

2016 Annual Report

H Share Code: 323
A Share Code: 600808



MAANSHAN IRON & STEEL COMPANY LIMITED

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IMPORTANT NOTICE

- 1. The board of directors (the "Board"), the supervisory committee, the directors, the supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from, this report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this report.**
- 2. All members of the Board attended the Board meeting.**
- 3. Ernst & Young Hua Ming LLP audited and issued a standard unqualified opinion on the annual financial statements of the Company.**
- 4. Mr. Ding Yi, representative of the Company, Mr. Qian Haifan, person overseeing the accounting operations, and Mr. Xing Qunli, head of Accounting Department, make representations in respect of the truthfulness, accuracy and completeness of the financial statements contained in the annual report.**
- 5. Profit distribution plan or plan for the capitalization of capital reserve during the reporting period considered by the Board.**

The Board suggests that no dividends shall be distributed for the year of 2016 and no capital surplus shall be transferred to share capital. The distribution plan is going to be submitted to the Annual General Meeting for approval.
- 6. Risk relating to forward-looking statements**

The report analyzes major risks faced by the Company. Please refer to "(4) Potential risks" of "4.3. Discussion and Analysis on the Company's Future Development" of "Report of The Board" in Section IV for details. Forward-looking statements, contained in this report do not constitute any substantive commitments to investors by the Company. Investors should be aware of the relevant risks.

Content (Continued)

7. **No appropriation of fund on a non-operating basis by the controlling shareholder or its related parties was found in the Company.**
8. **There is no violation of regulations, decisions or procedures in relation to provisions of external guarantees.**
9. **The Company has no significant risk that needs to draw special attention of investors.**

I. Definitions

I. DEFINITIONS

In this report, unless the context otherwise requires, the following terms have the following meanings:

Definitions of common terms

The Company and Magang	means	Maanshan Iron and Steel Company Limited
The Group	means	the Company and its subsidiaries
The Group Company	means	Magang (Group) Holding Company Limited
Board of Directors or the Board	means	the board of directors of the Company
Directors	means	the directors of the Company
Supervisory Committee	means	the supervisory committee of the Company
Supervisors	means	the supervisors of the Company
Senior Management	means	the senior management of the Company
Hong Kong Stock Exchange	means	the Stock Exchange of Hong Kong Limited
SSE	means	Shanghai Stock Exchange
A shares	means	the ordinary shares in the share capital of the Company with a nominal value of RMB1.00 per share, which are listed on the SSE, and subscribed for and traded in RMB
H shares	means	the foreign shares in the share capital of the Company with a nominal value of RMB1.00 per share, which are listed on the Hong Kong Stock Exchange, and subscribed for and traded in Hong Kong dollars
SD&C Shanghai Branch	means	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
PRC	means	the People's Republic of China
Hong Kong	means	the Hong Kong Special Administrative Region
RMB	means	Renminbi
CSRC	means	China Securities Regulatory Commission
CBRC	means	China Banking Regulatory Commission
MIIT	means	the Ministry of Industry and Information Technology of the People's Republic of China
CISA	means	China Iron and Steel Association
The Articles of Association	means	The articles of association of Maanshan Iron and Steel Company Limited
Masteel Financial	means	Magang Group Finance Co. Ltd.
Hefei Co	means	Ma Steel (Hefei) Iron & Steel Co., Ltd.
Environmental Protection Company	means	Anhui Xinchuang Energy Saving and Environmental Protection Technology Company Limited
Changjiang Steel	means	Anhui Changjiang Steel Co., Ltd

I. Definitions (Continued)

I. DEFINITIONS (CONTINUED)

In this report, unless the context otherwise requires, the following terms have the following meanings:
(continued)

Definitions of common terms (continued)

CRCC	means	China Railway Test & Certification Center
Rail Transportation Co.	means	Magang Rail Transportation Equipment Co. Ltd.
Magang Investment Limited	means	Magang Group Investment Limited, a wholly owned subsidiary of the Group Company
MG-VALDUNES	means	MG-VALDUNES S.A.S, a wholly owned subsidiary of the Company
reporting period	means	From 1 January 2016 to 31 December 2016

IV. Report of The Board (Continued)

(3) OPERATIONAL INFORMATION ANALYSIS OF THE INDUSTRY

Operation Information

2016 is the first year to settle the work of iron and steel overcapacity, and in the domestic steel and iron industry, crude steel capacity of more than 65 million tons is resolved. Meanwhile, fixed asset investment in the steel and iron industry stood at RMB513.9 billion, down by 8.6% compared with the last year, which is conducive to solve the severe overcapacity. However, because of low industrial concentration, and the problem of overcapacity is still rather serious; international steel trade frictions are intensified, original fuel prices rise sharply, "ground steel strip" chaos is serious, and the market environment remains to be further improved.

Company Information

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

Product Type	Production capacity ('000 tonnes)	Utilization rate of production capacity (%)
Pig iron	19,920	89
Crude steel	23,620	79
Steel production	21,270	83

Steel and Iron Industry Operational Information Analysis

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

Type based on processing	Production volume (tonnes)		Sales volume (tonnes)		Revenue		Cost of sales		Gross profit margin (%)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Cold-rolled steel	4,787,338	4,221,000	4,785,420	4,215,000	14,684	11,676	12,702	11,820	13.50
Hot-rolled steel	12,761,582	13,874,000	12,695,554	13,804,000	28,937	28,624	25,232	29,142	12.80	-1.81
Wheel and axles	142,196	174,000	143,814	174,000	1,462	1,611	1,251	1,358	14.43	15.70

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

Unit: RMB Million

Types based on forms of finished products	Production volume (tonnes)		Sales volume (tonnes)		Revenue		Cost of sales		Gross profit margin (%)	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Long Products	8,380,085	8,969,331	8,278,910	8,944,863	17,713	17,474	16,198	17,951	8.55
Steel Plates	9,168,835	9,126,341	9,202,064	9,073,868	25,908	22,826	21,736	23,011	16.10	-0.81
Wheels and axles	142,196	174,000	143,814	174,000	1,462	1,611	1,251	1,358	14.43	15.70

3. Performances of Steel Material Sales Based on Sales Channels

Unit: RMB Million

Based on sales channels	Revenue		Percentage (%) in total revenue	
	2016	2015	2016	2015
	Offline sales	43,190	40,770	89.47
Online sales	1,890	1,140	3.92	2.53

4. Supply source of iron ore

Unit: RMB Million

Supply source of iron ore	Supply volume (tonnes)		Expenses	
	2016	2015	2016	2015
	Domestic source	7,196,830	7,415,151	3,298
Overseas import	19,864,484	19,803,055	8,273	9,471