>

### **5.4 Guarantees**

During the reporting period, the Company did not provide any guarantees for external companies or for its subsidiaries. With the approval of the Board, Chang Jiang Iron and Steel, a subsidiary of the Group, has provided guarantee of RMB150 million to its wholly-owned subsidiary. Please refer to the company announcement released on 17 June 2015 for more details: <http://www.sse.com.cn>; <http://www.hkex.com.hk>.

### **5.5 Creditors and debtors with connected parties**

✓ Not applicable

## §6 SHARE MOVEMENT AND SHARE HOLDING

### 6.1 Share Movement

✓ Not applicable

### 6.2 The number of shareholders and shareholding structure

*Unit: Shares*

**Total number of shareholders at the end of the reporting period** 345,961

#### Shareholding of the top ten shareholders

Name of shareholder	Type of shareholders	As a percentage to number of shares held (%)	Total number of shares held	Number of shares held with selling restrictions	Number of pledged or frozen shares
Magang (Group) Holding Company Limited (馬鋼(集團)控股有限公司)	State-owned shareholder	45.54	3,506,467,456	0	0
HKSCC (Nominees) Limited (香港中央結算(代理人)有限公司)	Foreign shareholder	22.21	1,709,980,898	0	Unknown
Ren Xiaoming (任小明)	Unknown	0.29	22,257,900	0	Unknown
Yin Jiang (尹江)	Unknown	0.20	15,583,260	0	Unknown
Yin Meijuan (尹美娟)	Unknown	0.19	14,721,314	0	Unknown
Li Minshan (李敏珊)	Unknown	0.16	12,366,800	0	Unknown
Ye Mingzhu (葉明珠)	Unknown	0.16	12,009,770	0	Unknown
Li Ping (李萍)	Unknown	0.14	10,419,669	0	Unknown
Shaanxi International Trust Co., LTD. – SITI – Lucky Star No.1 Structured securities Capital Trust Plan (陝西省國際信託股份有限公司 – 陝國投•福星1號結構化證券投資集合資金信託計劃)	Unknown	0.12	9,000,000	0	Unknown
Chen Jiangang (陳建綱)	Unknown	0.11	8,166,410	0	Unknown

## Shareholding of top ten shareholders without selling restrictions

Name	Number of shares without selling restrictions	Type of shares
Magang (Group) Holding Company Limited (馬鋼(集團)控股有限公司, the "Holding")	3,506,467,456	RMB-denominated ordinary shares
HKSCC (Nominees) Limited (香港中央結算(代理人)有限公司)	1,709,980,898	Overseas-listed shares
Ren Xiaoming (任小明)	22,257,900	RMB-denominated ordinary shares
Yin Jiang (尹江)	15,583,260	RMB-denominated ordinary shares
Yin Meijuan (尹美娟)	14,721,314	RMB-denominated ordinary shares
Li Minshan (李敏珊)	12,366,800	RMB-denominated ordinary shares
Ye Mingzhu (葉明珠)	12,009,770	RMB-denominated ordinary shares
Li Ping (李萍)	10,419,669	RMB-denominated ordinary shares
Shaanxi International Trust Co., LTD. – SITI – Lucky Star No.1 Structured securities Capital Trust Plan (陝西省國際信託股份有限公司–陝國投•福星1號 結構化證券投資集合資金信託計劃)	9,000,000	RMB-denominated ordinary shares
Chen Jiangang (陳建綱)	8,166,410	RMB-denominated ordinary shares

Description of any connected relationships or concerted actions among the abovementioned 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 connected relationship or whether they were concerted parties.

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

✓ Not applicable

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

During the first half of 2015, the Company did not redeem any of its securities. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities.

### §8. PRE-EMPTIVE RIGHTS

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

### §9. PUBLIC FLOAT REQUIREMENT

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

## **§10. CODE ON CORPORATE GOVERNANCE PRACTICES**

In the first half of 2015, the Company complied with all the code provisions under the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

All directors of the Company have confirmed in writing that during the reporting period, directors of the Company complied with the requirements stipulated by the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## **§11. INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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

✓ Not applicable

## **§12. FINANCIAL REPORT**

### **12.1 Change of accounting policies and influence**

There is no change in accounting policies and accounting estimates as compared to the Group's latest financial report.

### **12.2 Change in the scope of consolidation**

During the reporting period, the Company entered into an Joint Investment Agreement with Jiangsu Oubang Plastic Co., Ltd (Jiangsu Oubang), to jointly establish Maanshan Masteel Oubang PCM Technology Co., Ltd. The Company has a 67% stake in the new company. The Company acquired the remaining 50% equity interests in Maanshan Masteel Jinxi Rail Transportation Equipment Co., Ltd. by means of open market trading, and the Company owns 100% share in Maanshan Masteel Jinxi Rail Transportation Equipment Co., Ltd.

Apart from two newly established subsidiaries being incorporated into the scope of consolidation, during the period, there is no further change to the consolidation scope of the Group's financial statements as compared to the latest financial report.

### **12.3 No correction on previous accounting errors during the reporting period.**

## CONSOLIDATED AND COMPANY BALANCE SHEET

30 June 2015

Renminbi Yuan

ASSETS	Note	30 June 2015 Group Unaudited	31 December 2014 Group Audited	30 June 2015 Company Unaudited	31 December 2014 Company Audited
<b>CURRENT ASSETS:</b>					
Cash and bank balances		7,978,940,797	4,654,551,519	6,708,310,996	5,033,512,998
Financial assets measured at fair value through profit or loss		–	1,073,490	–	1,073,490
Bills receivable	4	5,939,429,030	8,483,607,113	4,161,102,374	6,168,408,389
Trade receivables	5	823,651,878	856,559,860	1,816,824,249	1,301,307,701
Dividends receivable		–	–	7,225,723	7,225,723
Interest receivable		1,056,415	1,898,994	–	–
Prepayments	6	688,372,932	648,963,073	535,083,504	408,746,555
Other receivables		231,492,640	255,577,937	260,228,843	161,823,003
Inventories		8,550,177,790	8,684,293,285	5,816,986,579	6,084,558,454
Loans and advances to customers		643,422,958	633,203,277	–	–
Other current assets		746,939,165	665,474,438	375,121,677	346,438,700
<b>Total current assets</b>		<b>25,603,483,605</b>	24,885,202,986	<b>19,680,883,945</b>	19,513,095,013
<b>NON-CURRENT ASSETS:</b>					
Available-for-sale investments		126,722,160	126,772,160	126,722,160	126,772,160
Long term equity investments		1,021,306,285	1,089,585,013	6,809,412,645	6,542,246,491
Investment properties		64,533,569	62,904,210	76,881,740	77,745,472
Fixed assets		35,496,434,166	37,041,356,860	26,718,521,982	27,894,663,311
Construction in progress		3,658,377,173	2,831,050,182	3,259,835,774	2,725,983,735
Intangible assets		1,874,772,503	1,826,460,576	988,714,868	1,003,515,704
Deferred tax assets		473,761,188	647,842,823	473,045,265	583,517,420
<b>Total non-current assets</b>		<b>42,715,907,044</b>	43,625,971,824	<b>38,453,134,434</b>	38,954,444,293
<b>TOTAL ASSETS</b>		<b>68,319,390,649</b>	68,511,174,810	<b>58,134,018,379</b>	58,467,539,306

## CONSOLIDATED AND COMPANY BALANCE SHEET (CONTINUED)

30 June 2015

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2015 Group Unaudited	31 December 2014 Group Audited	30 June 2015 Company Unaudited	31 December 2014 Company Audited
<b>CURRENT LIABILITIES:</b>					
Borrowing funds		500,000,000	500,000,000	-	-
Customer deposits		1,992,058,256	1,199,618,850	-	-
Repurchase agreements		90,896,113	-	-	-
Short term loans		11,764,444,349	12,058,394,894	5,712,700,000	5,350,000,000
Bills payable	7	4,958,716,744	4,802,906,077	3,472,388,900	3,281,609,644
Accounts payable	8	6,722,499,268	6,679,288,444	9,803,078,624	10,496,946,152
Deposits received		2,724,356,780	3,701,440,863	1,885,454,073	3,158,414,180
Payroll and benefits payable		381,682,937	299,077,212	268,597,945	186,884,642
Taxes payable		172,034,114	236,783,996	64,062,907	80,187,544
Interest payable		353,585,078	146,625,806	352,758,709	146,840,022
Dividends payable		7,328,392	7,210,819	6,525,534	6,407,961
Other payables		778,685,281	827,419,110	555,534,490	556,182,231
Non-current liabilities due within one year		1,752,064,448	2,231,683,000	1,752,064,448	2,180,683,000
Accrued liabilities		13,926,444	14,100,985	-	-
<b>Total current liabilities</b>		<b>32,212,278,204</b>	<b>32,704,550,056</b>	<b>23,873,165,630</b>	<b>25,444,155,376</b>
<b>NON-CURRENT LIABILITIES:</b>					
Long term loans		8,042,266,432	6,339,132,454	10,874,913,056	8,471,764,660
Bonds payable		2,334,866,409	2,332,666,298	2,334,866,409	2,332,666,298
Deferred income		1,190,710,580	1,186,358,849	500,128,596	500,208,915
Long-term payroll and benefits payable		26,948,371	25,877,746	-	-
Deferred tax liabilities		33,382,422	33,191,420	-	-
<b>Total non-current liabilities</b>		<b>11,628,174,214</b>	<b>9,917,226,767</b>	<b>13,709,908,061</b>	<b>11,304,639,873</b>
<b>Total liabilities</b>		<b>43,840,452,418</b>	<b>42,621,776,823</b>	<b>37,583,073,691</b>	<b>36,748,795,249</b>
Share capital		7,700,681,186	7,700,681,186	7,700,681,186	7,700,681,186
Capital reserve		8,329,067,663	8,329,067,663	8,338,358,399	8,338,358,399
Special reserve		17,274,035	21,511,442	2,807,567	2,807,567
Surplus reserve		3,831,458,700	3,831,458,700	2,993,175,001	2,993,175,001
General reserve		98,706,649	98,706,649	-	-
Retained profits		2,214,707,402	3,451,299,829	1,515,922,535	2,683,721,904
Other comprehensive income		(179,263,715)	(137,159,480)	-	-
Equity attributable to owners of the parent		22,012,631,920	23,295,565,989	20,550,944,688	21,718,744,057
Minority interests		2,466,306,311	2,593,831,998	-	-
<b>Total shareholders' equity</b>		<b>24,478,938,231</b>	<b>25,889,397,987</b>	<b>20,550,944,688</b>	<b>21,718,744,057</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>68,319,390,649</b>	<b>68,511,174,810</b>	<b>58,134,018,379</b>	<b>58,467,539,306</b>



## CONSOLIDATED AND COMPANY INCOME STATEMENT

For the six months ended 30 June 2015

Renminbi Yuan

Items	Note	For the six months, ended 30 June		For the six months, ended 30 June	
		2015 Group	2014 Group	2015 Company	2014 Company
Revenue	10	<b>23,447,520,693</b>	28,864,351,998	<b>20,388,093,240</b>	24,747,723,089
Less: Cost of sales	10	<b>22,624,291,030</b>	27,822,934,411	<b>20,004,309,727</b>	24,135,823,168
Business taxes and surcharges		<b>126,214,959</b>	92,669,574	<b>89,467,436</b>	67,497,312
Selling expenses		<b>299,730,118</b>	231,264,336	<b>173,050,371</b>	116,254,118
Administrative expenses		<b>822,972,196</b>	598,280,425	<b>594,983,290</b>	435,644,904
Financial expenses	11	<b>565,859,338</b>	693,487,627	<b>465,694,135</b>	495,215,864
Assets impairment losses		<b>367,276,117</b>	344,320,395	<b>303,920,195</b>	343,864,457
Loss on fair value changes		–	19,730	–	19,730
Add: Investment income including: share of profits of associates and jointly-controlled entities		<b>44,104,484</b>	74,343,808	<b>41,306,373</b>	74,769,282
		<b>41,114,047</b>	67,142,483	<b>40,540,565</b>	67,409,827
Operating loss		<b>(1,314,718,581)</b>	(844,280,692)	<b>(1,202,025,541)</b>	(771,827,182)
Add: Non-operating income including: profit from disposal of non-current assets		<b>171,642,968</b>	101,415,452	<b>145,158,786</b>	46,898,578
		<b>660,487</b>	–	<b>396,328</b>	–
Less: Non-operating expenses including: loss from disposal of non-current assets		<b>14,159,425</b>	1,960,924	<b>460,459</b>	1,050,767
		–	520,880	–	329,534
Loss before tax		<b>(1,157,235,038)</b>	(744,826,164)	<b>(1,057,327,214)</b>	(725,979,371)
Less: Income tax	13	<b>203,068,501</b>	18,669,331	<b>110,472,155</b>	(1,724,653)
Net loss		<b>(1,360,303,539)</b>	(763,495,495)	<b>(1,167,799,369)</b>	(724,254,718)
Less: Minority interests		<b>(123,711,112)</b>	(33,229,317)		
Net loss attributable to the equity holders of the parent		<b>(1,236,592,427)</b>	(730,266,178)		
Losses PER SHARE:	14				
Basic		<b>(16.06) cents</b>	(9.48) cents		
Diluted		<b>(16.06) cents</b>	(9.48) cents		
Other comprehensive income					
Exchange differences on translation of foreign operations		<b>(41,213,594)</b>	8,216,051	–	–
Total comprehensive income		<b>(1,401,517,133)</b>	(755,279,444)	<b>(1,167,799,369)</b>	(724,254,718)
Including:					
Total comprehensive income attributable to owners of the parent		<b>(1,278,696,662)</b>	(722,838,803)		
Total comprehensive income attributable to minority shareholders		<b>(122,820,471)</b>	(32,440,641)		

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

Renminbi Yuan

30 June 2015 (Unaudited)

	Attributable to owners of the 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 2015	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
2. Increase/(decrease) during the year										
1) Total comprehensive income	-	-	(42,104,235)	-	-	-	(1,236,592,427)	(1,278,696,662)	(122,820,471)	(1,401,517,133)
2) Capital contribution and withdrawal										
(i) Capital contribution/(withdrawal)	-	-	-	-	-	-	-	-	-	-
3) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	-	-	(21,000)	(21,000)
4) Special reserve										
(i) Additions	-	-	-	48,189,337	-	-	-	48,189,337	5,678,348	53,867,685
(ii) Utilization	-	-	-	(52,426,744)	-	-	-	(52,426,744)	(10,362,564)	(62,789,308)
3. At 30 June 2015	<u>7,700,681,186</u>	<u>8,329,067,663</u>	<u>(179,263,715)</u>	<u>17,274,035</u>	<u>3,831,458,700</u>	<u>98,706,649</u>	<u>2,214,707,402</u>	<u>22,012,631,920</u>	<u>2,466,306,311</u>	<u>24,478,938,231</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2014

Renminbi Yuan

30 June 2014 (Unaudited)

	Attributable to owners of the 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	-	-	7,427,375	-	-	-	(730,266,178)	(722,838,803)	(32,440,641)	(755,279,444)
2) Capital contribution and withdrawal										
(i) Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	(17,044,732)	(17,044,732)
3) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	-	-	(149,570)	(149,570)
4) Special reserve										
(i) Additions	-	-	-	36,880,367	-	-	-	36,880,367	-	36,880,367
(ii) Utilization	-	-	-	(33,684,365)	-	-	-	(33,684,365)	-	(33,684,365)
3. At 30 June 2014	<u>7,700,681,186</u>	<u>8,329,067,663</u>	<u>(64,780,684)</u>	<u>16,251,680</u>	<u>3,789,735,764</u>	<u>98,706,649</u>	<u>2,542,140,562</u>	<u>22,411,802,820</u>	<u>2,517,954,874</u>	<u>24,929,757,694</u>

## CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015

Renminbi Yuan

	For the six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
1. Cash flows from operating activities:		
Cash received from sale of goods or rendering of services	28,679,828,977	35,464,305,325
Net increase in customer deposits and borrowing funds	792,439,406	442,865,433
Cash received for interest charges, fees and commissions	43,954,490	57,343,968
Refunds of taxes	82,804,766	31,444,100
Cash deposited in central Bank	444,798,960	–
Net increase in repurchase agreements	90,896,113	–
Cash received relating to other operating activities	24,534,334	21,385,601
Sub-total of cash inflows	30,159,257,046	36,017,344,427
Cash paid for goods and services	(21,801,936,322)	(30,965,465,209)
Cash paid to and on behalf of employees	(2,002,927,520)	(2,087,424,094)
Cash paid for all taxes	(1,314,805,102)	(937,536,383)
Net decrease in repurchase agreements	–	(165,252,425)
Net increase in loans and advances to customers	(6,427,320)	(94,111,239)
Cash paid for interest charges, fees and commissions	(12,947,822)	(13,041,281)
Cash paid relating to other operating activities	(391,944,982)	(366,470,195)
Sub-total of cash outflows	(25,530,989,068)	(34,629,300,826)
Net cash flows from operating activities	4,628,267,978	1,388,043,601
2. Cash flows from investing activities:		
Cash received from disinvestment	1,073,490	–
Cash received from investment income	50,709,380	172,430,953
Net cash received from disposal of fixed assets, intangible assets and other long term assets	9,481,536	1,914,418,028
Cash received from decrease of pledged deposits	–	758,227,076
Cash received relating to other investing activities	32,445,774	3,280,763
Sub-total of cash inflows	93,710,180	2,848,356,820

## CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the six months ended 30 June 2015

Renminbi Yuan

	For the six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
2. Cash flows from investing activities (continued)		
Cash paid for acquisitions of fixed assets, intangible assets and other long term assets	(1,331,018,080)	(869,020,371)
Cash received from the increase of pledged deposits	(211,824,701)	–
Cash paid for investments in JV and other business units	(56,537,594)	(62,044,732)
Cash paid for acquisitions of subsidiaries	(73,188,523)	(109,097,300)
Sub-total of cash outflows	<u>(1,672,568,898)</u>	<u>(1,040,162,403)</u>
Net cash flows used in investing activities	<u>(1,578,858,718)</u>	<u>(1,808,194,417)</u>
3. Cash flows from financing activities:		
Cash received from borrowings	<u>9,272,965,108</u>	<u>4,390,247,153</u>
Sub-total of cash inflows	<u>9,272,965,108</u>	<u>4,390,247,153</u>
Cash repayments of borrowings	(8,341,959,971)	(4,572,526,941)
Cash paid for distribution of dividend or profits and for interest expenses	(399,995,657)	(384,698,835)
Including: dividend paid to minority shareholders by subsidiaries	–	(149,570)
Sub-total of cash outflows	<u>(8,741,955,628)</u>	<u>(4,957,225,776)</u>
Net cash flows from/(used in) financing activities	<u>531,009,480</u>	<u>(566,978,623)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	<u>(23,055,203)</u>	<u>89,599,239</u>
5. Net increase in cash and cash equivalents	3,557,363,537	2,718,858,634
Add: Balance of cash and cash equivalents at the beginning of the period	<u>2,709,836,299</u>	<u>1,814,518,125</u>
6. Balance of cash and cash equivalents at the end of the period	<u><u>6,267,199,836</u></u>	<u><u>4,533,376,759</u></u>

## 1. SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Accounting policies

The financial statements have been prepared based on the Accounting Standards for Business Enterprises (“CAS”), including basic standards, subsequently issued and revised accounting standards, applicable guidance, interpretations and other relevant regulations, issued by the Ministry of Finance (the “MOF”) of the People’s Republic of China (“PRC”).

### 1.2 Statement of adoption of the CAS

The financial statements have been prepared in accordance with the CAS, and present truly and completely, the financial position of the Company and the Group as of 30 June 2015, and the results of their operations and their cash flows for the six months ended 30 June 2015.

## 2. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION

### 2.1 Change in the scope of consolidation

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

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

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

	Net assets at 30 June 2015	Net profit from the date of acquisition to period end
Ma’ssteel Rail Transportation Equipment Co., Ltd.	336,420,376	2,011,617

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

	Average rates		Closing rates	
	Six months ended 30 June 2015	2014	30 June 2015	31 December 2014
EUR	7.1628	8.4068	6.8699	7.4556
HKD	0.7888	0.7900	0.7886	0.7889
AUD	4.8584	5.6183	4.6993	5.0174
USD	6.1163	6.1249	6.1136	6.1190
JPY	0.0508	0.0593	0.0501	0.0514

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

### 3. OPERATING SEGMENT INFORMATION

#### Operating segment

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

- Production and sale of iron and steel products and related by-products: the Company and subsidiaries except for Masteel Financial and Shanghai Trading.
- Trading of steel, iron ores and raw materials: Shanghai Trading.
- Financial service: Masteel Financial.

The Group did not consider trade service and financial service as an individual reportable segment, as their revenue, profit and assets are lower than 10% of the Group, and that Masteel Financial mainly offers financial service to internal companies. Therefore, the Group focuses on the production and sale of steel and it is unnecessary for the Group to disclose more detailed information.

#### Other information

#### Products and service information

External operating income

	For the six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
Sale of steel products	21,868,666,090	26,505,766,957
Sale of steel billets and pig iron	312,867,822	447,844,013
Sale of coke by-products	259,279,825	500,456,377
Others	491,878,898	514,523,071
	<b>22,932,692,635</b>	<b>27,968,590,418</b>

#### Geographical information

External operating income

	For the six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
Mainland China	20,961,884,860	26,790,198,483
Overseas	1,970,807,775	1,178,391,935
	<b>22,932,692,635</b>	<b>27,968,590,418</b>

Non-current assets

	<b>2015</b> <b>Unaudited</b>	2014 Audited
Mainland China	<b>42,014,234,109</b>	42,622,288,089
Overseas	<b>227,911,747</b>	229,068,752
	<b><u>42,242,145,856</u></b>	<b><u>42,851,356,841</u></b>

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

**Major customer information**

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

**4. BILLS RECEIVABLE**

	<b>30 June</b> <b>2015</b> <b>Unaudited</b>	31 December 2014 Audited
Bank acceptance bills	<b>5,896,491,322</b>	8,483,607,113
Commercial acceptance bill	<b>42,937,708</b>	–
	<b><u>5,939,429,030</u></b>	<b><u>8,483,607,113</u></b>

As at 30 June 2015, all entrusted bills of the Company in Ma'anshan Branch of Industrial and Commercial Bank of China were pledged as security to obtain bank long-term loans of RMB980,000,000, which are long-term loan due within one year (31 December 2014: RMB970,000,000). According to the loan contract, the Company needs to ensure that no less than RMB1,120,000,000 bills receivable be hosted in Ma'anshan Branch of Industrial and Commercial Bank of China. As at 30 June 2015, the balance of which was RMB2,386,806,482 (31 December 2014: RMB3,991,221,307). The Company has no bank acceptance bills were pledged as security to banks issue bank acceptance bills to suppliers (31 December 2014: RMB474,863,786). Besides, certain of the Group's bank acceptance bills amounting to RMB165,278,600 were pledged as security to banks issue bank acceptance bills to suppliers (31 December 2014: RMB257,598,747).



## 5. 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:

	<b>30 June 2015 Unaudited</b>	31 December 2014 Audited
Within one year	<b>735,194,262</b>	775,850,830
One to two years	<b>46,808,420</b>	77,466,943
Two to three years	<b>48,969,743</b>	11,226,000
Over three years	<b>9,635,477</b>	8,574,303
	<b>840,607,902</b>	873,118,076
Less: Provisions for bad debts	<b>16,956,024</b>	16,558,216
	<b>823,651,878</b>	856,559,860

The balances of trade receivables are analysed as follows:

	30 June 2015 (Unaudited)				31 December 2014 (Audited)			
	Book value Balance	Ratio (%)	Provision for bad debts Balance	Ratio (%)	Book value Balance	Ratio (%)	Provision for bad debts Balance	Ratio (%)
Significant and assessed for impairment individually	806,051,540	96	(6,927,040)	1	835,909,910	96	(6,927,040)	1
Other insignificant but assessed for impairment individually	34,556,362	4	(10,028,984)	29	37,208,166	4	(9,631,176)	26
	<b>840,607,902</b>	<b>100</b>	<b>(16,956,024)</b>		<b>873,118,076</b>	<b>100</b>	<b>(16,558,216)</b>	

## 6. PREPAYMENTS

An aged analysis of the prepayments is as follows:

	30 June 2015 (Unaudited)		31 December 2014 (Audited)	
	Balance	Ratio (%)	Balance	Ratio (%)
Within one year	636,093,636	93	605,876,337	94
One to two years	35,131,541	5	35,064,880	5
Two to three years	9,524,170	1	1,232,762	–
Over three years	7,623,585	1	6,789,094	1
	<b>688,372,932</b>	<b>100</b>	<b>648,963,073</b>	<b>100</b>

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.

## 7. BILLS PAYABLE

	30 June	31 December
	2015	2014
	Unaudited	Audited
	RMB	RMB
Bank acceptance bills	4,945,216,744	4,785,906,077
Commercial acceptance bills	13,500,000	17,000,000
	<b>4,958,716,744</b>	<b>4,802,906,077</b>

As at 30 June 2015 and 31 December 2014, the aging of the Group's bills payable was all within six months.

The balance of bills payable as at 30 June 2015 and 31 December 2014 did not contain any amount due to either shareholders who held 5% or above of the Company's equity interests or related parties.

## 8. ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	30 June	31 December
	2015	2014
	Unaudited	Audited
	RMB	RMB
Within one year	6,620,653,699	6,549,854,820
One to two years	37,771,521	71,503,745
Two to three years	10,075,989	5,021,121
Over three years	53,998,059	52,908,758
	<b>6,722,499,268</b>	<b>6,679,288,444</b>

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

## 9. DIVIDEND

The board of directors does not recommend the payment of any dividends for the six months ended 30 June 2015 (30 June 2014: Nil).

## 10. REVENUE AND COST OF SALES

Revenue is stated as follows:

	For the six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB	RMB
Principal operating income	22,932,692,635	27,968,590,418
Other operating income	514,828,058	895,761,580
	<hr/>	<hr/>
Total	<b>23,447,520,693</b>	<b>28,864,351,998</b>

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

Cost of sales is stated as follows:

	For the six months ended 30 June	
	2015	2015
	Unaudited	Unaudited
	RMB	RMB
Principal operating income	22,086,428,702	26,967,044,526
Other operating income	537,862,328	855,889,885
	<hr/>	<hr/>
	<b>22,624,291,030</b>	<b>27,822,934,411</b>

## 11. FINANCIAL EXPENSES

	For the six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB	RMB
Interest expenses (i)	614,530,384	671,964,044
Less: Interest income	50,105,262	32,442,168
Less: Capitalised interest	5,776,735	5,465,733
Exchange loss/(gain)	(10,923,858)	2,685,647
Others	18,134,809	56,745,837
	<u>565,859,338</u>	<u>693,487,627</u>

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

## 12. DEPRECIATION AND AMORTIZATION

	For the six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB	RMB
Depreciation of fixed assets	1,689,422,077	1,917,139,539
Amortisation of investment properties	912,360	869,950
Amortisation of intangible assets	39,368,810	30,313,192
	<u>1,729,703,247</u>	<u>1,948,322,681</u>

## 13. INCOME TAX

	For the six months ended 30 June	
	2015	2014
	Unaudited	Unaudited
	RMB	RMB
Mainland China:		
– Current income tax expense	22,397,313	41,987,993
– Adjustments in respect of current tax of previous periods	230,764	(2,885,448)
– Deferred tax income	169,913,039	(37,775,340)
Hong Kong current income tax expense (ii)	–	–
Overseas current income tax expense	6,167,787	17,342,126
Overseas deferred income tax expense	4,359,598	–
	<u>203,068,501</u>	<u>18,669,331</u>

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

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>Unaudited</b>	Unaudited
	<b>RMB</b>	RMB
Loss before tax	<b>(1,157,235,038)</b>	(744,826,164)
Tax at the applicable tax rate of 25% (i)	<b>(289,308,760)</b>	(186,206,541)
Effect of different tax rates of subsidiaries	<b>(2,471,494)</b>	1,852,952
Expenses not deductible for tax	<b>38,576,541</b>	31,254,470
Adjustments in respect of current tax of previous periods	<b>230,764</b>	(2,885,448)
Other tax concessions	<b>(2,276,530)</b>	(2,578,954)
Income not subject to tax	<b>(1,089,398)</b>	(1,839,864)
Unrecognised deductible temporality difference and tax losses	<b>471,376,926</b>	195,925,171
Profits and losses attributable to jointly-controlled entities and associates	<b>(11,969,548)</b>	(16,852,457)
Tax charge at the Group's effective rate	<b><u>203,068,501</u></b>	<b><u>18,669,329</u></b>

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

The State Administration of Taxation ("SAT") issued a tax circular "Enterprise Income Tax Issues relating to Nine Companies Listed Overseas" ("Circular No. 664") in June 2007 which requested the relevant local tax authorities to rectify, immediately, the expired concessionary tax policy for the nine listed companies authorized by the State Council to issue shares in Hong Kong in 1993 which, at the time of writing, was still being applied. The notice stated that the difference in corporate income tax ("CIT") arising from the expired preferential rate and the applicable rate should be settled according to the provisions of "Law on the Administration of Tax Collection".

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

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

Certain subsidiaries of the Company were foreign investment enterprises which shall be subject to corporate income tax at rates ranging from 22% to 25% and enjoy the “Two years exempted and subsequent three years with 50% reduction” tax holiday policy. Certain subsidiaries of the Company were high technology enterprises which shall be subject to corporate income tax at the rate of 15%. Other subsidiaries located elsewhere and Hong Kong have been calculated at the rates of tax prevailing in the countries, ranging from 16.5% to 30%, in which the subsidiaries operate, based on existing legislation, interpretations and practices in respect thereof.

#### 14. EARNINGS PER SHARE

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

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

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>Unaudited</b>	Unaudited
	<b>RMB</b>	RMB
Profit/(loss) attributable to ordinary equity holders of the parent as used in the basic/diluted earnings per share calculation	<b>(1,236,592,427)</b>	(730,266,178)
Weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation	<u><b>7,700,681,186</b></u>	<u>7,700,681,186</u>
Basic earnings per share (cents)	<u><b>(16.06)</b></u>	<u>(9.48)</u>

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

During the first half of 2015 and 2014, there was no dilutive item to adjust the Group’s basic earnings per share.

#### 15. CONTINGENT LIABILITIES

##### **Difference of corporate income tax**

As detailed in note 13 to the financial statements, the Group still has potential risks on corporate income tax in prior years to be determined. The directors of the Company consider that it is not possible to reliably estimate whether the relevant tax authorities will retrospectively claim additional CIT from the Company and that it is not possible to reliably estimate the eventual outcome of this matter. Consequently, no provision or adjustment has been made in these financial statements in respect of the extra tax and related tax concessions, deferred tax, penalties and interests (if applicable).

## Pending litigation

As of 30 June 2015, 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 a dispute over steel trading, and the relevant claim amounts were RMB11,477,659 and RMB34,345,800, respectively. The lawsuit is currently pending for a judicial decision by the court.

A individual sub-contractor of Qiu Guo launched litigation against Ma Steel (Hefei) regarding a 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 sub-contracted to Qiu Guo. Ma Steel (Hefei) has settled all the liabilities relevant to the project. The judgment of first trial rejected the litigation of plaintiff. The plaintiff was dissatisfied with the ruling and appealed with Higher People's Court in Anhui province. The case now is waiting for hearing.

Zhejiang Wukuang Yuda Import and Export Co., Ltd launched litigation against Ma Steel (Jinhua) Steel Processing and Distribution Co., Ltd. ("Ma Steel Jinhua") regarding dispute over losses in transaction, and the relevant claim amount was RMB7,680,000. This lawsuit was heard by the Court of Xiacheng District of Hangzhou in June 2014. In May 2015, the Court of Xiacheng District of Hangzhou dismissed the plaintiff's appeal. The plaintiff then appealed to the Intermediate Court of Hangzhou, Zhejiang Province, and the lawsuit is currently awaiting trial.

The management assessed the possible consequence of the above litigation. The Group believed that the impacts of the pending litigation are fully reflected in the consolidated financial report based on available data and information.

Apart from the above, the Group does not anticipate that any material liabilities will arise from the contingent liabilities other than those provided for in the financial statements.

## 16. NET CURRENT LIABILITIES

	Group		Company	
	30 June 2015 Unaudited RMB	31 December 2014 Audited RMB	30 June 2015 Unaudited RMB	31 December 2014 Audited RMB
Current assets	25,603,483,605	24,885,202,986	19,680,883,945	19,513,095,013
Less: Current liabilities	32,212,278,204	32,704,550,056	23,873,165,630	25,444,155,376
Net current liabilities	<u>(6,608,794,599)</u>	<u>(7,819,347,070)</u>	<u>(4,192,281,685)</u>	<u>(5,931,060,363)</u>

**17. TOTAL ASSETS LESS CURRENT LIABILITIES**

	<b>Group</b>		<b>Company</b>	
	<b>30 June</b> <b>2015</b> <b>Unaudited</b> <b>RMB</b>	31 December 2014 Audited RMB	<b>30 June</b> <b>2015</b> <b>Unaudited</b> <b>RMB</b>	31 December 2014 Audited RMB
Total assets	<b>68,319,390,649</b>	68,511,174,810	<b>58,134,018,379</b>	58,467,539,306
Less: Current liabilities	<b>32,212,278,204</b>	32,704,550,056	<b>23,873,165,630</b>	25,444,155,376
Total assets less current liabilities	<b><u>36,107,112,445</u></b>	<u>35,806,624,754</u>	<b><u>34,260,852,749</u></b>	<u>33,023,383,930</u>

By order of the Board  
**Ding Yi**  
*Chairman*

25 August 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,*

*Non-executive Directors: Su Shihuai, Ren Tianbao*

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