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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)

2015 ANNUAL RESULTS ANNOUNCEMENT

1 IMPORTANT NOTICE

- 1.1** To fully understand the business performance, financial situation and future outlook of the Company, Investors should read the full text of the annual report for details, which is also published on the Stock Exchange of Hong Kong Limited and the websites designated by China Securities Regulatory Commission, including the website of the Shanghai Stock Exchange.
- 1.2** The board of directors (the “Board”), the supervisory committee, the directors, the supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from, this report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report.
- 1.3** All members of the Board attended the Board meeting.
- 1.4** Ernst & Young Hua Ming LLP audited and issued a standard unqualified opinion on the annual financial statements of the Company.

1.5 Company Profile

Stock Information

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

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- 1.6** In view of the relatively large loss suffered by the Company in 2015, the board of directors suggests that no dividends shall be distributed for the year of 2015 and no capital surplus shall be transferred to share capital. The distribution plan is going to be submitted to the Annual General Meeting for approval.

2 MAJOR BUSINESS AND PRODUCT INTRODUCTION DURING REPORT PERIODS

As one of the largest iron and steel producers and sellers in China, the Company's major businesses are production and sales of iron and steel products; the main production processes include iron making, steelmaking, steel rolling, etc. Major product of the Company is steel, which can be roughly divided into three types, i.e. plates, long products and wheels and axles.

- Plates: include sheet and medium & thick plate, and sheet is divided into hot rolled sheet, cold-rolled sheet, galvanized sheet and color-coated sheet.
- Long products: include section steel and wire rod.
- Wheels and axles: include train wheels, axles and rings.

During the reporting period, the major businesses, main products and the usages, operation modes, major driving factors of performance didn't experience substantial changes.

During the reporting period, the iron and steel industry to which the Company belongs was at its maturity stage, in which time the market demand experienced a transformation from increase to reduction. Although some enterprises reduced output or stopped production, the influence of reduced output could not offset the impact of declined demand and the overcapacity contradiction was still highlighted.

3 SUMMARY OF ACCOUNTING AND FINANCIAL DATA

	<i>Unit : RMB'000</i>			
	2015	2014	Increase/ Decrease compared to previous year (%)	2013
Total Assets	62,454,466	68,511,175	-8.84	71,821,618
Revenue	45,108,927	59,820,938	-24.59	73,848,883
Net profit attributable to equity holders	-4,804,300	220,616	-2,277.67	157,220
Net profit excluding non-recurring gains or losses attributable to equity holders	-5,129,505	-154,967	3,210.06	-445,730
Net assets attributable to equity holders	18,455,838	23,295,566	-20.78	23,131,446
Net cash flows from operating activities	5,865,332	2,912,854	101.36	5,091,359
Total Shareholding	7,700,681	7,700,681	0.00	7,700,681
Basic earnings per share (RMB/share)	-0.624	0.029	-2,251.72	0.020
Diluted earnings per share (RMB/share)	-0.624	0.029	-2,251.72	0.020
Return on net assets (weighted average)%	-23.01	0.95	Decreased by 23.96 percentage point	0.68

4 MAJOR FINANCIAL DATA BY QUARTER IN 2015

	<i>Unit: RMB'000</i>			
	1st Quarter (Jan-Mar)	2nd Quarter (Apr-Jun)	3rd Quarter (Jul-Sep)	4th Quarter (Oct-Dec)
Revenue	11,747,681	11,699,840	11,278,859	10,382,547
Net profit attributable to equity holders	-595,419	-641,173	-1,338,790	-2,228,918
Net profit excluding non-recurring gains or losses attributable to equity holders	-667,837	-677,899	-1,416,826	-2,366,943
Net cash flows from operating activities	2,300,178	2,328,090	-1,594,708	2,831,772

5 SHARE CAPITAL AND SHAREHOLDER

5.1 Numbers of Shareholders and Holdings of Top Ten Shareholders

Number of Common Shareholders by the End of Reporting Period (Accounts)	291,979	Number of Common Shareholders at the End of Last Month Before the Disclosure Date of Annual Report (Accounts)	299,317
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Unit: Share

Shareholders' Names (Full Names)	Increase and Decrease Within Report Period	No. of Shares at the End of Period	Holdings of Top Ten Shareholders		Pledge or Frozen Situations Share Status	Shareholder's Nature	
			Percentage	No. of Shares under Restricted Condition for Sales			
			(%)				
Magang (Group) Holding Co., Ltd.	-379,956,471	3,506,467,456	45.54	-	None	-	State-owned Legal Person
Hong Kong Securities Clearing Company Nominees Limited	-1,788,002	1,710,208,900	22.21	-	Unknown	Unknown	Foreign Legal Person
Central Huijin Investment Ltd.	Unknown	142,155,000	1.85	-	Unknown	Unknown	State-owned Legal Person
China Securities Finance Corporation Limited	Unknown	88,096,538	1.14	-	Unknown	Unknown	State-owned Legal Person
Bosera Funds – Agricultural Bank of China (ABC) – Bosera China Securities Finance Asset Management Plan	Unknown	33,609,200	0.44	-	Unknown	Unknown	Unknown
Dacheng Fund – ABC – Dacheng China Securities Finance Asset Management Plan	Unknown	33,609,200	0.44	-	Unknown	Unknown	Unknown
ICBCCS – ABC – ICBCCS China Securities Finance Asset Management Plan	Unknown	33,609,200	0.44	-	Unknown	Unknown	Unknown

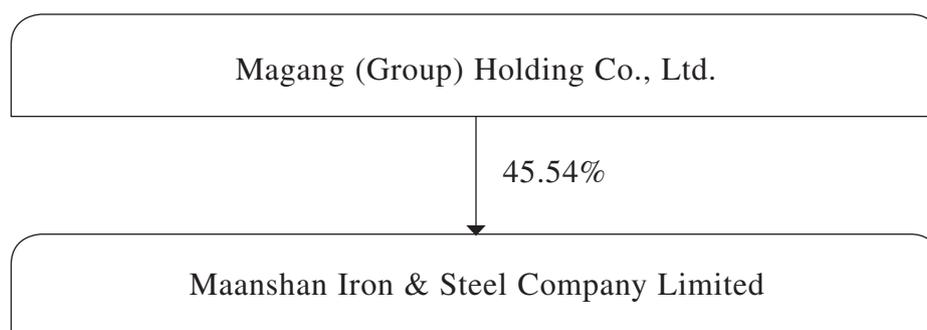
Holdings of Top Ten Shareholders

Shareholders' Names (Full Names)	Increase and Decrease Within Report Period	No. of Shares at the End of Period	Percentage (%)	No. of Shares under Restricted Condition for Sales	Pledge or Frozen Situations		Shareholder's Nature
					Share Status	No.	
GF Fund Management – ABC – GF China Securities Finance Asset Management Plan	Unknown	33,609,200	0.44	–	Unknown	Unknown	Unknown
China Asset Management – ABC – China AMC China Securities Finance Asset Management Plan	Unknown	33,609,200	0.44	–	Unknown	Unknown	Unknown
Harvest Fund – ABC – Harvest China Securities Finance Asset Management Plan	Unknown	33,609,200	0.44	–	Unknown	Unknown	Unknown

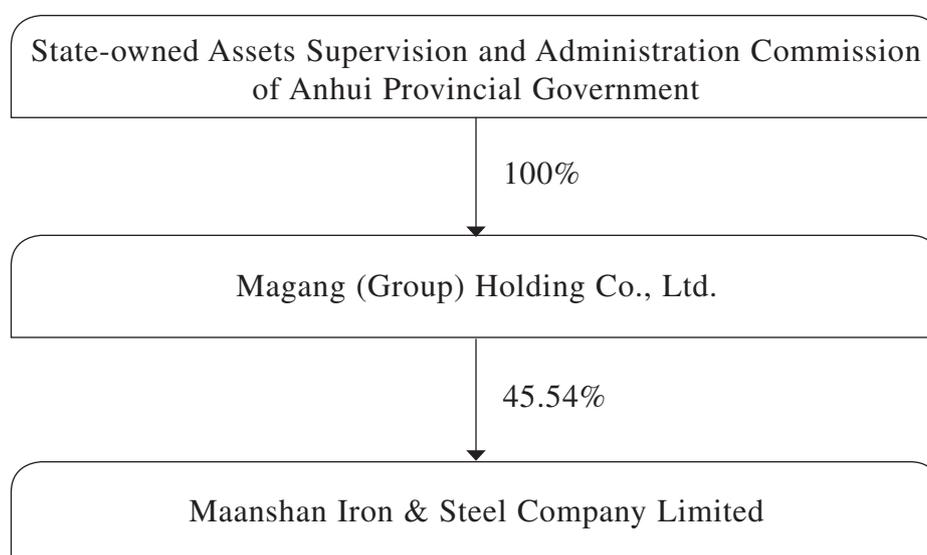
Notes on the above shareholders' affiliated relation or concerned action

Magang (Group) Holding Co., Ltd. has no affiliated relation with any of the other foregoing shareholders, nor is it a person acting in concerned action; however, it is not in the knowledge of the Company whether there is any affiliated relation among other foregoing shareholders and whether they are persons acting in concerned action.

5.2 Block Diagram of Property Rights and Controlling Relations between the Company and Controlling Shareholders



Block Diagram of Property Rights and Controlling Relations between the Company and Actual Controllers



6 MANAGEMENT DISCUSSION AND ANALYSIS

Business Environment

The steel product market

In 2015, the prices of steel in domestic market experienced a cliff-fall. Over each month of the entire year, the China Steel Price Index (CSPI) was lower than in the corresponding month of the previous year, and the average monthly value of CSPI in 2015 was 66.43 points, a drop of 24.89 points, or 27.26%, from 2014.

In 2015, the prices of domestic long products and plates slumped. The prices of plates experienced relatively greater fluctuation in price than long products did.

The markets of raw materials and fuels

In 2015, the prices of iron ore and scrap were generally on a downward trend. According to Chinese custom's statistics, the average CIF price of imported iron ore nationwide was USD60.48/ton, down by 39.7% from the previous year.

Moreover, the continued decline of steel prices was greater than that of its raw materials, directly resulting in difficulties in production and operation of iron and steel enterprises.

Since competition in the domestic market is increasingly intense, iron and steel enterprises are endeavoring to expand to overseas markets. In 2015, China's net export of steel continued to grow. According to Customs' statistics, the annual accumulated export of steel amounted to 112,400,000 tons, an increase of 19.9% from the same period last year; while the accumulated import of steel totaled 12,780,000 tons, a reduction of 11.4% from last year. The net export of equivalent crude steel was about 103,380,000 tons, increasing by 18,970,000 tons, or 22.5%, compared to last year. At the same time, however, with the rise of international trade protectionism, there were more anti-dumping, anti-subsidy cases of China's iron and steel products; last year saw 37 cases in total, equal to the sum from the previous two years' numbers, thus increasing the difficulty of exporting.

During the reporting period, the Group produced 18,010,000 tons of pig iron, a year-on-year increase of 0.22%; it produced 18,820,000 tons of crude steel and 18,270,000 tons of steel products, which were down by 0.30% and 0.16% respectively on a year-on-year basis (among these, the Company produced 13,240,000 tons of pig iron and 14,260,000 tons of crude steel, an increase of 1.22% and 0.21% respectively on a year-on-year basis; the Company produced 13,500,000 tons of steel products, a decrease of 0.05%). The Company's main work during the reporting period was as follows:

- Focused on production and maintained stable operation. Consolidation of iron making area, improvement of blast furnace operation "physical examination" system and external security early-warning mechanism achieved stable and balanced production for 20 months in a row and made the hot iron cost lower than the average industrial level; the steel rolling system gathered advantageous resources to support key production lines and to strengthen the connection of production and marketing, thus significantly increasing auto sheet book-to-bill ratio; having improved management and control system, the utility energy system promoted the operation of systematic energy economics with manufacturing units; by improving the ability to control equipment status, the equipment system supported highly-efficient and economic operation of production.
- Spared no efforts in product structure adjustment. By expanding the proportion of high-value-added products, the production of auto sheet exceeded 1,500,000 tons and the company realized an increase of 200% in high grade silicon steel production (W470 above). With the APQP team, the Company endeavored to develop new products and realized batch production of high strength steel for auto like galvanized DP800 and bulk supply of oriented silicon steel hot-rolled material, tin plate base material and wheels and axles for rail transit vehicles as well; the Company strengthened quality research and process control, established red and yellow cards quality warning mechanism and responsibility retrospection mechanism, thus decreasing ton steel quality loss by 7.4% as compared with last year's same period; the Company enhanced intellectual property rights management and brand construction. As a result, three products were awarded "Gold Cup Award" of Physical Quality of Metallurgical Products, cold-rolled steel plate and steel strip were rated as "Products of Outstanding Quality in Metallurgical Industry" and one achievement was awarded the First Prize of Scientific Progress in Metallurgical Industry.

- Continued benchmarking and cost reduction. The Company strengthened cost management control measures and promoted production lines benchmarking. Production cost was reduced by RMB1,050,000,000 compared with last year.
- Strengthened marketing operation to create efficiency. Promoted integration of business procedures in the purchasing system, deepened concentrated and bidding purchasing, insisted on low inventory operation and gave play to the supply chain system, thus respectively reducing inventories of imported mines and coals to 1,100,000 tons and 270,000 tons respectively. Having innovated the marketing model of sales system, adjusted pricing strategy and grasped market orders, the Company developed 321 new direct clients last year, increasing the direct supply ratio of plates and strips to 55%; through expanding overseas markets and E-business sales channels for goods in stock, the Company exported 1,200,000 tons of steel and sold 400,000 tons of steel on E-business platforms.
- Promoted orderly development of non-steel plates. The Company accelerated the paces of joint venture and cooperation with steady advancement of OCI Chemical Project and Asco Special Steel Project.
- Continued to vitalize people. The Company completed design and improvement of targeted personnel optimization and realized comprehensive coverage of overall position performance assessment system; based on principles of “setting positions as necessary, selecting candidates for positions and commencing work with subjects”, the Company hired 66 new senior technical supervisors; through employee substitution, bidding and improvement of labor projects, the Company cutback on external hiring and saved labor expense.
- Optimized capital operation. The Company raised capital concentration level and realized concentrated notes management across the Group; reduced financing cost by developing financing channels, thus reducing the financial expense by RMB420,000,000 than that in the budget; it also actively strived for support of capital policies.
- Accelerated construction of key engineering projects. The following projects have been constructed and gone into operation: New District Coke Dry Quenching Project, Reforming of No. 3 Steel and Rolling Plant High-Speed Wire Line Project, Desulfurization of Sintering Flue Gas Project and Desulfurization and Denitrification of Thermoelectric Pulverized Coal-Fired Boiler Flue Gas Project.
- Strengthened safe production responsibility mechanism, promoted the construction of safe production standardization and maintained stable stable of safe production.
- Strictly implemented rigid requirements of environmental protection, strengthened the efforts of environmental governance and orderly advanced the shutdown of refining production lines of Hefei company, thus significantly improving environmental performance.
- Actively promote outstanding performance management mode. The Company was rated as “National Pioneer Enterprise of Implementing Outstanding Performance Management Mode”; 2 achievements won the First Prize of Modernization Innovation Achievement in Refining Enterprise Management.

6.1 Analysis of Principal Operation

Analysis of the change in items of the income statement and cash flows statement

Unit: RMB'000

Items	Amount of the current year	Amount of the same period of last year	Change (%)
Revenue	45,108,927	59,820,938	-24.59
Cost of Sales	45,488,441	55,840,223	-18.54
Selling expenses	635,860	512,506	24.07
Administrative expenses	1,538,610	1,310,839	17.38
Financial expenses	813,036	1,243,663	-34.63
Assets impairment losses	1,619,390	770,489	110.18
Investment income	93,725	149,599	-37.35
Non-operating income	384,060	540,901	-29.00
Non-operating expenses	17,538	86,867	-79.81
Income tax expense	377,912	248,069	52.34
Net cash flows from operating activities	5,865,332	2,912,854	101.36
Net cash flows from/(used in) investing activities	-3,621,073	1,326,247	-373.03
Net cash flows used in financing activities	-1,554,872	-3,344,296	-53.51
Research and development expenditure	672,210	822,563	-18.28

The YoY decline of revenue is mainly attributed to the price decline of steel products in 2015.

Cost of sales decreased by 18.54% compared with last year, mainly because the price of raw material and fuel continued to drop and the Group took measures to reduce cost and improve production efficiency.

Assets impairment losses increased by 110% compared with last year. It is mainly because more inventory provision was made by the Group based on the market condition.

Investment income decreased by 37% compared with last year, mainly because the investment income from associates and joint ventures decreased in current year.

Non-operating income decreased by 29% compared with last year. It is mainly because in prior year, the Group received land compensation from Hefei government and charged part of deferred income to profit. Additionally, the Group received tax refund in prior year.

Non-operating expenses decreased by 80% compared with last year. It is mainly because in prior year, the Group's subsidiary in Hefei disposed some land use right and fixed assets, causing loss of RMB83 million.

Income tax expense increased by 52% compared with last year, mainly because deferred tax assets related to prior year's tax losses were written off.

1. Analysis of Sales and Cost

During the reporting period, the amount of our group's total sales to the top five customers was RMB 4,202 million, accounting for 9% of our group's annual sales; the amount of our group's total purchase from the top five suppliers was RMB 5,639 million, accounting for 25% of our group's annual purchase. Amongst the key suppliers mentioned above, Magang (Group) Holding Co., Ltd. is the controlling shareholder of our company. Beyond that, in 2015, there were no directors or supervisors or their connected persons or any shareholders (to the best knowledge of the board of directors, holding 5% or above of the shares in our company) having any beneficial interests in the top five suppliers or customers of our company.

(1) Analysis of principle operation by Industry, Products and Regions

Unit: RMB million

Principal operation by industry						
Industry	Revenue	Cost of sales	Gross profit (%)	Increase/ (decrease) of revenue when compared with same period of last year (%)	Increase/ (decrease) of cost of sales 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	42,853	43,230	-0.88	-24.08	-18.99	Decreased by 6.34 percentage point

Principal operation by product						
Product	Revenue	Cost of sales	Gross profit (%)	Increase/ (decrease) of revenue when compared with same period of last year (%)	Increase/ (decrease) of cost of sales when compared with same period of last year (%)	Increase/ (decrease) of gross profit margin when compared with same period of last year (%)
Long products	17,474	17,951	-2.73	-33.86	-30.99	Decreased by 4.27 percentage point
Steel plates	22,826	23,011	-0.81	-17.10	-8.40	Decreased by 9.58 percentage point
Wheels and Axles	1,611	1,358	15.70	-1.10	0.07	Decreased by 0.99 percentage point

Principal operation by region

Region	Revenue	Cost of sales	Gross profit (%)	Increase/ (decrease) of revenue when compared with same period of last year (%)	Increase/ (decrease) of cost of sales when compared with same period of last year (%)	Increase/ (decrease) of gross profit margin when compared with same period of last year (%)
Anhui	18,686	19,600	-4.89	-26.52	-18.02	Decreased by 10.88 percentage point
Jiangsu	6,547	6,554	-0.11	-27.61	-23.66	Decreased by 5.18 percentage point
Shanghai	6,314	6,043	4.29	-14.69	-10.47	Decreased by 4.51 percentage point
Zhejiang	2,793	2,790	0.11	-28.40	-24.02	Decreased by 5.76 percentage point
Guangdong	1,312	1,326	-1.07	72.40	87.82	Decreased by 8.30 percentage point
Other Mainland regions	5,624	5,406	3.88	-46.46	-44.26	Decreased by 3.80 percentage point
Overseas and Hong Kong	3,833	3,769	1.67	37.98	49.62	Decreased by 7.65 percentage point

Analysis of principal operation by Industry, Products and Regions

During the reporting period, our group's revenue from principal operation was RMB 44,009 million, wherein the iron & steel income was RMB 42,853 million, accounting for 97% of the principal operation revenue.

(2) Analysis of Production and Sales Volumes

Products	Production Volume	Sales Volume	Inventory	Year-on-year increase/ decrease of production volume (%)	Year-on-year increase/ decrease of sales volume (%)	Year-on-year increase/ decrease of inventory (%)
Long Products	8,969,000 tonnes	8,945,000 tonnes	111,000 tonnes	-4.60	-4.98	23
Steel plates	9,126,000 tonnes	9,074,000 tonnes	83,000 tonnes	3.87	3.07	232
Wheels and Axles	174,000 tonnes	174,000 tonnes	7,000 tonnes	-7.45	-7.45	0

Analysis of cost and other explanation

To adapt to the adjustments on the company's organization and production modes, "Section Steel", "Wire rod & Bar" and "Special Steel" under "Main Products" in the prior year annual report were combined into "Long Products".

(3) Analysis of costs

Unit: RMB million

By industry	Cost components	Amounts in 2015	% of total cost in 2015 (%)	Amounts in 2014	% of total cost in 2014 (%)	Change in proportion of amount in 2015 against amount in 2014 (%)
Iron and Steel	Raw materials	30,252	66.51	40,006	71.64	-24.38
	Salary	3,410	7.50	3,888	6.96	-12.29
	Depreciation	3,365	7.40	3,551	6.36	-5.24
	Fuels	4,145	9.11	4,006	7.17	3.47
	Others	2,058	4.52	1,913	3.43	7.58

2. Expenses

- Selling expenses increased by 24.07% compared with last year, mainly because of the increase in transportation cost.
- Administrative expenses increased by 17.38% compared with last year, mainly because of the increase in land use tax.
- Financial expenses decreased by 34.63% compared with last year, mainly because in current year the People's Bank of China lowered interest rate, therefore the Company's interest expenditure decreased. Moreover, the Company's exchange gain increased because of the appreciation of US dollars against RMB.

3. Research and development (R&D) expenditure

R&D expenditure breakdown

Unit: RMB Million

Expensed R&D expenditure in 2015	672.21
Capitalized R&D expenditure in 2015	0
Total R&D expenditure	672.21
Total R&D expenditure as a share of revenue (%)	1.49
Number of the Company's R&D staff	3,732
Percentage of R&D staff number to the Company's total number of employees (%)	9.46
Percentage of capitalized R&D expenditure (%)	0

Notes:

The R&D expenditure of the Company was mainly related to various research projects of Anhui Province undertaken by the Company, new products, and technique and quality improvement projects. The following projects have been completed: the key scientific and technological project of Anhui Province – “High Strength Cold-Rolled Series Dual-Phase Steel and Application Technologies”, Anhui Provincial international scientific and technological cooperation project – “Development of Quasi-High-Speed Wheels Exported to South Korea”, Anhui Provincial special development plan for key scientific instruments – “Key Technical Development and Application Research of New Type of Continuous Annealing and Galvanization Procedures Test System” and Anhui Provincial key scientific and technological project – “Research and Development of Steel for Fasteners of Rail Transit Mobile Equipment”. The Company has made breakthroughs in the research and development of low-noise wheels, manufacturing of multiple units wheels of domestic standards, high grade silicon steel and high strength automobile sheets.

4. Cash flows

- The cash net inflows arising from operating activities is RMB5,865,332,053. Its major difference with the net profit in the report period should be mainly attributed to the Inventory impairment provision and depreciation accrued in 2015, which were amounting to RMB1.6 billion and RMB3.4 billion respectively, and a RMB2.7 billion decrease in operating receivables.
- The net cash inflows from operating activities was RMB5,865,332,053, representing an increase of 101% as compared with last year, mainly because of increase in operating payables and decrease in operating receivables and inventory.
- Net cash outflows from investment activities was RMB3,621,073,001, representing an increase of 373% compared with last year. It is mainly because in prior year, the Company received proceeds from non-principal assets disposal and land compensation from Hefei government. Additionally, in current year, the Company invested more in financial products issued by banks.
- Net cash outflows from financing activities was RMB1,554,872,283, representing a decrease of 54% from last year. It is because fewer bank loans and bonds fell due during the year of 2015 as compared with last year.

6.2 Notes on Significant Changes in Profits Resulting From Non-major Businesses

□ Applicable √ Not applicable

6.3 Analysis of Assets and Liabilities

Assets and liabilities

Unit: RMB'000

Item	Closing balance of 2015	Percentage of closing balance of 2015 in total assets (%)	Closing balance of 2014	Percentage of closing balance of 2014 in total assets (%)	Year-on-year change (%)
Financial assets at fair value					
through profit or loss	1,005,271	1.61	1,073	0.00	93,587.88
Bills receivable	4,689,129	7.51	8,483,607	12.38	-44.73
Inventories	6,018,496	9.64	8,684,293	12.68	-30.70
Other current assets	948,518	1.52	665,474	0.97	42.53
Construction in process	4,245,763	6.80	2,831,050	4.13	49.97
Deferred income tax assets	330,408	0.53	647,843	0.95	-49.00
Deposits and balances from banks and other financial institutions	0	0	500,000	0.73	-100.00
Customer deposits	1,901,390	3.04	1,199,619	1.75	58.50
Short-term loan	6,791,359	10.87	12,058,395	17.60	-43.68
Taxes payable	149,898	0.24	236,784	0.35	-36.69
Other payables	1,258,464	2.02	827,419	1.21	52.10
Non-current liabilities					
due within one year	5,084,859	8.14	2,231,683	3.26	127.85
Accrued liabilities	22,233	0.04	14,101	0.02	57.67
Bonds payable	3,979,667	6.37	2,332,666	3.40	70.61
Special reserve	14,374	0.02	21,511	0.03	-33.18
(Accumulated loss)/ retained profit	-1,368,605	-2.19	3,451,300	5.04	-139.65

- The financial assets at fair value through profit or loss increased by RMB 1 billion in current year, mainly due to the Company's investment in financial products issued by Ever-bright Bank.
- Bills receivable decreased by 45% as compared with last year. It is mainly because of the decrease of revenue.
- Inventories decreased by 31% as compared with last year. It is mainly because the prices of raw materials and fuels continued to decrease in current year. To improve inventory turnover and cost control, the Company lowered in the inventory level. Moreover, the provision for inventory impairment also increased from last year.
- Other current assets increased by 34% as compared with last year, mainly caused by the increase in input value-added tax.

- Construction in progress increased by 50% as compared with last year. It is mainly contributed by increased capital expenditure in projects related to new products, quality improvements, energy saving and environmental protection.
- Decrease in deferred tax assets is because deferred tax assets recognized in prior year for tax loss were written off in current year.
- Deposits and balances from banks and other financial institution decreased by 100%, because the Group's subsidiary, Magang Group Finance Col., Ltd. received less deposits from other banks.
- Customer deposits increased by 58% as compared with last year, mainly because the Magang (Group) Holding Co., Ltd. deposited with the Group's subsidiary, Magang Group Finance Col., Ltd. cash received from disposing the Group's shares in May 2015.
- Short term loans decreased by 44% as compared with last year. It is mainly because in August 2015 the Group repaid the short-term bonds issued in prior year. In current year, no short-term bonds were issued.
- Taxes payable decreased by 37% as compared with last year. It is mainly because the steel industry was under depression in current year and the Company, as well as majority of our subsidiaries experienced a loss, causing an decrease in taxes.
- Other payables increased by 52% as compared with last year. It is mainly because the Company changed the financing arrangement for overseas settlement. In prior year, the Company recorded payable to its affiliate company Maanshan Iron & Steel (HK) Limited for imports. In current year, Maanshan Iron & Steel (HK) Limited entered in to factoring agreement with banks. Therefore, the payables were recorded as due to third party banks.
- Non-current liabilities due within one year increased by 128% as compared with last year. It is mainly because the Group had non-current loan of RMB2.74 billion and five-year company bonds of RMB2.34 billion that would fall due in 2016.
- The increase in accrued liabilities is due to increased provision for MG Valdunes S.A.S's pending litigation and expected loss from sales contracts.
- Increase in bonds payable is mainly because the Company issued mid-term bonds of RMB 4 billion in current year, while the five-year company bonds at the end of last year was transferred to non-current liabilities due within one year.
- The decrease in special reserve at the end of current year is mainly due to the change in the special reserve of Anhui Chang Jiang Iron and Steel Co., Ltd, Anhui Masteel Holly Industries Co., Ltd. and the Group's joint ventures and associates.
- The decrease of retained earning is mainly due to the loss of the Group in current year.

6.4 Operational Information Analysis of the Industry

Operation Information

According to the statistics of China Iron and Steel Association, in 2015, the iron & steel industry completed fixed asset investments of RMB 452.389 billion, with a YoY decrease of RMB 72.623 billion, down by 13.83%; wherein, ironmaking investments had a YoY growth of 5.97%, steelmaking investments had a YoY fall of 1.26%, mine investments had a YoY fall of 19.2%, and steel processing investments declined by 16.09%. Presently, our country's crude steel production capacity is approximately 1.2 billion tons, and calculated by the production in 2015, the capacity utilization is less than 67%; under the impact of development inertance and gradual release of new capacity at the earlier stage, the capacity is still likely to increase further. In the steel market, product transportation from north to south remains a prominent issue, while East China and Central & Southern China are net inflow areas of steel products.

Company Information

The Company is located in Eastern China, which is an area with net inflow of steel products. During the reporting period, the production capacity and utilisation rates were as follows:

Product type	Production capacity (10,000 tonnes)	Utilisation rate of production capacity(%)
Pig iron	1,904	95
Crude steel	2,563	73
Steel production	2,317	79

Steel and Iron Industry Operational Information Analysis

1. Manufacturing and sales of steel material based on Processing Techniques

Unit: RMB Million

Types Based on Processing	Production volume (10,000 tonnes)		Sales volume (10,000 tonnes)		Revenue		Cost of sales		Gross profit margin (%)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Cold-rolled Steel	422.1	370.4	421.5	372.1	11,676	13,959	11,820	12,348	-1.23
Hot-rolled Steel	1,387.4	1,448.3	1,380.4	1,449.7	28,624	39,997	29,142	38,784	-1.81	3.03
Wheels and Axles	17.4	18.8	17.4	18.8	1,611	1,629	1,358	1,357	15.70	16.70

2. Performances of Steel Material Manufacturing and Sales Based on Forms of Finished Products

Unit: RMB Million

Types Based on Forms of Finished Products	Production volume (10,000 tonnes)		Sales volume (10,000 tonnes)		Revenue		Cost of sales		Gross profit margin (%)	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Long Products	896.9	940.1	894.5	941.4	17,474	26,420	17,951	26,012	-2.73
Steel Plates	912.6	878.6	907.4	880.4	22,826	27,536	23,011	25,120	-0.81	8.77
Wheels and Axles	17.4	18.8	17.4	18.8	1,611	1,629	1,358	1,357	15.70	16.70

3. Performances of Steel Material Sales Based on Sales Channels

Unit: RMB million

Based on Sales Channels	Revenue		Percentage (%) in Total Revenue	
	2015	2014	2015	2014
Offline Sales	40,770	55,290	90.38	92.43
Online Sales	1,140	300	2.53	0.50

4. Supply Source of Iron Ore

Unit: RMB million

	Supply Volume (10,000 tonnes)		Expenses	
	2015	2014	2015	2014
Domestic Source	742	777	3,139	4,774
Overseas Import	1,980	1,931	9,471	14,166

6.5 Investment Analysis

1. General analysis of external equity investment

Unit: RMB Million

Investment amount as at the end of the reporting period of the Company	6,957.2
Increase/decrease of investment amount	288.2
Investment amount as at the end of previous year of the Company	6,669.0
Increase/decrease in investment amount (%)	4.32

(1) Significant Equity Investment

Information of companies newly established or with investment changes during the reporting period

Name of the Invested Company	Main Business	Shareholding Ratio
MA Steel Rail Transportation Equipment Co., Ltd.	Research & development, manufacturing, maintenance and sales of railway wagon wheels, passenger train wheels, urban rail transit wheels, high-speed EMU wheels and locomotive wheels, as well as research & development, manufacturing, sales and relevant technical consulting services of bogies; wholesale and retail of railway vehicle accessories, metallic materials, building materials, chemical products (except dangerous goods and precursor chemicals), hardware & electrical appliances, lubricating grease, housing and equipment leasing; proprietary trading or agency services for import/export of various commodities and technologies	100%
Maanshan MA Steel Oubang Color Plate Technology Co., Ltd.	Research & development, design, production (operated by branches only) and sales of high gloss film composite decorative plates and their extended products; wholesale of plastic products and metallic materials & products; and consulting services for the aforesaid products and technologies	67%
MA-Steel OCI Chemical Co., Ltd.	Production, storage and sales of coal tar highly processed products, including without limitation, dephenollized phenol oil, carbon black oil, washing oil, asphalt, industrial naphthalene, etc., as well as research & development of relevant technologies	40%
Henan Jinma Energy Co., Ltd.	Production and sales of coke, coal tar, crude benzene, ammonium sulfate and coke oven gas	36%
Anhui Linhuan Chemical Co., Ltd.	Production and sales of coke and chemical products, development of their related products, and sales of coal, metallic materials & products, iron ores, chemical fertilizers, mechanical & electronic equipment and accessories	12%

(2) Significant Non-Equity Investment

Unit: RMB Million

Project name	Project amount	Project progress
Port Raw Material Plant Adaptability Renovation Project	253	Equipment assembling and debugging
4# Blast Furnace Project of No. 2 Iron-making Factory	1,150	Furnace building and equipment assembling
3# Sintering Machine Project of No. 2 Iron-making Factory	500	Equipment assembling
4# Blast Furnace Public and Auxiliary Supporting Project of	441	Equipment and pipe assembling
Major maintenance project for Coking Company 5# Coke Oven	150	Structure Strengthening and building

(3) Financial Assets Measured at Fair Value

In May 2015, the Company sold its shares originally held for PetroChina, China Railway, China Coal and China Railway Construction, with its initial investment cost of RMB 1.1265 million and investment income of RMB625,000. By the end of the reporting period, the company held no shares in any listed companies or non-listed financial enterprises.

6.6 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 loss for the reporting period amounted to RMB644 million. As at the end of the reporting period, it had total assets amounting to RMB4,784 million and net assets of RMB2,672 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 loss of RMB218 million, total assets of RMB5,990 million and net assets of RMB2,208 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 RMB107 million. At the end of the reporting period, its total asset value was RMB7,300 million and net asset value RMB1,478 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 RMB4.3 million. As at the end of the reporting period, it had total assets amounting to RMB184 million and net assets of RMB118 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 loss for the reporting period amounted to RMB45 million. As at the end of the reporting period, it had total assets amounting to RMB494 million and net assets of RMB69 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 RMB50.4 million. As at the end of the reporting period, it had total assets amounting to RMB131 million and net assets of RMB70 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 loss for the reporting period amounted to RMB2.1 million. As at the end of the reporting period, it had total assets amounting to RMB276 million and net assets of RMB176 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 on site packaging services. Net profit for the reporting period amounted to RMB7.7 million. As at the end of the reporting period, it had total assets amounting to RMB247 million and net assets of RMB179 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 RMB22.5 million. As at the end of the reporting period, it had total assets amounting to RMB173 million and net assets of RMB165 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 RMB156 million. As at the end of the reporting period, it had total assets amounting to RMB689 million and net assets of RMB632 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 loss for the reporting period amounted to RMB19.5 million. As at the end of the reporting period, it had total assets amounting to RMB345 million and net assets of RMB136 million.
- Masteel (Hong Kong) Co., Ltd. has a registered capital of HK\$260 million, in which the Company holds a direct stake of 91%. It is mainly engaged in the production, sale and agency of steel products and trading of pig iron. Net profit for the reporting period amounted to RMB8.40 million. As at the end of the reporting period, it had total assets amounting to RMB4,805 million and net assets of RMB224 million.

7 DISCUSSION ABOUT AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

7.1 Industrial Competition Pattern and Development Trend

Currently, the Company's steel rolling capacity exceeds steel-making capacity, while steel-making capacity exceeds iron-making capacity, and it also has a relatively wide product structure coverage; therefore in the future market competition, the Company, based on the market situation, can flexibly allocate liquid iron resources to the type of the highest efficiency. On the conditions where the steel price is at historical low and margins of ton steel are slender, logistics fees will greatly restrict the sales radius of steel and iron products. The cluster of Jiangsu Province, Zhejiang Province and Shanghai Municipality is the largest manufacturing center around the world and also a consumption center of plate, sheet and strip products; while the Company is located on the bank of Yangtze River, so its products are guaranteed with relatively prominent advantages in the market competition due to a short cycle of water transport and low freight.

7.2 Development Strategy of the Company

By giving top priority to innovation-driven and transformational development, through firmly promoting product upgrading, industrial chain extension and internationalized operation, the Company accelerates forming a new pattern of synergetic development of steel and iron industry, upstream-downstream industries closely connected with the steel and iron industry and emerging industries of strategic importance; it also speeds up forming a new situation where the advantages of wheel and axle, plate and strip and long product boutique industrial chains can be complemented; by promoting a new mode of market-oriented operation, streamlined administrative structure and high-efficiency procedures, the Company strived to build Magang into a first-class domestic steel and iron enterprise of “high effectiveness, environmental friendliness and beautiful home”.

7.3 Operation Scheme

In 2016, the Group plans to produce 17.66 million tonnes of pig iron, 18.60 million tonnes of crude steel and 17.68 million tonnes of steel products (of which the Company plans to produce 13.76 million tonnes of pig iron, 14.63 million tonnes of crude steel and 13.78 million tonnes of steel products).

7.4 Possible Risks

1. Risk of trade frictions on steel exports

With an increasing export scale of domestic steel, more and more countries are beginning to implement anti-dumping and trade protectionism policies to steel imported from China.

Countermeasures: proactively respond to the litigation, and through a series countermeasures for trade frictions including cooperation, reasonable appeal and acceptance of arbitration, improve competitiveness of the Company’s products on the international market.

2. Industrial Risks

After September, 2016, the first phase of Zhanjiang Project of Baosteel will fully go into operation, wherein the hot-rolling production line has already gone into operation; WISCO Fangcheng port projects will also gradually go into operation; all of the foregoing will bring about impact on domestic plate and sheet market and the market competition may be further worsened in the short term.

Countermeasures: strengthen the efforts to develop high-quality end clients; shrink ordinary steel market and improve the market share in Anhui Province and Eastern China.

3. Risks of Business Models

In recent years, direct supply ratio of the Company has been increasing, bringing certain efficiency to the Company, while certain risks come with excessive direct supply ratio: because downstream clients now don't have raw material inventory generally, once the downstream industry shrinks and production slack season comes, the Company's order will be in shortage.

Countermeasures: keep track of changed demand of end users in time, reasonably distribute resource ratio to direct supply, dealers and self marketing and ensure stable production and operation.

4. Risk of significant fluctuations in RMB exchange rate

Since 2015, Renminbi has been devaluing over 6% against the US dollar. Since the beginning of this year, Renminbi's exchange rate experienced great fluctuation. Not only will changes in exchange rate bring certain price risk to the import of iron ore and the export of steel but it may bring some risks to the Company's non-Renminbi debts.

Countermeasures: give full play to the financing advantage of Masteel Financial, actively adjust liabilities structure and funding status of the Company, increase steel exports to improve USD-denominated revenue and maintain balance between foreign exchange assets and liabilities of the Company.

8 SIGNIFICANT EVENTS

8.1 Plan or Proposal of Profit Distribution for Common Shares, Plan or Proposal of Transferring Capital Reserve to Increased Equity

Unit: RMB Million

Year of Distribution	Bonus Shares Distributed Every Ten Shares (share)	Dividends Distributed Every Ten Shares (yuan) (tax included)	Transferred Shares Every Ten Shares (share)	Amount of Cash Dividends (tax included)	Net Profit	
					Attributable to Shareholders of Listed Company in Consolidated Statements in the Year of Distribution	Ratios to Net Profits Attributable to Shareholders of Listed Company in Consolidated Statements (%)
2015	-	-	-	-	(4,804.3)	-
2014	-	-	-	-	220.6	-
2013	-	-	-	-	157.2	-

8.2 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 RMB4.4 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.

8.3 Auditors

Ernst & Young Hua Ming LLP was appointed as the auditor of the Company for the year ended 31 December 2015. The figures in respect of the Group's consolidated and company balance sheet, consolidated and company income statement, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto as at and for the year ended 31 December 2015 as set out in the announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on the announcement.

8.4 Audit Committee

The Audit Committee of the board of directors held four meetings in 2015. The committee duly performed its duties of reviewing and monitoring the finance and internal control of the Group. It reviewed the 2014 annual accounts, the 2015 first quarterly accounts, the 2015 interim accounts and the 2015 third quarterly accounts of the Company. It reviewed the summary report presented by the external accounting firm as a result of a FY2014 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 2015 annual accounts were reviewed by the Audit Committee.

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

Within the report period, the Company did not repurchase any of its listed stocks, nor did the Group purchase or resale any of listed stocks.

8.6 Pre-emptive Rights

According to Chinese laws and the Articles of Association of the Company, it is not required that the current shareholders shall purchase new shares based on their holding currencies before the Company issues new shares.

8.7 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.

8.8 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 2015, 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.

8.9 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 2015.

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.

9 MATTERS RELATING TO FINANCIAL REPORT

9.1 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

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

During the period, there is no change to the Group's accounting policy and estimates as compared to the latest financial reports.

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

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

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

1. Newly established subsidiaries

In February 2015, the Company entered into investment agreement with Jiangsu Oubang Plastic Co., Ltd. ("Jiangsu Oubang"), to jointly fund Masteel Oubang Color-coated in May 2015. As at 31 December 2015, the first contribution contributed by both investors amounting to RMB 15,000,000. According to the investment agreement, the Company owned 67% share of Masteel Oubang Color-coated, the Company has control power of Masteel Oubang Color-coated, and hence included it into the scope of consolidation since the establishment date.

2. Business combination

On 28 May 2015, the Company entered into the share purchase agreement with Jinxi Axle Company Limited at a cash consideration of RMB170,090,000. By the end of May 2015, the Company had paid the consideration. Therefore, Maanshan Jinxi Rail Transit Equipment Co., Ltd. became a wholly-owned subsidiary of the Group. The Group determined the acquisition date as 31 May 2015 and consolidated the entity since then.

During the year, except for the above, there was no change to the scope of financial statements consolidation of the Group compared with the previous financial year.

CONSOLIDATED AND COMPANY BALANCE SHEET

31 December 2015

Renminbi Yuan

ASSETS	<i>Notes</i>	31 December 2015 Group	31 December 2014 Group	31 December 2015 Company	31 December 2014 Company
CURRENT ASSETS:					
Cash and bank balances		5,142,711,482	4,654,551,519	4,531,034,025	5,033,512,998
Financial assets at fair value through profit or loss		1,005,271,054	1,073,490	3,145,560	1,073,490
Bills receivable	4	4,689,129,290	8,483,607,113	3,751,615,186	6,168,408,389
Trade receivables	5	796,986,661	856,559,860	1,563,775,000	1,301,307,701
Dividends receivable		–	–	7,225,723	7,225,723
Interest receivable		1,600,176	1,898,994	–	–
Prepayments	6	634,407,421	648,963,073	371,248,500	408,746,555
Other receivables		190,348,070	255,577,937	246,097,801	161,823,003
Inventories		6,018,495,505	8,684,293,285	4,348,287,858	6,084,558,454
Loans and advances to customers		732,913,869	633,203,277	–	–
Other current assets		948,518,258	665,474,438	557,052,098	346,438,700
Total current assets		20,160,381,786	24,885,202,986	15,379,481,751	19,513,095,013
NON-CURRENT ASSETS:					
Available-for-sale investments		128,934,410	126,772,160	126,722,160	126,772,160
Long term equity investments		1,029,853,507	1,089,585,013	6,830,479,397	6,542,246,491
Investment properties		62,356,583	62,904,210	75,681,866	77,745,472
Fixed assets		34,605,411,096	37,041,356,860	25,954,686,393	27,894,663,311
Construction in progress		4,245,762,868	2,831,050,182	4,025,657,145	2,725,983,735
Intangible assets		1,891,358,160	1,826,460,576	971,003,316	1,003,515,704
Deferred tax assets		330,407,545	647,842,823	314,216,637	583,517,420
Total non-current assets		42,294,084,169	43,625,971,824	38,298,446,914	38,954,444,293
TOTAL ASSETS		62,454,465,955	68,511,174,810	53,677,928,665	58,467,539,306

CONSOLIDATED AND COMPANY BALANCE SHEET (CONTINUED)

31 December 2015

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 December 2015 Group	31 December 2014 Group	31 December 2015 Company	31 December 2014 Company
CURRENT LIABILITIES:					
Borrowing funds		–	500,000,000	–	–
Customer deposits		1,901,390,488	1,199,618,850	–	–
Short term loans		6,791,359,472	12,058,394,894	831,000,000	5,350,000,000
Bills payable	7	5,343,906,398	4,802,906,077	3,981,623,516	3,281,609,644
Accounts payable	8	6,144,664,281	6,679,288,444	8,853,140,561	10,496,946,152
Deposits received		2,602,554,258	3,701,440,863	2,132,448,152	3,158,414,180
Payroll and benefits payable		274,614,723	299,077,212	180,534,218	186,884,642
Taxes payable		149,898,321	236,783,996	50,206,106	80,187,544
Interest payable		150,829,308	146,625,806	147,852,499	146,840,022
Dividends payable		6,525,534	7,210,819	6,525,534	6,407,961
Other payables		1,258,463,513	827,419,110	1,001,923,405	556,182,231
Non-current liabilities due within one year		5,084,859,415	2,231,683,000	5,084,859,415	2,180,683,000
Accrued liabilities		22,232,713	14,100,985	–	–
Total current liabilities		29,731,298,424	32,704,550,056	22,270,113,406	25,444,155,376
NON-CURRENT LIABILITIES:					
Long term loans		6,655,171,584	6,339,132,454	9,289,847,408	8,471,764,660
Bonds payable		3,979,666,667	2,332,666,298	3,979,666,667	2,332,666,298
Deferred income		1,285,164,299	1,186,358,849	596,438,001	500,208,915
Long-term payroll and benefits payable		28,857,389	25,877,746	–	–
Deferred tax liabilities		32,704,732	33,191,420	–	–
Total non-current liabilities		11,981,564,671	9,917,226,767	13,865,952,076	11,304,639,873
Total liabilities		41,712,863,095	42,621,776,823	36,136,065,482	36,748,795,249
SHAREHOLDERS' EQUITY:					
Share capital		7,700,681,186	7,700,681,186	7,700,681,186	7,700,681,186
Capital reserve		8,329,067,663	8,329,067,663	8,338,358,399	8,338,358,399
Other comprehensive income		(165,450,551)	(137,159,480)	–	–
Special reserve		14,374,213	21,511,442	(1,517,185)	2,807,567
Surplus reserve		3,843,231,617	3,831,458,700	2,993,175,001	2,993,175,001
General reserve		102,539,024	98,706,649	–	–
(Accumulated loss)/ Retained profits		(1,368,605,137)	3,451,299,829	(1,488,834,218)	2,683,721,904
Equity attributable to owners of the parent		18,455,838,015	23,295,565,989	17,541,863,183	21,718,744,057
Minority interests		2,285,764,845	2,593,831,998	–	–
Total shareholders' equity		20,741,602,860	25,889,397,987	17,541,863,183	21,718,744,057
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		62,454,465,955	68,511,174,810	53,677,928,655	58,467,539,306

CONSOLIDATED AND COMPANY INCOME STATEMENT

For the year ended 31 December 2015

Renminbi Yuan

Items	Notes	2015 Group	2014 Group	2015 Company	2014 Company
Revenue	10	45,108,926,739	59,820,938,286	37,512,900,449	51,283,769,806
Less: Cost of sales	10	45,488,440,552	55,840,222,612	38,253,678,839	48,445,542,832
Business taxes and surcharges		201,228,046	235,299,998	133,209,086	173,389,039
Selling expenses		635,859,844	512,505,919	353,703,599	278,512,914
Administrative expenses		1,538,609,887	1,310,839,451	1,082,550,309	926,657,507
Financial expenses	11	813,036,439	1,243,663,019	791,940,217	952,163,510
Assets impairment losses		1,619,389,979	770,488,879	1,239,846,141	705,527,220
Add: Loss on fair value changes		819,265	564,160	(538,440)	564,160
Investment income including: share of profits of associates and joint ventures		93,725,198	149,598,960	193,417,900	205,063,466
		<u>75,538,213</u>	<u>136,512,001</u>	<u>75,219,006</u>	<u>138,150,343</u>
Operating(loss)/profit		<u>(5,093,093,545)</u>	<u>58,081,528</u>	<u>(4,149,148,282)</u>	<u>7,604,410</u>
Add: Non-operating income including: profit from disposal of non-current assets	12	384,059,748	540,901,409	246,820,355	155,646,691
Less: Non-operating expenses including: loss from disposal of non-current assets	13	17,538,205	86,866,543	927,412	1,222,452
		<u>2,478,667</u>	<u>84,095,373</u>	<u>-</u>	<u>-</u>
(Loss)/profit before tax		<u>(4,726,572,002)</u>	<u>512,116,394</u>	<u>(3,903,255,339)</u>	<u>162,028,649</u>
Less: Income tax expense	14	<u>377,912,379</u>	<u>248,068,879</u>	<u>269,300,783</u>	<u>140,450,042</u>
Net (loss)/profit		<u>(5,104,484,381)</u>	<u>264,047,515</u>	<u>(4,172,556,122)</u>	<u>21,578,607</u>
Less: Minority interests		<u>(300,184,707)</u>	<u>43,431,490</u>		
Net (loss)/profit attributable to the equity holders of the parent		<u>(4,804,299,674)</u>	<u>220,616,025</u>		
LOSSES PER SHARE:	15				
Basic		(62.39) cents	2.86 cents		
Diluted		(62.39) cents	2.86 cents		
Other comprehensive income Exchange differences on translation of foreign operation		<u>(28,291,071)</u>	<u>(64,951,421)</u>	<u>-</u>	<u>-</u>
Total other comprehensive income attributable to non-controlling interests, net of tax		<u>1,725,489</u>	<u>(857,819)</u>		
Total comprehensive income		<u>(5,131,049,963)</u>	<u>198,238,275</u>	<u>(4,172,556,122)</u>	<u>21,578,607</u>
Including: Total comprehensive income attributable to owners of the parent		<u>(4,832,590,745)</u>	<u>155,664,604</u>		
Total comprehensive income attributable to minority shareholders		<u>(298,459,218)</u>	<u>42,573,671</u>		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

Renminbi Yuan

	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	(Accumulated loss)/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	-	-	(28,291,071)	-	-	-	(4,804,299,674)	(4,832,590,745)	(298,459,218)	(5,130,049,963)
2) Capital contribution and withdrawal										
(i) Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	4,950,000	4,950,000
3) Profits appropriation										
(i) Transfer to surplus reserve	-	-	-	-	11,772,917	-	(11,772,917)	-	-	-
(ii) Transfer to general risk reserve	-	-	-	-	-	3,832,375	(3,832,375)	-	-	-
(iii) Distribution to shareholders	-	-	-	-	-	-	-	-	(11,447,163)	(11,447,163)
4) Special reserve										
(i) Additions	-	-	-	86,927,211	-	-	-	86,927,211	5,343,580	92,270,791
(ii) Utilization	-	-	-	(89,739,688)	-	-	-	(89,739,688)	(8,454,352)	(98,194,040)
(iii) Changes in the share of associates and JV's special reserve, net	-	-	-	(4,324,752)	-	-	-	(4,324,752)	-	(4,324,752)
3. At 31 December 2015	7,700,681,186	8,329,067,663	(165,450,551)	14,374,213	3,843,231,617	102,539,024	(1,368,605,137)	18,455,838,015	2,285,764,845	20,741,602,860

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

Renminbi Yuan

	Attributable to owners of the parent							Non-controlling interests	Total shareholders' equity	
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained profits			Sub-total equity
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										
(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) Utilization	-	-	-	(184,981,270)	-	-	-	(184,981,270)	-	(184,981,270)
(iii) Changes in the share of associates and JV's special reserve, net	-	-	-	2,807,567	-	-	-	2,807,567	-	2,807,567
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 CASH FLOWS STATEMENT

For the year ended 31 December 2015

Renminbi Yuan

	2015	2014
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	57,397,210,097	71,987,144,817
Tax refunds received	232,132,582	68,339,480
Net decrease in deposits in central bank	472,181,056	61,932,358
Net increase in customer deposits and deposits from banks	201,771,638	309,008,992
Cash received for interest charges, fees and commissions	86,197,602	191,073,156
Cash received relating to other operating activities	29,297,279	51,231,771
	<hr/>	<hr/>
Sub-total of cash inflows	58,418,790,254	72,668,730,574
	<hr/>	<hr/>
Cash paid for purchase of goods and services	(46,085,246,212)	(62,284,727,884)
Decrease in repurchase agreements of financial assets	–	(344,732,675)
Increase in loans and advances to customers	(99,710,592)	(154,133,779)
Cash paid to or on behalf of employees	(3,901,087,465)	(4,418,965,256)
Taxes and surcharges paid	(2,021,090,985)	(2,111,753,212)
Cash paid for interest charges, fees and commissions	(25,489,812)	(25,203,501)
Cash paid relating to other operating activities	(420,833,135)	(416,360,438)
	<hr/>	<hr/>
Sub-total of cash outflows	(52,553,458,201)	(69,755,876,745)
	<hr/>	<hr/>
Net cash flows from operating activities	5,865,332,053	2,912,853,829
	<hr/>	<hr/>
2. Cash flows from investing activities		
Cash received from disposal of investments	4,301,307,391	–
Cash received from investment income	243,447,481	247,240,780
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets	22,510,647	1,628,518,176
Decrease in restricted cash	–	1,285,552,366
Cash received relating to other investing activities	186,448,184	989,765,127
	<hr/>	<hr/>
Sub-total of cash inflows	4,753,713,703	4,151,076,449
	<hr/>	<hr/>

CONSOLIDATED CASH FLOWS STATEMENT (CONTINUED)

For the year ended 31 December 2015

Renminbi Yuan

	2015	2014
2. Cash flows from investing activities (continued)		
Purchase of property, plant and equipment, intangible assets and other non-current assets	(2,772,760,636)	(2,599,448,741)
Cash paid for investments	(5,405,067,580)	(105,244,733)
Acquisition of a subsidiary and other operating units	(73,191,528)	(108,774,997)
Increase in restricted cash	(123,766,960)	–
Cash paid relating to other investing activities	–	(11,361,096)
Sub-total of cash outflows	<u>(8,374,786,704)</u>	<u>(2,824,829,567)</u>
Net cash flows (used in)/from investing activities	<u>(3,621,073,001)</u>	<u>1,326,246,882</u>
3. Cash flows from financing activities		
Drawdown of loans	13,721,926,562	20,526,622,204
Proceeds from issuance of bonds, net of issuance costs	3,976,000,000	–
Cash received from investors	4,950,000	30,000,000
Including: Capital injection from non-controlling interests	4,950,000	30,000,000
Sub-total of cash inflows	<u>17,702,876,562</u>	<u>20,556,622,204</u>
Repayment of borrowings	(18,176,630,777)	(22,500,139,926)
Cash paid for distribution of dividends or profits and for interest expenses	(1,081,118,068)	(1,400,778,356)
Including: dividends paid to non-controlling interests by subsidiaries	(11,447,163)	(74,345,750)
Sub-total of cash outflows	<u>(19,257,748,845)</u>	<u>(23,900,918,282)</u>
Net cash flows used in financing activities	<u>(1,554,872,283)</u>	<u>(3,344,296,078)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	<u>147,187,290</u>	<u>513,541</u>
5. Net increase in cash and cash equivalents	836,574,059	895,318,174
Add: cash and cash equivalents at the beginning of the year	<u>2,709,836,299</u>	<u>1,814,518,125</u>
6. Cash and cash equivalents at the end of the year	<u><u>3,546,410,358</u></u>	<u><u>2,709,836,299</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” and other issued application guidance, interpretations and other related regulations issued later (collectively known as the “CAS”).

The consolidated financial statements are prepared on going concern basis.

As at 31 December 2015, the net current liabilities of the Group were RMB 9,570,916,638. The directors of the Company have considered the availability of funding sources, including but not limited to an unused banking credit quota of RMB27.0 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 for the year ended as at 31 December 2015 on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at fair value. Provision for asset impairment is provided in accordance with related regulations when indications of impairment of assets are identified and the recoverable amount is less the carrying amount 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 2015, and the results of their operations and their cash flows for the year then ended.

2. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION

2.1 Change in the scope of consolidation

Except for the newly established subsidiaries during the current year 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 year

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

	Date of establishment	Registered capital	Percentage of equity interest	Investment form	Capital paid as of year end
Ma’anshan Oubang Color-coated Technology Co., Ltd.	2015/5	RMB50,000,000	67%	Cash	RMB15,000,000
Ma-Steel Rail Transportation Equipment Co., Ltd.	2012/3	RMB300,000,000	100%	Cash	RMB300,000,000

In February 2015, the Company entered into investment agreement with Jiangsu Oubang Plastic Co., Ltd. to jointly fund Masteel Oubang Color-coated Technology Co., Ltd. in May 2015. As at 31 December 2015, the first contribution contributed by both investors amounted to RMB 15,000,000. According to the investment agreement, the Company owned 67% share of Masteel Oubang Color-coated Technology Co., Ltd. The Company has control power of Masteel Oubang Color-coated, and hence included it into the scope of consolidation since the establishment date.

On 28 May 2015, the Company entered into the share purchase agreement with Jinxi Axle Company Limited to purchase 50% equity interest in Ma-Steel Rail Transportation Equipment Co., Ltd. at a cash consideration of RMB170,090,000. By the end of May 2015, the Company had paid the consideration. Therefore, Maanshan Jinxi Rail Transit Equipment Co., Ltd. became a wholly-owned subsidiary of the Group and was renamed to “Ma-Steel Rail Transportation Equipment Co., Ltd.” in August 2015. The Group considered 31 May 2015 as the acquisition date and consolidated the entity since then.

3. 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 Masteel Group Financial Co., Ltd.
- Financial service: Masteel Group Financial Co., Ltd.

The Group did not consider financial service as individual reportable segments, as 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

Product and service information

External principal operation revenue

	2015	2014
Sale of steel products	41,911,446,585	55,585,856,267
Sale of steel billets and pig iron	941,516,355	858,707,345
Sale of coke by-products	423,297,920	857,921,647
Others	732,326,675	965,040,749
	<u>44,008,587,535</u>	<u>58,267,526,008</u>

Geographical information

External principal operation revenue

	2015	2014
The PRC	40,175,752,326	55,338,273,936
Overseas	3,832,835,209	2,929,252,072
	<u>44,008,587,535</u>	<u>58,267,526,008</u>

Non-current assets

	2015	2014
The PRC	41,601,037,262	42,622,288,089
Overseas	233,704,952	229,068,752
	<u>41,834,742,214</u>	<u>42,851,356,841</u>

The non-current assets information above is based on the locations of assets and excludes 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**

	2015	2014
Bank acceptance bills	4,689,129,290	8,483,607,113
	<u>4,689,129,290</u>	<u>8,483,607,113</u>

The pledged bills receivable were as follows:

	2015	2014
Bank acceptance bills	1,277,158,488	4,723,683,840

The undue bills discounted or endorsed were as follows:

	2015		2014	
	Derecognized	Not derecognized	Derecognized	Not derecognized
Bank acceptance bills	1,892,413,242	243,602,664	3,371,814,170	241,358,860
	1,892,413,242	243,602,664	3,371,814,170	241,358,860

As of 31 December 2015 and 31 December 2014, there were no trade receivables transferred from bills receivable because of the drawers' inability to pay.

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:

	2015	2014
Within one year	665,862,003	775,850,830
One to two years	116,554,717	77,466,943
Two to three years	22,417,902	11,226,000
Over three years	11,348,434	8,574,303
	816,183,056	873,118,076
Less: Provisions for bad debts	19,196,395	16,558,216
	796,986,661	856,559,860

The balances of trade receivables are analyzed as follows:

	2015				2014			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Balance	Ratio (%)	Amount	Ratio (%)	Balance	Ratio (%)	Amount	Ratio (%)
Individually significant and assessed for impairment individually	768,962,510	94	(6,927,040)	1	835,909,910	96	(6,927,040)	1
Other insignificant but assessed for impairment individually	47,220,546	6	(12,269,355)	26	37,208,166	4	(9,631,176)	26
	816,183,056	100	(19,196,395)		873,118,076	100	(16,558,216)	

As of 31 December 2015, 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 of 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

In 2015, provision for bad debts was RMB2,638,179 (2014: RMB1,989,407), and there was no recovery or reversal of provision for bad debts (2014: None). In 2015, there were no trade receivables that had been written off (2014: None). As of 31 December 2015 and 31 December 2014, there were no trade receivables that were derecognized due to the transfer of financial assets.

6. PREPAYMENTS

Aging analysis of the prepayments is as follows:

	<u>2015</u>		<u>2014</u>	
	Balance	Ratio (%)	Balance	Ratio (%)
Within one year	612,475,882	96	605,876,337	94
One to two years	12,687,989	2	35,064,880	5
Two to three years	2,180,048	1	1,232,762	–
Over three years	7,063,502	1	6,789,094	1
	<u>634,407,421</u>	<u>100</u>	<u>648,963,073</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.

7. BILLS PAYABLE

	<u>2015</u>	<u>2014</u>
Bank acceptance bills	5,325,406,398	4,785,906,077
Commercial acceptance bills	<u>18,500,000</u>	<u>17,000,000</u>
	<u>5,343,906,398</u>	<u>4,802,906,077</u>

As of 31 December 2015 and 31 December 2014, the ageing of the Group's bills payable was all within six months, and there were no overdue bills.

8. ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	2015	2014
Within one year	5,942,180,843	6,549,854,820
One to two years	127,899,157	71,503,745
Two to three years	21,240,086	5,021,121
Over three years	53,344,195	52,908,758
	<u>6,144,664,281</u>	<u>6,679,288,444</u>

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

At 31 December 2015, the material accounts payables aged over one year are as follows:

	Amount payable	Reason for outstanding
Company 1	45,167,940	<i>Note</i>
Company 2	19,000,000	<i>Note</i>
Company 3	13,390,500	<i>Note</i>
Company 4	7,917,184	<i>Note</i>
Company 5	6,291,156	<i>Note</i>
	<u>91,766,780</u>	

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.

9. DIVIDEND

The board of directors of the Company does not recommend the payment of any dividends for the year ended 31 December 2015.

10. REVENUE AND COST OF SALES

	2015		2014	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating revenue	44,008,587,535	44,086,048,485	58,267,526,008	54,322,488,251
Other operating revenue	1,100,339,204	1,402,392,067	1,553,412,278	1,517,734,361
	<u>45,108,926,739</u>	<u>45,488,440,552</u>	<u>59,820,938,286</u>	<u>55,840,222,612</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.

Revenue is stated as follows:

	2015	2014
Sale of products	44,901,171,263	59,546,356,935
Rendering service	121,856,692	121,356,764
Others	85,898,784	153,224,587
	<u>45,108,926,739</u>	<u>59,820,938,286</u>

11. FINANCIAL EXPENSES

	2015	2014
Interest expenses (<i>Note</i>)	1,070,794,132	1,360,504,202
Less: Interest income	142,535,189	130,653,118
Less: Capitalised interest	13,172,035	44,981,975
Exchange gain	(136,909,896)	2,361,363
Others	34,859,427	56,432,547
	<u>813,036,439</u>	<u>1,243,663,019</u>

Note: 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 recorded in construction in progress.

The interest expense of the Groups included interest of bank loans that expires within five years, other borrowings' interest, interest of corporate bonds and MTN (Medium-term Note) and the interest for bank loans that does not need to repay within five years.

	2015	2014
Interest expenses:		
Interest on bank loans, other loans, corporate bonds and MTN (Medium-term Note) which will expire within five years	1,070,562,292	1,359,552,297
Interest on bank loans which will not expire within five years	231,840	951,905
	<u>1,070,794,132</u>	<u>1,360,504,202</u>

12. NON-OPERATING INCOME

	2015	2014	Included in 2015 non-recurring gains and losses
Gain on disposal of non-current assets	35,444,537	1,915,776	35,444,537
Including: Gain on disposal of fixed assets	14,733,331	1,915,776	14,733,331
Gain on disposal of intangible assets	20,711,206	–	20,711,206
Government grants	346,238,178	538,621,712	346,238,178
Others	2,377,033	363,921	2,377,033
	<u>384,059,748</u>	<u>540,901,409</u>	<u>384,059,748</u>

Details of government grants recorded in the profit or loss are as follows:

	2015	2014
Government grants related to assets	87,185,350	100,182,129
Government grants related to income:		
– Compensation received	–	307,861,681
– Tax refund	232,132,582	68,339,480
– Others	26,920,246	62,238,422
	<u>346,238,178</u>	<u>538,621,712</u>

13. NON-OPERATING EXPENSES

	2015	2014	Included in 2015 non-recurring gains and losses
Loss on disposal of non-current assets	2,478,667	84,095,373	2,478,667
Including: Loss on disposal of fixed assets	2,478,667	36,674,721	2,478,667
Loss on disposal of intangible assets	–	47,420,652	–
Public relief donation	372,800	780,000	372,800
Penalty expenditure	1,655,671	811,364	1,655,671
Compensation for sales transaction in prior year (Note)	12,213,494	–	12,213,494
Others	817,573	1,179,806	817,573
	<u>17,538,205</u>	<u>86,866,543</u>	<u>17,538,205</u>

Note: On 20 March 2015, the higher people's court of Anhui province announced the result of the second trial for the dispute between the Group's subsidiary (Masteel Shanghai Trading) and Xinxing Development (Ningbo) Metal Resources Limited ("Xinxing"). Masteel Shanghai Trading would compensate Xinxing RMB12,213,494 for goods purchase price, interest and expenditure related to the trial.

14. INCOME TAX EXPENSE

	2015	2014
Mainland China:		
Current income tax expense	47,666,699	97,585,741
Deferred income tax expense	312,816,387	120,114,272
Hong Kong current income tax expense	1,822,979	3,870,537
Overseas current income tax expense	11,474,111	26,498,329
Overseas deferred income tax expense	4,132,203	–
	<u>377,912,379</u>	<u>248,068,879</u>

Relationship between income tax and profit before tax:

	2015	2014
(Loss)/profit before tax	(4,726,572,002)	512,116,394
Tax at the applicable tax rate of 25% (<i>note</i>)	(1,181,643,001)	128,029,099
Effect of different tax rates of subsidiaries	(6,095,186)	2,048,506
Nondeductible expenses	34,566,469	31,798,862
Adjustments on current tax of previous periods	181,419	(361,303)
Other tax concessions	(15,436,489)	(36,277,861)
Income not subject to tax	(3,696,052)	(4,562,119)
Unrecognized deductible temporary difference and tax losses	1,165,864,998	161,964,235
Written-off deferred tax assets recognized in prior years	401,140,566	–
Tax losses utilized	–	(32,954)
Profits and losses attributable to joint ventures and associates	(16,970,345)	(34,537,586)
	<u>377,912,379</u>	<u>248,068,879</u>

Note: The Group 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.

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 as follows:

	2015	2014
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent as used in the basic/diluted earnings per share calculation	<u>(4,804,299,674)</u>	<u>220,616,025</u>
Number of shares		
Weighted average number of ordinary shares in issue during the year as used in the basic earnings per share calculation	<u>7,700,681,186</u>	<u>7,700,681,186</u>

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

16. CONTINGENT LIABILITIES

Difference of corporate income tax

The State Administration of Taxation issued "The notice of income tax collection and management on Shanghai Petrochemical Company Limited and other nine companies listed overseas corporation" (Guo Shui Han 【2007】 No. 664) in June 2007, with stated claims that the relevant local tax bureaus must correct immediately the expired tax incentives of the nine Hong Kong listed companies approved by the State Council in 1993. The income tax difference between the results of the previously expired preferential rate and the applicable rate should be treated in accordance with the relevant provisions of the "People's Republic of China Administration of Tax Collection Law".

The Company is one of the nine companies mentioned above and used a 15% preferential tax rate in the previous year. After understanding the above information, the Company and the tax authorities issued a comprehensive communication and according to the tax authorities, the applicable corporate income tax rate in 2007 was 33%, which is adjusted from the original 15%. The company has not been recovered prior year income tax differences.

Based on the comprehensive communication between the Company and the tax authorities, it is uncertain whether the tax authorities will recover the difference between the previous year's income tax at this stage, and the final result of this matter cannot be estimated reliably. Therefore, the financial statements have not made any preparation or adjustments related to additional tax, tax credits, deferred tax, penalties and interest.

Pending litigation

As of 31 December 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 Maanshan Iron & Steel Company Limited (Shanghai) Trade Co., Ltd. regarding a dispute over steel trading, and the relevant claim amounts were RMB10,219,694 and RMB30,581,458, respectively. The lawsuits are currently pending for a judicial decision by the court.

17. OTHER FINANCIAL INFORMATION

	Group		Company	
	2015	2014	2015	2014
Current assets	20,160,381,786	24,885,202,986	15,379,481,751	19,513,095,013
Less: Current liabilities	29,731,298,424	32,704,550,056	22,270,113,406	25,444,155,376
Net current liabilities	<u>(9,570,916,638)</u>	<u>(7,819,347,070)</u>	<u>(6,890,631,655)</u>	<u>(5,931,060,363)</u>
	Group		Company	
	2015	2014	2015	2014
Total assets	62,454,465,955	68,511,174,810	53,677,928,665	58,467,539,306
Less: Current liabilities	29,731,298,424	32,704,550,056	22,270,113,406	25,444,155,376
Total assets minus current liabilities	<u>32,723,167,531</u>	<u>35,806,624,754</u>	<u>31,407,815,259</u>	<u>33,023,383,930</u>

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

30 March 2016

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