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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 2017 INTERIM RESULTS ANNOUNCEMENT

1 IMPORTANT NOTICE

- 1.1** This summary of 2017 interim results announcement is from the full text of the interim report. To fully understand the business performance, financial position and future outlook of the Company, investors should read the full text of the interim 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 the interim report.
- 1.3** All members of the Board attended the board meeting.
- 1.4** The interim report of the Company is unaudited, but reviewed by the Audit Committee of the Company.
- 1.5** No appropriation of fund on a non-operating basis by the controlling shareholder or its related parties was found.
- 1.6** There is no violation of regulations, decisions or procedures in relation to provisions of external guarantees.
- 1.7** The Company had no profit distribution plan or plan for the capitalization of capital reserve during the reporting period.
- 1.8** The interim report was prepared according to the China Accounting Standards for Business Enterprises.

2 COMPANY PROFILE

2.1 Company 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

Contact people and details

Representative for Securities Affairs

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Note: At the twenty-fifth meeting of the eighth session of the Board of the Company on 14 February 2017, the resignation of Mr. Hu Shunliang as the Secretary to the Board (Company Secretary) of the Company was approved. The Board has also resolved that the duties of the Secretary to the Board (Company Secretary) will be temporarily performed by Mr. Ding Yi, the legal representative and Chairman of the Company. The Company will appoint a new Secretary to the Board (Company Secretary) as soon as possible.

2.2 The Company's major financial data

Unit: RMB

	End of the reporting period (Unaudited)	End of the previous year (Audited)	Increase/ decrease compared to previous year (%)
Total assets	66,223,275,209	66,245,531,030	-0.03
Net assets attributable to owners of the parent	21,426,635,020	19,764,171,955	8.41

Unit: RMB

	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	1,459,592,056	527,215,501	<i>176.85</i>
Revenue	35,187,579,640	21,001,162,560	<i>67.55</i>
Net profit attributable to owners of the parent	1,643,396,514	452,752,971	<i>262.98</i>
Net profit excluding non-recurring gains or losses attributable to owners of the parent	1,531,119,148	469,788,228	<i>225.92</i>
Return on net assets (weighted average) (%)	7.98	2.42	<i>increased by 5.56 percentage points</i>
Basic earnings per share (RMB/share)	0.213	0.059	<i>261.02</i>
Diluted earnings per share (RMB/share)	0.213	0.059	<i>261.02</i>

2.3 Holdings of top ten shareholders

Number of ordinary shareholders by the end of the reporting period (Accounts) 235,892

Holdings of top ten shareholders

Unit: Share

Shareholders' names (Full names)	Shareholder's nature	Percentage (%)	No. of shares at the end of period	No. of shares under restricted condition for sales	Pledged or frozen situations share status	
Magang (Group) Holding Co., Limited	State-owned shareholder	45.54	3,506,467,456	–	Pledged	800,000,000
Hong Kong Securities Clearing Company Nominees Limited	Unknown	22.23	1,711,624,900	–	Unknown	Unknown
Central Huijin Investment Ltd.	State-owned shareholder	1.85	142,155,000	–	Unknown	Unknown
China Securities Finance Corporation Limited	State-owned shareholder	1.14	88,096,538	–	Unknown	Unknown
Bosera Funds – Agricultural Bank of China (ABC) – Bosera China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	–	Unknown	Unknown
E Fund – ABC – E Fund China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	–	Unknown	Unknown
Dacheng Fund – ABC – Dacheng China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	–	Unknown	Unknown
Harvest Fund – ABC – Harvest China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	–	Unknown	Unknown
GF Fund Management – ABC – GF China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	–	Unknown	Unknown
Zhong Ou Fund – ABC – Zhong Ou China Securities Finance Asset Management Plan	Unknown	0.44	33,609,200	–	Unknown	Unknown

Notes on the above shareholders' affiliated relation or concerted action

Magang (Group) Holding Co., Limited has no affiliated relation with any of the other foregoing shareholders, nor is it a person acting in concerted 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 concerted action.

2.4 Change of controlling shareholders or actual controllers

During the reporting period, there was no change of controlling shareholder or actual controller.

3 DISCUSSION AND ANALYSIS ON OPERATION

3.1 Discussion and analysis on operation

3.1.1 The macro environment for production and operation

During the period under review, China's national economic performance remained steady and showed improvement. GDP grew by 6.9%, up 0.2 percentage point compared with the same period of last year. As the growth rate of major downstream steel using industries such as automobiles, electrical appliances and equipment increased, the demand for steel improved while the State intensively pushed forward the resolution of iron and steel overcapacity, which achieved significant results in particularly the ban on ground steel strip. All these had led to the relief of oversupply contradiction of steel and the rise of steel price. During the first half of the year, the average composite price index for domestic steel products was 99.79 points, representing an increase of 31.5% compared with last year which was 75.88 points. The consolidated price index for domestic steel products as at the end of June was 101.13 points, up 47.23% compared with the same period of last year, and up 1.63% compared with the end of last year. According to China Iron and Steel Association (CISA), member companies posted an average profit margin of 3.04% 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 raw materials and fuels, iron ore price rose and remained in overall high level in the second quarter following a fall in the first quarter. According to China Customs, during January to May this year, average price of imported iron ore rose approximately 64.8% year-on-year. Coke prices remained high and volatile. In general, raw materials prices increased sharply year-on-year during the period.

As for imports and exports, according to CISA, exported steel products during the first half of 2017 amounted to 40,990,000 tonnes, a decrease of 28.24% as compared with the same period of last year, while imported steel products amounted to 6,800,000 tonnes, an increase of 5.26% as compared with the same period of last year. The accumulated net export of equivalent crude steel amounted to 35,610,000 tonnes, a decrease of 32.24% as compared with the same period of last year.

3.1.2 Production and operation of the Company

During the reporting period, the Company adhering to the strategy of unswervingly deepening reforms and strengthening branding, the Company actively seized the opportunities to develop markets, adjust structures, stabilize production, reduce cost, intensify management, improve efficiency, promote branding and transformation, emerging from the supply-side structural reform policies pushed forward by the State. Riding on the encouraging momentum from the second half of 2016, the production and operation achieved a fairly good operating results.

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

- 1) Lean manufacturing was intensively pushed forward. The iron-making system achieved stable production of blast furnace; the steel rolling system controlled the ratio of iron and steel, improved products quality and supported orders deliveries. During the reporting period, the Group produced 9,320,000 tonnes of pig iron, 9,970,000 tonnes of crude steel, 9,430,000 tonnes of steel products, representing an increase of 10.56%, 11.77% and 11.33% respectively compared with the same period of last year (in which the Company produced 7,310,000 tonnes of pig iron, 7,840,000 tonnes of crude steel and 7,330,000 tonnes of steel products, representing an increase of 10.93%, 11.84% and 11.74% respectively compared with the same period of last year).
- 2) Our purchasing division has actively built the model of “integration of purchase and supply service” and monitoring system as well as improved the early-warning mechanism and preventive measures. Our sales division conducted integrated marketing strategies to strengthen market expansion. We enhanced proportion of high value added products and brand impact in the regional product markets. During the reporting period, the Group's total sales of steel products amounted to 9,450,000 tonnes, among which 4,550,000 tonnes are long products, 4,810,000 tonnes are steel plates and 90,000 tonnes are wheels and axles.
- 3) Deepened product structure adjustment. Seized the trend of price differentiation in the plates and long products markets to optimize resource allocation and realize higher production and better efficiency of products with higher return. During the reporting period, new product development achieved remarkable results with total sales volume reaching 200,000 tonnes. The newly developed product, gooseneck hot rolled H-beam for special vehicles, was the first of its kind in the country, while galvanized plates for vehicles, undersea pipeline steel, and enamel sheet realized batch delivery.
- 4) Leveraging the new honor of the National Quality Award, fully promoted brand awareness for Magang. Upholding the concept of innovation driven and technological precedence and guided by customers satisfaction, continuously improved the effectiveness of quality system operation through active promotion of technology and innovation and fine-tuning of process management. With product certification work enhanced, the products were increasingly accepted by high-end users, thereby expanding the high-end market and strengthening product position.
- 5) Practised environmental management philosophy, and achieved green development. During the reporting period, the Company was named as the Creditworthy Enterprise of Environmental Protection in Anhui Province and passed the Government's environmental inspection.

3.1.3 Financial position and exchange rate risks

As of 30 June 2017, the total loans of the Group amounted to RMB13,163 million, including short-term loans of RMB4,588 million and long-term loans of RMB8,575 million. Except for foreign currency loans amounting to US\$162 million and Euro€40 million, all other loans were denominated in Renminbi. Among the Renminbi-denominated loans of the Group, loans amounting to RMB5,254 million carried fixed interest rates and loans amounting to RMB6,507 million carried floating interest rates. Among the foreign currency loans, loans amounting to US\$136 million and Euro€30 million carried fixed interest rates, and US\$26 million and Euro€10 million carried floating interest rates. In addition, the Group issued the medium-term note with a registration amount of RMB4 billion in 2015, and short-term commercial paper with an amount of RMB2 billion in April 2017. The payment for the short-term commercial paper with an amount of RMB2 billion issued in August 2016 was completed on 4 August 2017. 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 a short-term bank loans amounting to approximately RMB100 million belonged to a subsidiary, Maanshan Iron & Steel Company Limited (Shanghai) Trade Co., Ltd. At the end of the reporting period, the Group's asset-liability ratio was 63.56%, representing a decrease of 3.11 percentage points from the end of last year.

At present, the Group is financing its capital projects primarily via its own funds. As at the end of the reporting period, banking facilities available to the Group amounted to approximately RMB43,393 million which RMB18,663 million was unutilized.

As of 30 June 2017, the Group's cash and bank balances amounted to RMB4,833 million and notes receivable amounted to RMB4,687 million, the majority of which derived from sales proceeds.

The Group's import of raw materials was mainly settled in US dollar, while purchase 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 Company'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

The Company has an internal auditing system. Our regulatory auditing department audits and supervises the financial revenue, expenditure and every economic activity of the Company. Pursuant to the Basic Internal Control Norms for Enterprises jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the CBRC and CIRC, the Company has established an internal control system for every aspect of production, operation and management, including internal environment, risk assessment, social responsibilities, information and communication, internal supervision, human resources, funds management, procurement, asset management, sales, research and development, projects, guarantees, outsourcing, financial reports, comprehensive budget, contract management and information systems. We pay extra attention to high-risk areas, e.g. procurement risks, operational risks and financial risks, risks related to the control over subsidiaries. This system acts as a guideline for the Company's operation, helping the Company recognize and control its major risks.

The Board reviewed and approved the 2016 Internal Control Assessment Report on 29 March 2017. The report confirms that the Company implemented an effective internal control related to financial report over all important aspects pursuant to the Basic Internal Control Norms for Enterprises and other relevant requirements. The Company appointed Ernst & Young Hua Ming LLP as our auditor to audit the effectiveness of our internal control related to financial report as at 31 December 2016 and issued a standard unqualified internal control audit report.

During the reporting period, 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 push forward the work of “addressing overcapacity, reducing inventory, deleveraging, lowering costs, and bolstering areas of weakness”, deepen supply side structural reform and ensure the steady and healthy development of economy. The iron and steel industry will grasp the opportunities of initial improvement of operation environment of the industry as the work of addressing overcapacity, pushing forward the work of deleveraging and lowering corporate financial costs is pursued. Demand for better quality and service of iron and steel products are increasingly strong in the downstream market so that iron and steel enterprises needs to adapt actively.

The Company's main work in the second half of the year includes:

- To grasp favorable market situation, tilting resources towards key orders and customers through efficient production and lean operation. To fully leverage the advantage of the Company's product structure and to maximize benefits from resource allocation.
- To construct a new pattern of effective, specialized production. To arrange reasonable division of various production lines and to achieve a production system that marks with production-and sales synergy and complementary advantages. To continuously promote cost reduction work, and to implement excessive capacity reduction plans and transformation projects in good order.
- With the core aim of long-term, stable and efficient operation of the blast furnace, to explore the potentials by benchmarking and continuous improvement and to ensure organised production work of the blast furnace.
- Firmly upholding the production safety concept that a hidden danger is an accident waiting to happen, to improve management system from the start, look into details to identify potential problems, and perform well in the basic management.
- Led by brand strategy, to promote product structure upgrade, and steadily enhance product quality. To enhance brand awareness and implement customer satisfaction improvement program, and create a strong brand culture.

3.2 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 the next reporting period

The net profit attributable to owners of the parent of the Company was RMB1,643 million in the first half of 2017, which was higher than the accumulative net profit for the period from January to September of last year at RMB759 million. Considering the current production operation of the Company has improved, the profits at the third quarter expected to maintain. Therefore, the Company expects a significant increase of accumulative net profit for the period starting from the beginning of the year to the end of next reporting period, compared to the period of last year.

4 RELEVANT MATTERS INVOLVING FINANCIAL REPORT

4.1 Changes to accounting policies, accounting estimates and accounting methods from the previous period, with reasons for the changes and their impact

Change of presentation of government grants

In 2017, based on the issuance of China Accounting Standard No. 16 – Government Grants (Revised in 2017) (Accounting [2017] No. 15) (“Revised CAS 16”), the Group accounted the government grants related to daily corporate activities as other income or offsetting relevant costs according to the nature of business. Government grants not related to daily corporate activities would be included in non-operating income. Government grants existing as at 1 January 2017 applies the change in future application, and the government grants newly granted during the period from 1 January 2017 to the application date (12 June 2017) will be accounted according to the Revised CAS 16. Impacted by application of Revised CAS 16, the Group’s non-operating income and other income are presented differently for the six months ended 30 June 2017, compared with the year of 2016. The application of Revised CAS 16 will have no impact on the Group’s and the Company’s net profit and equity for the six months ended 30 June 2017.

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2016, except for the change of the presentation of government grants as mentioned above.

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

There was no significant accounting errors amended by retrospective restatement during the reporting period.

4.3 Change of consolidation scope as compared with that of the report of last year

During the reporting period, the Company and Wuhan City Wuhan Hongfu Antitrust Packaging Chemicals Co., Ltd. jointly established a subsidiary, Anhui Ma Steel Antitrust Materials Technology Co., Ltd., in which the Company held an equity interest of 51%. The subsidiary has been included in consolidation scope of financial statements since its establishment.

Mascometal Co., Ltd. (“Mascometal”) was originally a joint venture in which the Company had an equity interest of 66%, the board of directors of Mascometal revised its Articles of Association during the reporting period. The requirement of approval by all the directors unanimously on part of the key resolutions of the Board was revised as approval by over half of the directors. According to revised Articles of Associations, the Company believed that it has control over Mascometal and included it in the Group’s consolidation scope.

During the reporting period, the Company and Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Company, Ltd. (“Xinchuang Environmental Protection”) entered into an Equity Transfer Agreement under which the Company transferred 90% equity interest in Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd. (馬鞍山馬鋼華陽設備診斷工程有限公同) (“Huayang Equipment”) to Xinchuang Environmental Protection. Upon completion of the equity interest transfer, the Group no longer owns Huayang Equipment’s interest of equity and no longer includes Huayang Equipment in the Group’s consolidation scope.

Save as changes above, there were no changes in the scope of consolidation of the Group as compared to that of the previous year.

5 OTHER MATTERS

5.1 Purchase, sale or redemption of listed securities of the Company

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

5.2 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 shares before the Company issues new shares.

5.3 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.

5.4 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. No deviation behavior from the code was found.

5.5 Model Code for Securities Transactions by Directors of Listed Issuers

During the reporting period, the Company had complied with the requirements stipulated by the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules. No deviation behavior from the code was found.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 30 June 2017

Renminbi Yuan

ASSETS	Notes	30 June	31 December	30 June	31 December
		2017	2016	2017	2016
		Group	Group	Company	Company
		Unaudited	Audited	Unaudited	Audited
CURRENT ASSETS					
Cash and bank balances		4,832,966,727	5,312,101,041	4,037,926,638	3,851,576,750
Financial assets measured at fair value					
through profit or loss		827,186,934	555,322,261	59,155,301	3,789,546
Notes receivable	4	4,687,305,835	3,608,459,121	4,501,601,962	3,518,320,171
Trade receivables	5	928,199,991	859,929,107	2,322,868,045	1,953,223,578
Dividends receivable		–	–	6,356,770	5,672,730
Interest receivable		2,839,596	4,044,939	–	–
Prepayments	6	592,589,456	925,051,274	457,397,696	649,277,673
Other receivables		323,233,960	127,614,834	167,651,845	41,040,509
Inventories		10,036,548,828	10,548,061,832	6,589,168,978	7,370,937,053
Financial assets purchased under					
agreements to resell		–	230,047,000	–	–
Loans and advances to customers		1,513,036,793	1,555,212,556	–	–
Held-to-maturity investments		201,463,387	–	–	–
Other current assets		837,672,914	692,471,233	302,813,412	294,632,327
Total current assets		24,783,044,421	24,418,315,198	18,444,940,647	17,688,470,337
NON-CURRENT ASSETS					
Available-for-sale financial investments		1,428,658,949	577,947,698	126,722,160	126,722,160
Long-term equity investments		1,322,971,835	1,239,776,313	8,387,237,440	7,152,166,287
Investment properties		58,320,467	58,833,998	72,754,527	73,988,855
Property, plant and equipment		33,806,482,252	35,522,601,715	25,857,872,098	27,272,692,483
Construction in progress		2,635,172,202	2,258,191,398	1,645,320,418	1,629,607,224
Intangible assets		1,900,941,778	1,821,768,927	919,099,327	933,763,504
Deferred tax assets		287,683,305	348,095,783	256,426,674	261,808,739
Total non-current assets		41,440,230,788	41,827,215,832	37,265,432,644	37,450,749,252
TOTAL ASSETS		66,223,275,209	66,245,531,030	55,710,373,291	55,139,219,589

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2017 Group Unaudited	31 December 2016 Group Audited	30 June 2017 Company Unaudited	31 December 2016 Company Audited
CURRENT LIABILITIES					
Deposits and balances from banks and other financial institutions		2,878,114,976	3,708,225,021	–	–
Repurchase agreements		198,900,000	596,565,698	–	–
Short-term loans		4,588,142,228	6,942,952,420	2,715,003,037	4,617,240,417
Notes payable	7	3,620,019,631	3,584,228,362	2,610,979,470	2,766,056,791
Accounts payable	8	5,937,434,223	6,668,807,923	4,888,471,677	5,708,282,008
Advances from customers		3,419,347,414	3,682,322,418	2,209,484,367	2,396,866,345
Payroll and employee benefits payable		569,393,753	550,444,683	448,397,220	436,242,207
Taxes payable		235,899,031	274,232,114	50,476,991	165,339,271
Interest payable		227,033,926	107,691,398	202,923,006	104,959,511
Dividends payable		9,050,620	8,713,584	6,569,410	6,525,534
Other payables		1,825,213,618	1,912,575,078	1,395,448,882	1,502,658,072
Non-current liabilities due within one year		549,859,584	3,211,056,320	2,686,034,880	4,448,099,900
Accrued liabilities		37,187,787	29,580,435	–	–
Other current liabilities		4,307,180,685	2,273,058,356	4,307,180,685	2,273,058,356
Total current liabilities		28,402,777,476	33,550,453,810	21,520,969,625	24,425,328,412
NON-CURRENT LIABILITIES					
Long-term loans		8,024,820,080	5,163,168,960	9,349,648,960	7,113,168,960
Bonds payable		3,991,666,667	3,987,666,667	3,991,666,667	3,987,666,667
Deferred income		1,260,054,211	1,269,496,538	543,279,138	556,222,033
Long-term payables		210,000,000	–	–	–
Long-term employee benefits payable		162,590,718	159,173,203	128,918,669	127,425,119
Deferred tax liabilities		36,607,390	35,065,411	–	–
Total non-current liabilities		13,685,739,066	10,614,570,779	14,013,513,434	11,784,482,779
Total liabilities		42,088,516,542	44,165,024,589	35,534,483,059	36,209,811,191
SHAREHOLDERS' EQUITY					
Share capital		7,700,681,186	7,700,681,186	7,700,681,186	7,700,681,186
Capital reserve		8,348,606,325	8,348,726,741	8,357,897,061	8,358,017,477
Other comprehensive income		(110,223,013)	(119,263,454)	–	–
Special reserve		38,116,097	27,969,571	12,130,178	3,827,107
Surplus reserve		3,843,231,617	3,843,231,617	2,993,175,001	2,993,175,001
General reserve		153,394,916	153,394,916	–	–
Retained profits/(Accumulated losses)		1,452,827,892	(190,568,622)	1,112,006,806	(126,292,373)
Equity attributable to owners of the parent		21,426,635,020	19,764,171,955	20,175,890,232	18,929,408,398
Non-controlling interests		2,708,123,647	2,316,334,486	–	–
Total shareholders' equity		24,134,758,667	22,080,506,441	20,175,890,232	18,929,408,398
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		66,223,275,209	66,245,531,030	55,710,373,291	55,139,219,589

CONSOLIDATED AND COMPANY INCOME STATEMENT

For the six months ended 30 June 2017

Renminbi Yuan

	Notes	For the six months ended 30 June		For the six months ended 30 June	
		2017 Group Unaudited	2016 Group Unaudited	2017 Company Unaudited	2016 Company Unaudited
Revenue	10	35,187,579,640	21,001,162,560	29,186,631,452	18,058,111,721
Less: Cost of sales	10	31,308,620,140	18,177,307,489	26,862,921,216	15,757,662,387
Taxes and surcharges		322,600,519	105,586,947	237,603,318	72,958,537
Selling expenses		412,156,137	317,938,952	186,194,763	151,013,725
General and administrative expenses		670,018,970	1,048,469,131	426,802,707	460,865,245
Financial expenses	11	528,207,382	407,254,444	525,019,932	415,400,334
Impairment losses		107,667,257	672,332,416	94,777,557	621,092,726
Add: Gain/(loss) on the changes in fair value		14,148,342	3,461,591	(2,273,548)	(3,658,207)
Investment income		286,628,017	78,697,625	297,973,623	67,093,792
including: share of profits of					
associates and joint ventures		241,096,593	69,346,926	241,096,593	69,346,926
Other income		83,563,376	–	76,014,555	–
Operating profit		2,222,648,970	354,432,397	1,225,026,589	642,554,352
Add: Non-operating income	12	70,707,120	140,391,902	69,397,362	112,567,459
including: profit from disposal of					
non-current assets		808,004	154,474	291,998	–
Less: Non-operating expenses	13	51,303,121	1,748,742	50,742,706	1,002,066
including: loss from disposal of					
non-current assets		43,715,116	976,959	43,583,048	615,211
Profit before tax		2,242,052,969	493,075,557	1,243,681,245	754,119,745
Less: Income tax expense	14	337,919,171	62,157,221	5,382,066	78,585,194
Net profit		1,904,133,798	430,918,336	1,238,299,179	675,534,551
Attributable to:					
Owners of the parent		1,643,396,514	452,752,971		
Non-controlling interests		260,737,284	(21,834,635)		
Other comprehensive income, net of tax:					
Other comprehensive income attributable to					
owners of the parent, net of tax					
Other comprehensive income to be reclassified to					
profit or loss in subsequent periods:					
Fair value changes of available-for-sale					
financial investments		(780,770)	–	–	–
Exchange differences on translation of foreign					
operations		9,821,211	39,247,618	–	–
Other comprehensive income attributable to non-					
controlling interests, net of tax		(506,405)	372,801		
Total comprehensive income		1,912,667,834	470,538,755	1,238,299,179	675,534,551
Attributable to:					
Owners of the parent		1,652,436,955	492,000,589		
Non-controlling interests		260,230,879	(21,461,834)		
EARNINGS PER SHARE:	15				
Basic earnings per share		21.34 cents	5.88 cents		
Diluted earnings per share		21.34 cents	5.88 cents		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Renminbi Yuan

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	Sub-total		
1. At 1 January 2017	7,700,681,186	8,348,726,741	(119,263,454)	27,969,571	3,843,231,617	153,394,916	(190,568,622)	19,764,171,955	2,316,334,486	22,080,506,441
2. Increase/(decrease) during the period										
1) Total comprehensive income	-	-	9,040,441	-	-	-	1,643,396,514	1,652,436,955	260,230,879	1,912,667,834
2) Capital contribution and withdrawal										
(i) Capital contribution	-	-	-	-	-	-	-	-	91,470,000	91,470,000
(ii) Business combination	-	-	-	-	-	-	-	-	65,614,143	65,614,143
(iii) Disposal of a subsidiary	-	-	-	-	-	-	-	-	(884,349)	(884,349)
3) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	-	-	(25,671,100)	(25,671,100)
4) Special reserve										
(i) Additions	-	-	-	32,712,745	-	-	-	32,712,745	5,372,595	38,085,340
(ii) Utilisation	-	-	-	(26,028,589)	-	-	-	(26,028,589)	(4,343,007)	(30,371,596)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	3,462,370	-	-	-	3,462,370	-	3,462,370
5) Others										
(i) Changes in the share of associates and joint ventures' capital reserve, net	-	(120,416)	-	-	-	-	-	(120,416)	-	(120,416)
3. At 30 June 2017	<u>7,700,681,186</u>	<u>8,348,606,325</u>	<u>(110,223,013)</u>	<u>38,116,097</u>	<u>3,843,231,617</u>	<u>153,394,916</u>	<u>1,452,827,892</u>	<u>21,426,635,020</u>	<u>2,708,123,647</u>	<u>24,134,758,667</u>

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	Accumulated losses	Sub-total		
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	-	-	-	-	-	-	-	-	-	-
3) Profits appropriation	-	-	-	-	-	-	-	-	-	-
4) Special reserve										
(i) Additions	-	-	-	34,164,575	-	-	-	34,164,575	5,203,395	39,367,970
(ii) Utilisation	-	-	-	(27,792,724)	-	-	-	(27,792,724)	(2,232,743)	(30,025,467)
(iii) Changes in the share of associates and joint ventures' 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 CASH FLOWS

For the six months ended 30 June 2017

Renminbi Yuan

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
1. Cash flows from operating activities		
Cash received from sale of goods and rendering service	39,139,433,476	24,635,525,466
Cash received for interest charges, fees and commissions	50,417,268	28,465,276
Tax refunds received	–	49,351,264
Net decrease in deposits in central bank	–	71,727,130
Net decrease in loans and advances to customers	46,218,288	–
Net decrease in financial assets purchased under agreements to resell	230,047,000	–
Net increase in repurchase agreements of financial assets	–	125,266,272
Cash received relating to other operating activities	127,463,477	197,671,817
Sub-total of cash inflows	39,593,579,509	25,108,007,225
Cash paid for purchase of goods and services	(32,905,122,314)	(20,570,374,534)
Cash paid to or on behalf of employees	(1,926,494,889)	(1,953,551,894)
Taxes and surcharges paid	(1,602,505,535)	(1,040,145,583)
Net increase in deposits in central bank	(38,113,076)	–
Net decrease in repurchase agreements of financial assets	(397,665,698)	–
Net decrease in customer deposits and deposits from banks	(830,110,045)	(242,347,687)
Net increase in loans and advances to customers	–	(337,774,106)
Cash paid for interest charges, fees and commissions	(27,622,969)	(8,715,820)
Cash paid relating to other operating activities	(406,352,927)	(427,882,100)
Sub-total of cash outflows	(38,133,987,453)	(24,580,791,724)
Net cash flows from operating activities	1,459,592,056	527,215,501
2. Cash flows from investing activities		
Cash received from disposal of investments	–	492,416,498
Cash received from investment income	121,100,872	79,000,000
Net cash from acquisition of subsidiaries and other operating units	115,777,566	–
Proceeds from disposal of items of property, plant and equipment, intangible assets and other non-current assets	2,987,026	1,265,196
Net cash from disposal of a subsidiary and other operating units	4,854,451	–
Cash received relating to other investing activities	14,908,915	135,488,506
Sub-total of cash inflows	259,628,830	708,170,200

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2017

Renminbi Yuan

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
2. Cash flows from investing activities (continued)		
Purchases of property, plant and equipment, intangible assets and other non-current assets	(998,870,449)	(1,030,427,781)
Cash paid for investments	(1,188,003,566)	(267,729,467)
Net increase in held-to-maturity investments	(201,463,387)	–
Sub-total of cash outflows	(2,388,337,402)	(1,298,157,248)
Net cash flows used in investing activities	(2,128,708,572)	(589,987,048)
3. Cash flows from financing activities		
Cash received from borrowings	7,963,827,700	7,178,827,357
Cash received relating to other financing activities	210,000,000	494,559,399
Cash received from investors	91,470,000	–
Including: capital injection from a subsidiary's non-controlling interests	91,470,000	–
Sub-total of cash inflows	8,265,297,700	7,673,386,756
Repayment of borrowings	(8,097,524,552)	(8,003,623,315)
Cash paid for distribution of dividends or profits and for interest expenses	(348,094,860)	(409,300,794)
Including: dividends paid to non-controlling interests by subsidiaries	(25,671,100)	–
Sub-total of cash outflows	(8,445,619,412)	(8,412,924,109)
Net cash flows used in financing activities	(180,321,712)	(739,537,353)
4. Effect of foreign exchange rate changes on cash and cash equivalents	(28,607,718)	55,156,864
5. Net decrease in cash and cash equivalents	(878,045,946)	(747,152,036)
Add: Cash and cash equivalents at the beginning of the period	4,324,131,687	3,546,410,358
6. Cash and cash equivalents at the end of the period	3,446,085,741	2,799,258,322

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2017

Renminbi Yuan

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 2017, the net current liabilities of the Group amounted to RMB3,619,733,055. The directors of the Company have considered the availability of funding sources, including but not limited to an unused banking credit quota of RMB18.7 billion obtained on 30 June 2017. After assessment, the Company’s board of directors believes that the Group has sufficient resources to continue as a going concern for not less than 12 months after the end of reporting period. Therefore, the Company’s board of directors continues to prepare the Group’s interim financial statements for the six months ended 30 June 2017 on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. Provision for asset impairment is provided in accordance with related regulations.

1.2 Statement of compliance with the CAS

The financial statements have been prepared in accordance with the CAS, and presented truly and completely the financial position of the Company and the Group as of 30 June 2017, and the results of their operations and their cash flows for the six months ended 30 June 2017.

2. SCOPE OF FINANCIAL STATEMENT CONSOLIDATION

2.1 Change in the scope of consolidation

2.1.1 Business combination

(1) Business combination during the current period

Name of acquiree	Time point at which the acquirer obtains control	Consideration of equity interest	Ratio of equity interest	Method of obtaining equity interest	Acquisition date	Basis for acquisition date	Acquiree’s revenue from acquisition date to the end of the period	Acquiree’s net profit from acquisition date to the end of the period
Mascometal	5 June 2017	127,368,631	66%	Non-cash	5 June 2017	The board of directors’ approval for revising the Articles of Association	-	-

Mascometal, in which the Company held 66% equity interests, was originally a joint venture of the Company. On 5 June 2017, Mascometal held the first board of directors’ 6th meeting, and approved the revised Article of Association which changed the approval criteria from unanimous approval of all the directors to more than 50% of the directors’ approval in respect of some key board of directors’ resolution matters. According to the revised Article of Association, as directors of the Company represent that the Company holds more than 50% of voting rights in the board of directors of Mascometal, the Company is able to exercise control over Mascometal. Mascometal is accounted for as a subsidiary and included in the scope of consolidation of the Group.

Based on the availability of financial data and taking into account the timeliness requirement of financial information, the financial information of Mascometal based on 30 June 2017 is disclosed as follows.

(2) *Identifiable assets and liabilities of acquiree on the acquisition date*

	Fair value on the acquisition date <i>(Note 1)</i>	Carrying amount on the acquisition date
ASSETS		
Cash and bank balances	115,777,566	115,777,566
Trade receivables	281,580	281,580
Inventories	507,360	507,360
Other receivables	1,691,964	1,691,964
Prepayments	13,794,701	13,794,701
Other current assets	7,237,420	7,237,420
Property, plant and equipment	184,852	184,852
Construction in progress	56,834,490	56,834,490
LIABILITIES		
Accounts payable	2,055,346	2,055,346
Payroll and employee benefits payable	968,659	968,659
Taxes payable	6,964	6,964
Other payables	296,190	296,190
Net assets	192,982,774	192,982,774
<i>Less:</i> Non-controlling interests	65,614,143	65,614,143
Net assets acquired	<u>127,368,631</u>	<u>127,368,631</u>
66% equity interests' fair value	127,368,631	
Effect of gains or losses during the current period	<u>—</u>	
Consideration <i>(Note 2)</i>	<u>127,368,631</u>	

Note 1: As of the report date, the valuation of the identifiable assets and liabilities of Mascometal has not yet been completed, therefore the Company initially recorded assets and liabilities of Mascometal with its carrying amount on 30 June 2017 and would adjust it after the completion of the valuation.

Note 2: The Company's acquisition consideration in the business combination is the carrying amount of the long-term equity investment in Mascometal amounted to RMB127,368,631 originally held by the Company on the acquisition date.

2.1.2 Disposal of a subsidiary

	Place of registration	Business nature	Total equity interests ratio that the Group holds	Total voting right ratio that the Group holds	Reason for not being a subsidiary any longer
Huayang Equipment	Anhui Province, PRC	Manufacturing	90%	90%	Note

Note: The Company signed an equity interest transfer agreement with Xinchuang Environmental Protection on 1 January 2017 to sell 90% equity interests of Huayang Equipment held by the Company at a consideration of RMB8,696,084, which was based on the results of an independent third-party valuation agency. The disposal date was 1 January 2017. Therefore, Xinchuang Environmental Protection will no longer be included in the scope of consolidation of the Group since 1 January 2017. The related financial information of Xinchuang Environmental Protection is as follows:

	Carrying amount as at 1 January 2017
Current assets	9,903,072
Non-current assets	2,112,160
Current liabilities	3,171,742
Non-current liabilities	—
	<hr/> 8,843,490 <hr/>
Non-controlling interests	884,349
Disposal gains or losses	736,943
Disposal consideration	<hr/> 8,696,084 <hr/>

2.1.3 Newly established subsidiary

For the six months ended 30 June 2017, the Company established the following subsidiary, and included it in the scope of consolidation since then.

	Date of establishment	Registered capital	Percentage of equity	Investment form	Capital paid as of the period end
Anhui Ma Steel Antirust Materials Technology Co., Ltd.	April 2017	RMB10,000,000	51%	Cash	RMB1,530,000

3. OPERATING SEGMENT INFORMATION

Operating segment

The Group divides the operation services into two operating segments which are determined based on the internal organisation 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 Co., Ltd. mainly offers financial service to internal companies. Therefore, the Group focuses on the production and sale of iron and steel products and by-products, and it is unnecessary for the Group to disclose more detailed information.

Other information

Product and service information

External principal operating income

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Sale of steel products	32,685,470,879	19,705,371,213
Sale of steel billets and pig iron	982,818,293	371,861,145
Sale of coke by-products	210,793,879	155,735,957
Others	850,778,575	377,155,183
	<u>34,729,861,626</u>	<u>20,610,123,498</u>

Geographical information

External principal operating income

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
The PRC	32,372,797,968	18,866,675,458
Overseas	2,357,063,658	1,743,448,040
	<u>34,729,861,626</u>	<u>20,610,123,498</u>

Non-current assets

	30 June 2017 Unaudited	31 December 2016 Audited
The PRC	39,406,551,890	40,595,765,043
Overseas	317,336,644	305,407,308
	<u>39,723,888,534</u>	<u>40,901,172,351</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. NOTES RECEIVABLE

	30 June 2017 Unaudited	31 December 2016 Audited
Bank acceptance notes	<u>4,687,305,835</u>	<u>3,608,459,121</u>

The pledged notes receivable were as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Bank acceptance notes	<u>567,646,581</u>	<u>738,206,842</u>

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

	<u>30 June 2017 (Unaudited)</u>		<u>31 December 2016 (Audited)</u>	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	<u>2,927,511,109</u>	<u>62,323,524</u>	<u>5,196,770,076</u>	<u>156,827,864</u>

As of 30 June 2017 and 31 December 2016, there were no trade receivables transferred from notes 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, based on the invoice date, is analysed below:

	30 June 2017 Unaudited	31 December 2016 Audited
Within one year	857,535,606	756,196,252
One to two years	39,650,795	66,905,447
Two to three years	15,881,257	24,337,627
Over three years	35,605,372	33,219,589
	948,673,030	880,658,915
Less: Provisions for bad debts	20,473,039	20,729,808
	928,199,991	859,929,107

The balances of trade receivables are analysed as follows:

	<u>30 June 2017 (Unaudited)</u>				<u>31 December 2016 (Audited)</u>			
	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	891,823,306	94	(6,927,040)	1	825,690,228	94	(6,927,040)	1
Other insignificant but assessed for impairment individually	56,849,724	6	(13,545,999)	24	54,968,687	6	(13,802,768)	25
	948,673,030	100	(20,473,039)		880,658,915	100	(20,729,808)	

During the current period, provision for bad debts was RMB950,427 (for the six months ended 30 June 2016: RMB812,016) and recovery or reversal of provision for bad debts was RMB1,207,196 (for the six months ended 30 June 2016: Nil).

During the current period, there was no write-off of provision for bad debts (for the six months ended 30 June 2016: Nil).

As of 30 June 2017 and 31 December 2016, there were no trade receivables that were derecognised due to the transfer of financial assets.

As of 30 June 2017, the Group had no assets or liabilities deriving from transferring trade receivables in which the Group is continuingly involved (31 December 2016: Nil).

6. PREPAYMENTS

Aging analysis of the prepayments is as follows:

	30 June 2017 (Unaudited)		31 December 2016 (Audited)	
	Book value	Ratio (%)	Book value	Ratio (%)
Within one year	567,118,668	96	896,450,454	96
One to two years	11,129,824	2	14,669,580	2
Two to three years	2,216,412	–	5,222,283	1
Over three years	12,124,552	2	8,708,957	1
	<u>592,589,456</u>	<u>100</u>	<u>925,051,274</u>	<u>100</u>

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

7. NOTES PAYABLE

	30 June 2017 Unaudited	31 December 2016 Audited
Bank acceptance notes	<u>3,620,019,631</u>	<u>3,584,228,362</u>

As of 30 June 2017 and 31 December 2016, the aging of the Group's notes payable was all within six months, and there were no overdue notes.

8. ACCOUNTS PAYABLE

The aging analysis of accounts payable, based on the invoice date, is as follows:

	30 June 2017 Unaudited	31 December 2016 Audited
Within one year	5,386,809,438	6,491,661,696
One to two years	420,001,971	62,554,813
Two to three years	64,981,339	52,430,647
Over three years	65,641,475	62,160,767
	<u>5,937,434,223</u>	<u>6,668,807,923</u>

The accounts payable are interest-free and are normally settled within three months, and projects payable are paid according to the period and schedule of the project.

9. DIVIDENDS

The board of directors did not recommend distribution of any interim dividends to shareholders for the six months ended 30 June 2017 (for the six months ended 30 June 2016: Nil).

10. REVENUE AND COST OF SALES

	For the six months ended 30 June			
	2017 (Unaudited)		2016 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	34,729,861,626	30,883,831,678	20,610,123,498	17,779,983,575
Other operating income	457,718,014	424,788,462	391,039,062	397,323,914
	<u>35,187,579,640</u>	<u>31,308,620,140</u>	<u>21,001,162,560</u>	<u>18,177,307,489</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 presented as follows:

	For the six months ended 30 June	
	2017 Unaudited	2016 Unaudited
Sale of products	35,065,320,571	20,916,000,131
Rendering service	73,047,146	56,925,591
Others	49,211,923	28,236,838
	<u>35,187,579,640</u>	<u>21,001,162,560</u>

11. FINANCIAL EXPENSES

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Interest expenses (<i>note</i>)	475,699,142	474,490,153
Less: Interest income	17,007,814	39,698,595
Less: Capitalised interest	–	4,004,429
Exchange loss/(gain)	53,884,246	(50,883,197)
Others	15,631,808	27,350,512
	<u>528,207,382</u>	<u>407,254,444</u>

Note: The Group's interest expenses included interest on bank loans, other loans, corporate bonds, MTN (Medium-term Note) and short-term commercial paper. The capitalised amount of borrowing costs had been recorded in construction in progress.

12. NON-OPERATING INCOME

	For the six months ended 30 June		
	2017	2016	Included in
	Unaudited	Unaudited	non-recurring gains and losses for the six months ended 30 June 2017
Gain on disposal of non-current assets	808,004	154,474	808,004
Including: Gain on disposal of fixed assets	808,004	154,474	808,004
Government grants (<i>Note</i>)	68,914,690	138,966,140	68,914,690
Others	984,426	1,271,288	984,426
	<u>70,707,120</u>	<u>140,391,902</u>	<u>70,707,120</u>

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

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Government grants related to assets	–	86,681,426
Government grants related to income:		
– Tax refund	–	48,151,264
– Employee settlement subsidy for addressing overcapacity	68,914,690	–
– Others	–	4,133,450
	<u>68,914,690</u>	<u>138,966,140</u>

In 2017, the Group accounts for government grants related to operating activities in other income in accordance with the revised version of China Accounting Standard for Business Enterprises No. 16-Government Grants (Accounting [2017] No.15).

13. NON-OPERATING EXPENSES

	For the six months ended 30 June		
	2017	2016	Included in
	Unaudited	Unaudited	non-recurring gains and losses for the six months ended 30 June 2017
Loss on disposal of non-current assets	43,715,116	976,959	43,715,116
Including: Loss on disposal of fixed assets	43,715,116	976,959	43,715,116
Compensation for quality objection	6,811,267	–	6,811,267
Public relief donation	173,950	278,650	173,950
Penalty expenditure	13,610	100,816	13,610
Others	589,178	392,317	589,178
	<u>51,303,121</u>	<u>1,748,742</u>	<u>51,303,121</u>

14. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Mainland China:		
Current income tax expense	264,181,195	25,257,004
Deferred tax expense	66,663,565	27,630,599
Hong Kong current income tax expense	55,603	–
Overseas current income tax expense	11,441,919	8,960,307
Overseas deferred income tax expense	(4,423,111)	309,311
	<u>337,919,171</u>	<u>62,157,221</u>

Reconciliation between income tax and profit before tax:

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Profit before tax	2,242,052,969	493,075,557
Tax at the applicable tax rate of 25% (<i>Note</i>)	560,513,242	123,268,889
Effect of different tax rates of subsidiaries	(4,830,217)	(4,216,531)
Non-deductible expenses	44,992,901	38,380,394
Adjustments in respect of current tax of previous periods	10,803	733
Other tax preference	(9,357,749)	(5,878,193)
Income not subject to tax	(1,337,348)	(59,514)
Unrecognised deductible temporality difference and tax losses	23,553,966	107,569,857
Tax losses utilized	(215,352,279)	(179,571,682)
Share of profits and losses of joint ventures and associates	(60,274,148)	(17,336,732)
	<u>337,919,171</u>	<u>62,157,221</u>
Tax charge at the Group's effective rate		
	<u>15.07%</u>	<u>12.61%</u>

Note: The Group's income tax has been provided at the rate on the estimated taxable profits arising in the PRC during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

15. EARNINGS PER SHARE

Basic earnings per share shall be calculated by dividing profit attributable to owners of the parent (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 the basic and diluted earnings per share amounts are based on:

	For the six months ended 30 June	
	2017	2016
	Unaudited	Unaudited
Earnings		
Profit attributable to owners of the parent as used in the basic/diluted earnings per share calculation	<u>1,643,396,514</u>	<u>452,752,971</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period as used in the basic/diluted earnings per share calculation	<u>7,700,681,186</u>	<u>7,700,681,186</u>
Earnings per share		
Basic and diluted	<u>21.34 cents</u>	<u>5.88 cents</u>

During the first half of 2017 and the first half of 2016, there was no diluted item to adjust the Group's basic earnings per share.

16. CONTINGENT EVENTS

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 eight 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. 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 provision or adjustments related to the income tax differences.

Pending litigation

As of 30 June 2017, the Group and the Company did not have significant pending litigation.

17. EVENTS AFTER THE BALANCE SHEET DATE

As of the date of approval of the financial statements, the Group had no significant event after the balance sheet date that needs to be disclosed.

By order of the Board

Ding Yi

Chairman

Maanshan Iron & Steel Company Limited

23 August 2017

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