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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 2016 INTERIM RESULTS ANNOUNCEMENT

§ 1 IMPORTANT NOTICE

- 1.1 This summary of 2016 interim results announcement is from the full text of the interim report. To fully understand the details, investors should read the full text of the interim report, which is also published on the Stock Exchange of Hong Kong Limited and the websites designated by the China Securities Regulatory Commission, including the website of the Shanghai Stock Exchange.
- 1.2 The interim financial reports of the Company are unaudited but reviewed by the Audit Committee of the Company.
- 1.3 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.
- 1.4 No appropriation of fund on a non-operating basis by the controlling shareholder or its related parties was found.
- 1.5 There is no violation of regulations, decisions or procedures in relation to provisions of external guarantees.

1.6 Company profile

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

Contact people and details	Company Secretary	Representative for Securities Affairs
Name	Hu Shunliang	He Hongyun
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§ 2 MAJOR ACCOUNTING DATA AND SHAREHOLDERS

2.1 The company's major accounting data

Unit: RMB

	End of the reporting period (Unaudited)	End of the previous year (Audited)	Increase/ (decrease) at the end of the reporting period as compared over the end of the previous year (%)
Total assets	59,565,048,326	62,454,465,955	decreased by 4.6 percentage points
Net assets attributable to equity holders	18,955,533,931	18,455,838,015	increased by 2.7 percentage points
	Reporting period (Jan to Jun) (Unaudited)	Corresponding period of the previous year (Unaudited)	Increase/ (decrease) at the reporting period as compared to the corresponding period of the previous year (%)
Net cash flows from operating activities	527,215,501	4,628,267,978	-88.6
Revenue	21,001,162,560	23,447,520,693	-10.4
Net profit/(loss) attributable to equity holders of the Company	452,752,971	-1,236,592,427	-
Net profit/(loss) excluding non-recurring gains or losses attributable to equity holders of the Company	469,788,228	-1,345,735,510	-
Return on net assets (weighted average) (%)	2.42	-5.46	increased by 7.88 percentage points
Basic earning/(loss) per share (RMB/share)	0.059	-0.161	-
Diluted earning/(loss) per share (RMB/share)	0.059	-0.161	-

2.2 Holdings of top ten shareholders

Total number of shareholders at the end of the reporting period (Accounts) 283,941

Holdings of top ten shareholders

Unit: Share

Name of shareholder	Type of shareholders	Percentage (%)	Total number of shares held	Number of shares under restricted condition for sales	Number of pledged or frozen shares	
Magang (Group) Holding Co., Limited	State-owned shareholder	45.54	3,506,467,456	0	Nil	0
Hong Kong Securities Clearing Company Nominees Limited	Foreign shareholder	22.21	1,710,144,900	0	Unknown	Unknown
Central Huijin Investment Ltd.	State-owned shareholder	1.85	142,155,000	0	Unknown	Unknown
China Securities Finance Corporation Limited	State-owned shareholder	1.14	88,096,538	0	Unknown	Unknown
Bosera Funds – Agricultural Bank of China (ABC) – Bosera China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	0	Unknown	Unknown
GF Fund Management – ABC – GF China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	0	Unknown	Unknown
ICBCCS – ABC – ICBCCS China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	0	Unknown	Unknown
Harvest Fund – ABC – Harvest China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	0	Unknown	Unknown
Dacheng Fund – ABC – Dacheng China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	0	Unknown	Unknown
E Fund – ABC – E Fund China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	0	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.

§ 3 MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Board's discussion and analysis on operation during the reporting period

3.1.1 The macro environment for production and operation

During the period under review, China's overall national economic performance remained steady. GDP grew by 6.7%, down 0.3 percentage point compared with the same period of last year; while fixed asset investment across the country grew by 9%, down 2.4 percentage points compared with the same period of last year. Although both production volume of and demand for steel products in China decreased, as the reformation in the supply side started to show initial results, gradual improvement could be seen in the balance between the demand and supply in some parts of the country, leading to a significant increase in steel price. At the end of April, due to a rapid increase in crude steel output, steel price declined rapidly thereafter. The consolidated price index for domestic steel products as at the end of June was 68.69 points, up 3% compared with the same period of last year, or 12.32 points up over that as at the end of last year, representing an increase of 21.86%. According to China Iron and Steel Association (CISA), member companies posted an average profit margin of 0.97% in the first half of this year, indicating a year-on-year improvement, but it was still at a relatively low level in the industrial sector.

As for imports and exports, according to CISA, exported steel products during the first half of 2016 amounted to 57,120,000 tonnes, an increase of 9% compared with the same period of last year, while imported steel products amounted to 6,460,000 tonnes, a decrease of 2.8% compared with the same period of last year. The net export of equivalent crude steel amounted to 52,550,000 tonnes, an increase of 10.7% compared with the same period of last year.

3.1.2 Production and operation of the Company

During the reporting period, the Company has seized the favorable market opportunity, vigorously adjusted our product structure, looked into the potential to increase cost efficiency, enhanced the level of lean operation and achieved a turnaround in our results.

During the reporting period, the Company's main work included:

- Through the implementation of blast furnace checkup system and external security early-warning mechanism, the blast furnace was in stable and smooth operation for a long period of time. And through optimizing the division of work of production lines, specialized production levels of the steel rolling system was enhanced. During the reporting period, the Group produced 8,430,000 tonnes of pig iron, 8,920,000 tonnes of crude steel, 8,470,000 tonnes of steel products, representing a year-on-year decrease of 2.88%, 2.55% and 4.94% respectively (in which the Company produced 6,590,000 tonnes of pig iron and 7,010,000 tonnes of crude steel, representing a year-on-year increase of 1.52% and 1.16% respectively, and 6,560,000 tonnes of steel products, representing a year-on-year decrease of 2.74%).
- Continued setting benchmarks for and tapping potentials in our production process, adjusting our product structure, and implementing red and yellow card quality early-warning mechanism and accountable system. With these measures, customer satisfaction has been further improved.
- Our sales division has placed more effort to explore end-users and market, with direct supply ratio of steel plates reaching 65%, representing a year-on-year increase of 10 percentage points; our automotive plates have been certified by a number of key OEMs. Our procurement division has optimized its procurement cost reduction strategy: through expanding the scope of bulk purchasing and focusing on specific tender, the overall efficiency of our procurement and supply chain has significantly improved. During the reporting period, the Group's total sales of steel products amounted to 8,440,000 tonnes, among which 4,000,000 tonnes are long products, 4,370,000 tonnes are steel plates and 70,000 tonnes are wheels and axles.
- Promotion of performance excellence management with application of "National Quality Award" achieving substantive results of qualifying for on-site appraisal.

3.1.3 Financial position and exchange risks

As at 30 June 2016, the total loans of the Group amounted to RMB15,287 million, including short-term loans of RMB5,458 million and long-term loans of RMB9,829 million. Except for foreign currency loans amounting to US\$389 million and Euro€10 million, all other loans were denominated in Renminbi. Among the Renminbi-denominated loans of the Group, loans amounting to RMB3,108 million carried fixed interest rates and loans amounting to RMB9,526 million carried floating interest rates. Among the foreign currency loans, loans amounting to US\$346 million carried fixed interest rates and US\$43 million and Euro€10 million carried floating interest rates. In addition, for the corporate bonds amounting to RMB5.5 billion issued in 2011, the Group has repaid RMB3.16 billion in 2014 and will repay the rest of RMB2.34 billion in the second half of 2016. In 2015, the Company issued the medium-term note with a registration amount of RMB4 billion. 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 Masteel Shanghai Trading's short-term bank loans amounting to RMB100 million.

At present, the Company 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 RMB44,424 million.

As at 30 June 2016, the Group's cash and bank balances amounted to RMB3,829 million and bills receivable amounted to RMB3,254 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.

3.1.4 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 (CSRC), the National Audit Office, the China Banking Regulatory Commission (CBRC) 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, enabling effective identification and control over operating risks.

During the reporting period, the Company compiled and published the “Self-evaluation Report on Internal Control for Year 2015”. The Company enhanced control measures to improve the internal control policy and continued to improve the internal control system to ensure that its internal control always remains effective.

3.1.5 The environment for production and operation and coping strategies

In the second half of the year, China will continue to adhere to the keynote of seeking progress in stability, maintain continuity and stability of macroeconomic policies, moderately expand aggregate demand and continue to implement active fiscal policy and prudent monetary policy. For the iron and steel industry, the downstream demand exhibited an overall downward trend. With the exception of infrastructure, real estate and automotive industries, major steel-consuming industries will likely to continue the downward trend since the first half of the year. As overcapacity of steel production has not been resolved, the situation of production and operation for the iron and steel companies will remain difficult.

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

- Strengthen the operation of the “two markets”, and continue to promote setting of benchmarks. Vigorously develop high-end and strategic users, enhance the proportion of high-end products, and further enhance the added value and competitiveness of products.
- Work out various preparatory work of new blast furnace production at later stage, ensuring that the Company achieves its production and performance targets as scheduled. Optimize balance of resources, coordinate maintenance and repair cycle of furnace machines, strengthen protection of equipment and public ancillary facilities, and enhance operating efficiency of the manufacturing system.
- Continue to promote the optimization of human resources to stimulate team vitality.
- Vigorously promote brand-building. Enhance full brand awareness and create a strong brand environment, support product upgrades, quality improvement and value-added services.
- Leverage the bridgehead role of overseas companies, exert more efforts in developing overseas markets and increase the margin of export products.

3.2 Operation analysis by industry, product and region

3.2.1 Principal operation by industry and products

Unit: RMB Million

Principal operation by industry						
Industry	Revenue	Cost of sales	Gross profit margin (%)	Y-O-Y increase/ (decrease) of revenue (%)	Y-O-Y increase/ (decrease) of cost of sales (%)	Y-O-Y Increase/ (decrease) of gross profit margin (%)
Iron and steel	20,077	17,150	14.58	-9.49	-19.98	Increased by 11.21 percentage points

Principal operation by product						
Product	Revenue	Cost of sales	Gross profit margin (%)	Y-O-Y increase/ (decrease) of revenue (%)	Y-O-Y increase/ (decrease) of cost of sales (%)	Y-O-Y Increase/ (decrease) of gross profit margin (%)
Steel plates	11,315	9,697	14.30	-8.87	-18.08	Increased by 9.63 percentage points
Long products	7,742	6,579	15.02	-10.91	-23.91	Increased by 14.52 percentage points
Wheels and axles	649	524	19.26	-14.72	-19.88	Increased by 5.2 percentage points

Explanation on principal operation by industry and products

During the reporting period, our group's principal operating income was RMB 20,610 million, in which income from the iron and steel was RMB20,077 million, accounting for 97% of the principal operation income.

3.2.2 Principal operation by region

Unit: RMB million

Region	Revenue	Y-O-Y increase/ (decrease) in revenue (%)
Anhui	8,246	-1.08
Shanghai	3,640	11.38
Jiangsu	2,821	-21.29
Zhejiang	901	-38.20
Guangdong	851	-32.51
Other PRC regions	2,408	-29.03
Overseas and Hong Kong	1,743	-11.57

3.2.3 Projects financed by other than fundraising proceeds

Unit: RMB million

Project name	Project amount	Project progress
Port Raw Material Plant Adaptability Renovation Project	253	Equipment debugging and project conclusion
4# Blast Furnace Project of No. 2 Ironmaking Factory	1,150	Equipment debugging and project conclusion
4# Blast Furnace Public and Auxiliary Supporting Project	441	Equipment debugging and project conclusion
Total	<u>1,844</u>	

3.3 Alert and explanation on a possible accumulative net loss or a significant change of the Company's profit for the period starting from the beginning of the year to the end of next reporting period

The Company expects an accumulative net profit for the period starting from the beginning of the year to the end of next reporting period, making a turnaround compared with the corresponding period of the previous year. The major reasons are as following. The Company turned around for the first half of this year. In addition, operating environment of the iron and steel industry will improve in the third quarter on the back of the supply side reform, compared to the corresponding period of the previous year.

§ 4 OTHER RELEVANT MATTERS

4.1 Purchase, sale or redemption of listed securities of the company

During the reporting period, the Company did not redeem any of its listed stocks, nor did the Group purchase or resale any of the listed stocks.

4.2 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.

4.3 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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited.

4.4 Code on corporate governance practices

During the reporting period, the Company has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of 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, 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 on The Stock Exchange of Hong Kong Limited.

§ 5 MATTERS RELATING TO FINANCIAL REPORT

5.1 Changes in the accounting policies, estimates and accounting procedures as compared to the latest annual report

In accordance with the CAS 4 – Fixed Assets and CAS 28 – Changes in Accounting Policy and Estimate and Correction of Errors, the subsidiary of the Company, Anhui Changjiang Iron and Steel Co., Ltd. adjusted the useful life of fixed assets to ensure the adjusted useful life to meet the estimates on the period that the future economic benefits by considering actual useful life of the fixed assets accordingly. On 14 March 2016, the change was approved by the board of directors in “Resolution of the Board of Directors of Changjiang Iron and Steel [2016] No.2”. The above changes of accounting estimates performed from 1 April 2016 has resulted in an increase of its net profit amounting to RMB18.46 million for the first half of 2016.

Items	Estimated useful life before adjustment (number of years)	Estimated useful life after adjustment (number of years)	Remark
Buildings	20	30	Increased 10 years
Plant and machinery	10	15	Increased 5 years
Motor vehicles	5	8	Increased 3 years
Office (electronic) equipment	10	5	Decreased 5 years

5.2 Details, correction amount, reasons and influence of significant accounting errors during reporting period

During the reporting period, the Group did not have significant accounting errors that needs to restate its financial statements.

5.3 Change of consolidated scope as compared with that of the report of last year

In February 2016, the Company established a wholly-owned subsidiary, named MASTELL AMERICA INC., with a registered capital of USD500,000. As at the end of the reporting period, the actual capital contribution was USD250,000.

Except for the above, there was no change to the scope of financial statements consolidation of the Group compared with the latest financial report.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

30 June 2016

Renminbi Yuan

ASSETS	Note	30 June	31 December	30 June	31 December
		2016	2015	2016	2015
		Group	Group	Company	Company
		Unaudited	Audited	Unaudited	Audited
CURRENT ASSETS					
Cash and bank balances		3,829,272,917	5,142,711,482	3,671,253,982	4,531,034,025
Financial assets at fair value through profit or loss		524,718,544	1,005,271,054	16,800,679	3,145,560
Bills receivable	4	3,254,150,613	4,689,129,290	3,087,876,022	3,751,615,186
Trade receivables	5	880,464,995	796,986,661	1,530,950,708	1,563,775,000
Dividends receivable		17,280,000	–	24,505,723	7,225,723
Interest receivable		1,128,498	1,600,176	–	–
Prepayments	6	578,708,358	634,407,421	376,610,832	371,248,500
Other receivables		243,167,329	190,348,070	284,516,086	246,097,801
Inventories		6,756,239,053	6,018,495,505	4,894,201,054	4,348,287,858
Loans and advances to customers		1,070,687,975	732,913,869	–	–
Other current assets		676,746,828	948,518,258	321,714,086	557,052,098
Total current assets		17,832,565,110	20,160,381,786	14,208,429,172	15,379,481,751
NON-CURRENT ASSETS					
Available-for-sale financial investments		334,432,425	128,934,410	126,722,160	126,722,160
Long term equity investments		1,067,423,663	1,029,853,507	6,869,683,003	6,830,479,397
Investment properties		59,667,626	62,356,583	74,818,134	75,681,866
Property, plant and equipment		32,517,591,868	34,605,411,096	24,188,074,979	25,954,686,393
Construction in progress		5,587,319,593	4,245,762,868	5,260,414,329	4,025,657,145
Intangible assets		1,859,901,564	1,891,358,160	956,247,146	971,003,316
Deferred tax assets		306,146,477	330,407,545	235,631,443	314,216,637
Total non-current assets		41,732,483,216	42,294,084,169	37,711,591,194	38,298,446,914
TOTAL ASSETS		59,565,048,326	62,454,465,955	51,920,020,366	53,677,928,665

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION(CONTINUED)

30 June 2016

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2016 Group Unaudited	31 December 2015 Group Audited	30 June 2016 Company Unaudited	31 December 2015 Company Audited
CURRENT LIABILITIES					
Deposits and balances from banks and other financial institutions		1,659,042,801	1,901,390,488	-	-
Repurchase agreements		125,266,272	-	-	-
Short term loans		5,458,387,496	6,791,359,472	2,117,295,002	831,000,000
Bills payable	7	3,560,512,833	5,343,906,398	2,799,690,818	3,981,623,516
Accounts payable	8	5,567,240,066	6,144,664,281	5,861,902,404	8,853,140,561
Advances from customers		2,394,266,979	2,602,554,258	1,938,108,382	2,132,448,152
Payroll and employee benefits payable		275,101,936	274,614,723	185,618,746	180,534,218
Taxes payable		97,775,125	149,898,321	21,977,013	50,206,106
Interest payable		312,066,266	150,829,308	310,283,930	147,852,499
Dividends payable		6,525,534	6,525,534	6,525,534	6,525,534
Other payables		1,308,192,017	1,258,463,513	961,086,725	1,001,923,405
Non-current liabilities due within one year		6,068,072,262	5,084,859,415	6,068,072,262	5,084,859,415
Accrued liabilities		25,718,538	22,232,713	-	-
Total current liabilities		26,858,168,125	29,731,298,424	20,270,560,816	22,270,113,406
NON-CURRENT LIABILITIES					
Long term loans		6,099,819,712	6,655,171,584	8,835,230,320	9,289,847,408
Bonds payable		3,983,666,667	3,979,666,667	3,983,666,667	3,979,666,667
Deferred income		1,333,679,751	1,285,164,299	611,841,352	596,438,001
Long-term employee benefits payable		30,522,903	28,857,389	-	-
Deferred tax liabilities		36,383,574	32,704,732	-	-
Total non-current liabilities		11,484,072,607	11,981,564,671	13,430,738,339	13,865,952,076
Total liabilities		38,342,240,732	41,712,863,095	33,701,299,155	36,136,065,482

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION(CONTINUED)

30 June 2016

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	30 June 2016 Group Unaudited	31 December 2015 Group Audited	30 June 2016 Company Unaudited	31 December 2015 Company Audited
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		(126,202,933)	(165,450,551)	-	-
Special reserve		22,069,540	14,374,213	(193,708)	(1,517,185)
Surplus reserve		3,843,231,617	3,843,231,617	2,993,175,001	2,993,175,001
General reserve		102,539,024	102,539,024	-	-
Accumulated loss		(915,852,166)	(1,368,605,137)	(813,299,667)	(1,488,834,218)
		<hr/>	<hr/>	<hr/>	<hr/>
Equity attributable to owners of the parent company		18,955,533,931	18,455,838,015	18,218,721,211	17,541,863,183
Non-controlling interests		2,267,273,663	2,285,764,845	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Total shareholders' equity		21,222,807,594	20,741,602,860	18,218,721,211	17,541,863,183
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		59,565,048,326	62,454,465,955	51,920,020,366	53,677,928,665
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CONSOLIDATED AND COMPANY STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

Renminbi Yuan

Items	Note	For the six months ended 30 June		For the six months ended 30 June	
		2016 Group Unaudited	2015 Group Unaudited	2016 Company Unaudited	2015 Company Unaudited
Revenue	10	21,001,162,560	23,447,520,693	18,058,111,721	20,388,093,240
Less: Cost of sales	10	18,177,307,489	22,624,291,030	15,757,662,387	20,004,309,727
Business taxes and surcharges		105,586,947	126,214,959	72,958,537	89,467,436
Selling expenses		317,938,952	299,730,118	151,013,725	173,050,371
General and administrative expenses		1,048,469,131	822,972,196	460,865,245	594,983,290
Financial expenses	11	407,254,444	565,859,338	415,400,334	465,694,135
Impairment losses		672,332,416	367,276,117	621,092,726	303,920,195
Add: Gain/(loss) on the changes in fair value		3,461,591	–	(3,658,207)	–
Investment income including: share of profits of associates and joint ventures		78,697,625	44,104,484	67,093,792	41,306,373
		<u>69,346,926</u>	<u>41,114,047</u>	<u>69,346,926</u>	<u>40,540,565</u>
Operating profit/(loss)		354,432,397	(1,314,718,581)	642,554,352	(1,202,025,541)
Add: Non-operating income including: profit from disposal of non-current assets	12	140,391,902	171,642,968	112,567,459	145,158,786
		154,474	660,487	–	396,328
Less: Non-operating expenses including: loss from disposal of non-current assets	13	1,748,742	14,159,425	1,002,066	460,459
		<u>976,959</u>	<u>–</u>	<u>615,211</u>	<u>–</u>
Profit/(loss) before tax		493,075,557	(1,157,235,038)	754,119,745	(1,057,327,214)
Less: Income tax expense	14	62,157,221	203,068,501	78,585,194	110,472,155
Net profit/(loss)		<u>430,918,336</u>	<u>(1,360,303,539)</u>	<u>675,534,551</u>	<u>(1,167,799,369)</u>
Attributable to:					
The equity holders of the parent		<u>452,752,971</u>	<u>(1,236,592,427)</u>		
Non-controlling interests		<u>(21,834,635)</u>	<u>(123,711,112)</u>		

CONSOLIDATED AND COMPANY STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the six months ended 30 June 2016

Renminbi Yuan

Items	<i>Note</i>	For the six months ended 30 June		For the six months ended 30 June	
		2016	2015	2016	2015
		Group Unaudited	Group Unaudited	Company Unaudited	Company Unaudited
Other comprehensive income, net of tax					
Total other comprehensive income attributable to owners of the parent company, net of tax					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operation		39,247,618	(42,104,235)	-	-
Total other comprehensive income attributable to non-controlling interests, net of tax		372,801	890,641	-	-
Total comprehensive income		470,538,755	(1,401,517,133)	675,534,551	(1,167,799,369)
Attributable to:					
Owners of the parent company		492,000,589	(1,278,696,662)		
Non-controlling interests		(21,461,834)	(122,820,471)		
EARNINGS/(LOSS) PER SHARE:	15				
Basic		5.88 cents	(16.06) cents		
Diluted		5.88 cents	(16.06) cents		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

Renminbi Yuan

30 June 2016 (Unaudited)

	Attributable to owners of the parent							Non-controlling interests	Total shareholder's equity	
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Accumulated loss			
1. At 1 January 2016	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
2. Increase/(decrease) during the period										
1) Total comprehensive income	-	-	39,247,618	-	-	-	452,752,971	492,000,589	(21,461,834)	470,538,755
2) Capital contribution and withdrawal										
(i) Capital contribution/(withdrawal)	-	-	-	-	-	-	-	-	-	-
3) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	-	-	-	-
4) Special reserve										
(i) Addition	-	-	-	34,164,575	-	-	-	34,164,575	5,203,395	39,367,970
(ii) Utilization	-	-	-	(27,792,724)	-	-	-	(27,792,724)	(2,232,743)	(30,025,467)
(iii) Changes in the share of associates and JV's special reserve, net	-	-	-	1,323,476	-	-	-	1,323,476	-	1,323,476
3. At 30 June 2016	<u>7,700,681,186</u>	<u>8,329,067,663</u>	<u>(126,202,933)</u>	<u>22,069,540</u>	<u>3,843,231,617</u>	<u>102,539,024</u>	<u>(915,852,166)</u>	<u>18,955,533,931</u>	<u>2,267,273,663</u>	<u>21,222,807,594</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2015

Renminbi Yuan

30 June 2015 (Unaudited)

	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			
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 period										
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) Addition	-	-	-	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	7,700,681,186	8,329,067,663	(179,263,715)	17,274,035	3,831,458,700	98,706,649	2,214,707,402	22,012,631,920	2,466,306,311	24,478,938,231

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

Renminbi Yuan

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	24,635,525,466	28,679,828,977
Net increase in customer deposits and deposits from banks	–	792,439,406
Cash received for interest charges, fees and commissions	28,465,276	43,954,490
Tax refunds received	49,351,264	82,804,766
Net decrease in deposits in central bank	71,727,130	444,798,960
Increase in repurchase agreements of financial assets	125,266,272	90,896,113
Cash received relating to other operating activities	197,671,817	24,534,334
Sub-total of cash inflows	25,108,007,225	30,159,257,046
Cash paid for purchase of goods and services	(20,570,374,534)	(21,801,936,322)
Cash paid to or on behalf of employees	(1,953,551,894)	(2,002,927,520)
Taxes and surcharges paid	(1,040,145,583)	(1,314,805,102)
Net decrease in customer deposits and deposits from banks	(242,347,687)	–
Increase in loans and advances to customers	(337,774,106)	(6,427,320)
Cash paid for interest charges, fees and commissions	(8,715,820)	(12,947,822)
Cash paid relating to other operating activities	(427,882,100)	(391,944,982)
Sub-total of cash outflows	(24,580,791,724)	(25,530,989,068)
Net cash flows from operating activities	527,215,501	4,628,267,978
2. Cash flows from investing activities		
Cash received from disposal of investments	492,416,498	1,073,490
Cash received from investment income	79,000,000	50,709,380
Proceeds from disposal of items of property, plant and equipment, intangible assets and other non-current assets	1,265,196	9,481,536
Cash received relating to other investing activities	135,488,506	32,445,774
Sub-total of cash inflows	708,170,200	93,710,180

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 of 30 June 2016, the net current liabilities of the Group were RMB9,025,603,015. The directors of the Company have considered the availability of funding sources, including but not limited to an unused banking credit quota of RMB20.7 billion obtained on 30 June 2016. 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 interim financial statements for the six months ended 30 June 2016 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.

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 2016, and the results of their operations and their cash flows for the six months ended 30 June 2016.

2. SCOPE OF FINANCIAL STATEMENTS CONSOLIDATION

2.1 Change in the scope of consolidation

Newly established subsidiaries

During the first half of 2016, the Company established the following subsidiary, and included it in the scope of consolidation since then.

	Date of establishment	Registered capital	Percentage of equity interest	Investment form	Capital paid as of period end
MASTEEL AMERICA INC.	February 2016	USD500,000	100%	Cash	USD250,000

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 its 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 Co., Ltd. mainly offers financial service to internal companies. Therefore, the Group focuses on the production and sale of steel and it is unnecessary for the Group to disclose more detailed information.

Other information

Product and service information

External principal operation income

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Sale of steel products	19,705,371,213	21,868,666,090
Sale of steel billets and pig iron	371,861,145	312,867,822
Sale of coke by-products	155,735,957	259,279,825
Others	377,155,183	491,878,898
	<u>20,610,123,498</u>	<u>22,932,692,635</u>

Geographical information

External principal operation income

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
The PRC	18,866,675,458	20,961,884,860
Overseas	1,743,448,040	1,970,807,775
	<u>20,610,123,498</u>	<u>22,932,692,635</u>

Non-current assets

	30 June	31 December
	2016	2015
	Unaudited	Audited
The PRC	40,836,448,140	41,601,037,262
Overseas	255,456,174	233,704,952
	<u>41,091,904,314</u>	<u>41,834,742,214</u>

The non-current asset 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

	30 June 2016 Unaudited	31 December 2015 Audited
Bank acceptance bills	3,254,046,613	4,689,129,290
Commercial acceptance bills	104,000	–
	<u>3,254,150,613</u>	<u>4,689,129,290</u>

The pledged bills receivable were as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Bank acceptance bills	<u>924,810,344</u>	<u>1,277,158,488</u>

As of 30 June 2016, the undue bills discounted or endorsed were as follows:

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Derecognized	Not derecognized	Derecognized	Not derecognized
Bank acceptance bills	<u>3,073,316,092</u>	<u>123,337,649</u>	<u>1,892,413,242</u>	<u>243,602,664</u>

As of 30 June 2016 and 31 December 2015, 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 as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Within one year	725,773,053	665,862,003
One to two years	86,475,214	116,554,717
Two to three years	75,828,080	22,417,902
Over three years	<u>12,397,059</u>	<u>11,348,434</u>
	900,473,406	816,183,056
Less: Provisions for bad debts	<u>20,008,411</u>	<u>19,196,395</u>
	<u>880,464,995</u>	<u>796,986,661</u>

The balances of trade receivables are analyzed as follows:

	30 June 2016 (Unaudited)				31 December 2015 (Audited)			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and assessed for impairment individually	828,420,032	92	(6,927,040)	1	768,962,510	94	(6,927,040)	1
Other insignificant but assessed for impairment individually	72,053,374	8	(13,081,371)	18	47,220,546	6	(12,269,355)	26
	<u>900,473,406</u>	<u>100</u>	<u>(20,008,411)</u>		<u>816,183,056</u>	<u>100</u>	<u>(19,196,395)</u>	

As of 30 June 2016, those individually significant and assessed for impairment individually were as follows:

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

As of 31 December 2015, those individually significant and assessed for impairment individually were as follows:

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

During the current period, provision for bad debts was RMB812,016 (2015: RMB2,638,179).

During the current period, there were no trade receivables that had been reversed or written off (2015: nil).

As of 30 June 2016 and 31 December 2015, 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:

	30 June 2016 (Unaudited)		31 December 2015 (Audited)	
	Balance	Ratio (%)	Balance	Ratio (%)
Within one year	559,582,629	97	612,475,882	96
One to two years	6,743,285	1	12,687,989	2
Two to three years	4,791,327	1	2,180,048	1
Over three years	7,591,117	1	7,063,502	1
	<u>578,708,358</u>	<u>100</u>	<u>634,407,421</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

	30 June 2016 Unaudited	31 December 2015 Audited
Bank acceptance bills	3,531,869,044	5,325,406,398
Commercial acceptance bills	28,643,789	18,500,000
	<u>3,560,512,833</u>	<u>5,343,906,398</u>

As of 30 June 2016 and 31 December 2015, the aging of the Group's bills payable was all within six months.

8. ACCOUNTS PAYABLE

The aging analysis of accounts payable is as follows:

	30 June 2016 Unaudited	31 December 2015 Audited
Within one year	5,219,773,017	5,942,180,843
One to two years	271,957,031	127,899,157
Two to three years	19,612,085	21,240,086
Over three years	55,897,933	53,344,195
	<u>5,567,240,066</u>	<u>6,144,664,281</u>

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

As of 30 June 2016, the material accounts payables aged over one year were as follows:

	Amount due	Reason for non-settlement
Company 1	65,548,940	Note
Company 2	34,625,080	Note
Company 3	26,331,036	Note
Company 4	19,000,000	Note
Company 5	<u>17,000,000</u>	Note
	<u><u>162,505,056</u></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 does not recommend the payment of any dividends for the six months ended 30 June 2016 (30 June 2015: nil).

10. REVENUE AND COST OF SALES

	For the six months ended 30 June			
	2016 (Unaudited)		2015 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	20,610,123,498	17,779,983,575	22,932,692,635	22,086,428,702
Other operating income	391,039,062	397,323,914	514,828,058	537,862,328
	<u>21,001,162,560</u>	<u>18,177,307,489</u>	<u>23,447,520,693</u>	<u>22,624,291,030</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:

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Sale of products	20,916,000,131	23,363,065,541
Rendering service	56,925,591	41,343,241
Others	28,236,838	43,111,911
	<u>21,001,162,560</u>	<u>23,447,520,693</u>

11. FINANCIAL EXPENSES

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Interest expenses (note)	474,490,153	614,530,384
Less: Interest income	39,698,595	50,105,262
Less: Capitalized interest	4,004,429	5,776,735
Exchange gain	(50,883,197)	(10,923,858)
Others	27,350,512	18,134,809
	<u>407,254,444</u>	<u>565,859,338</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.

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Interest expense:		
Interest on bank loans, other loans, corporate bonds and MTN (Medium-term Note) which will expire within five years	473,987,833	614,036,619
Interest on bank loans which will not expire within five years	502,320	493,765
	<u>474,490,153</u>	<u>614,530,384</u>

12. NON-OPERATING INCOME

	For the six months ended 30 June		
	2016	2015	Included in non-recurring gains and losses
	Unaudited	Unaudited	
Gain on disposal of non-current assets	154,474	660,487	154,474
Including: Gain on disposal of fixed assets	154,474	660,487	154,474
Gain on disposal of intangible assets	–	–	–
Government grants	138,966,140	169,969,651	138,966,140
Others	1,271,288	1,012,830	1,271,288
	<u>140,391,902</u>	<u>171,642,968</u>	<u>140,391,902</u>

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

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Government grants related to assets	86,681,426	63,643,381
Government grants related to income:		
Tax refund	48,151,264	82,804,766
Others	4,133,450	23,521,504
	<u>138,966,140</u>	<u>169,969,651</u>

13. NON-OPERATING EXPENSES

	For the six months ended 30 June		
	2016	2015	Included in non-recurring gains and losses
	Unaudited	Unaudited	
Loss on disposal of non-current assets	976,959	–	976,959
Including: Loss on disposal of fixed assets	976,959	–	976,959
Loss on disposal of intangible assets	–	–	–
Public relief donation	278,650	140,000	278,650
Penalty expenditure	100,816	13,685,163	100,816
Others	392,317	334,262	392,317
	<u>1,748,742</u>	<u>14,159,425</u>	<u>1,748,742</u>

14. INCOME TAX

	For the six months ended 30 June	
	2016 Unaudited	2015 Unaudited
Mainland China:		
Current income tax expense	25,256,271	22,397,313
Adjustments in respect of current tax of previous periods	733	230,764
Deferred tax income	27,630,599	169,913,039
Hong Kong current income tax expense	–	–
Overseas current income tax expense	8,960,307	6,167,787
Overseas deferred income tax expense	309,311	4,359,598
	<u>62,157,221</u>	<u>203,068,501</u>

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

	For the six months ended 30 June	
	2016 Unaudited	2015 Unaudited
Profit/(loss) before tax	493,075,557	(1,157,235,038)
Tax at the applicable tax rate of 25% (note)	123,268,889	(289,308,760)
Effect of different tax rates of subsidiaries	(4,216,531)	(2,471,494)
Nondeductible expenses	38,380,394	38,576,541
Adjustments in respect of current tax of previous periods	733	230,764
Other tax preference	(5,878,193)	(2,276,530)
Income not subject to tax	(59,514)	(1,089,398)
Unrecognized deductible temporary difference and tax losses	107,569,857	471,376,926
Tax losses utilized	(179,571,682)	–
Profits and losses attributable to joint ventures and associates	(17,336,732)	(11,969,548)
	<u>62,157,221</u>	<u>203,068,501</u>

Note: The Group 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.

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 period. 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:

	For the six months ended 30 June	
	2016	2015
	Unaudited	Unaudited
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent as used in the basic/diluted earnings per share calculation	<u>452,752,971</u>	<u>(1,236,592,427)</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period as used in the basic earnings per share calculation	<u>7,700,681,186</u>	<u>7,700,681,186</u>

During the first half of 2016 and the first half of 2015, there was no dilutive item to adjust the Group's basic earnings per share.

16. CONTINGENCIES

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 30 June 2016, the significant pending litigation of the Group and the Company is as follows:

Zhejiang Wukuang Sanxing Import and Export Co., Ltd. and Zhejiang Wukuang Sanhe Import and Export Co., Ltd. launched litigation against Masteel Shanghai Trading regarding a dispute over steel trading, and the relevant claim amounts were RMB10,219,694.24 and RMB30,581,457.72, respectively. The lawsuit is currently pending for judicial decision by the intermediate court of Ma'anshan Municipality.

17. OTHER FINANCIAL INFORMATION

	Group		Company	
	30 June 2016 Unaudited	31 December 2015 Audited	30 June 2016 Unaudited	31 December 2015 Audited
Current assets	17,832,565,110	20,160,381,786	14,208,429,172	15,379,481,751
Less: Current liabilities	<u>26,858,168,125</u>	<u>29,731,298,424</u>	<u>20,270,560,816</u>	<u>22,270,113,406</u>
Net current liabilities	<u>(9,025,603,015)</u>	<u>(9,570,916,638)</u>	<u>(6,062,131,644)</u>	<u>(6,890,631,655)</u>

	Group		Company	
	30 June 2016 Unaudited	31 December 2015 Audited	30 June 2016 Unaudited	31 December 2015 Audited
Total assets	59,565,048,326	62,454,465,955	51,920,020,366	53,677,928,665
Less: Current liabilities	<u>26,858,168,125</u>	<u>29,731,298,424</u>	<u>20,270,560,816</u>	<u>22,270,113,406</u>
Total assets less current liabilities	<u>32,706,880,201</u>	<u>32,723,167,531</u>	<u>31,649,459,550</u>	<u>31,407,815,259</u>

By order of the Board

Ding Yi

Chairman

Maanshan Iron & Steel Company Limited

30 August 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