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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 the interim report.

2. All members of the Board of the Company attended the board meeting.

3. The interim report of the Company is unaudited, but reviewed by the Audit Committee 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 interim report.

5. The profit distribution plan for the reporting period or the plan for converting the public reserve fund into share capital after consideration by the board of directors.
   The Board of Directors recommended to distribute 2018 interim cash dividend of RMB0.05 per share (including tax), and no capital reserve will be transferred to share capital in the interim. The resolution must be approved by the EGM before implementation.

6. The risk statement of forward-looking statements
   Forward-looking statements, including future plans, contained in this report do not constitute any substantive commitments to investors by the Company. Investors should be aware of the relevant risks.

7. No appropriation of fund on a non-operating basis by the controlling shareholder or its related parties was found during the reporting period.

8. There was no violation of regulations, decisions or procedures in relation to provisions of external guarantees during the reporting period.

9. Significant risk warning
   The report analyzes major risks faced by the Company. Please refer to "(2) Potential risks” of “2. Other Disclosures” of “IV. Discussion and Analysis on Operation”.

10. Others
    This report is prepared in both Chinese and English. In the event of any discrepancy between the Chinese and English versions, please subject to Chinese text.
I. Definitions

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

Definitions of common terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Company and Magang</td>
<td>Maanshan Iron and Steel Company Limited</td>
</tr>
<tr>
<td>The Group</td>
<td>the Company and its subsidiaries</td>
</tr>
<tr>
<td>The Group Company</td>
<td>Magang (Group) Holding Company Limited</td>
</tr>
<tr>
<td>Board of Directors or the Board</td>
<td>the board of directors of the Company</td>
</tr>
<tr>
<td>Directors</td>
<td>the directors of the Company</td>
</tr>
<tr>
<td>Supervisory Committee</td>
<td>the supervisory committee of the Company</td>
</tr>
<tr>
<td>Supervisors</td>
<td>the supervisors of the Company</td>
</tr>
<tr>
<td>Senior Management</td>
<td>the senior management of the Company</td>
</tr>
<tr>
<td>Hong Kong Stock Exchange</td>
<td>the Stock Exchange of Hong Kong Limited</td>
</tr>
<tr>
<td>SSE</td>
<td>Shanghai Stock Exchange</td>
</tr>
<tr>
<td>A Shares</td>
<td>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</td>
</tr>
<tr>
<td>H Shares</td>
<td>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</td>
</tr>
<tr>
<td>SD&amp;C Shanghai Branch</td>
<td>Shanghai Branch of China Securities Depository and Clearing Corporation Limited</td>
</tr>
<tr>
<td>PRC</td>
<td>the People’s Republic of China</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>the Hong Kong Special Administrative Region RMB means Renminbi</td>
</tr>
<tr>
<td>yuan</td>
<td>RMB yuan</td>
</tr>
<tr>
<td>CSRC</td>
<td>China Securities Regulatory Commission</td>
</tr>
<tr>
<td>CISA</td>
<td>China Iron and Steel Association</td>
</tr>
</tbody>
</table>
The Articles of Association means The articles of association of Maanshan Iron and Steel Company Limited

Masteel Finance means Magang Group Finance Co. Ltd., a controlling subsidiary of the Company

Hefei Company means Ma Steel (Hefei) Iron & Steel Co., Ltd., a controlling subsidiary of the Company

Environmental Protection Company; Xinchuang Environmental Protection means Anhui Xinchuang Energy Saving and Environment Protection Science and Technology Company, Limited, a controlling subsidiary of the Group Company, and an investee subsidiary of the Company

Changjiang Steel means Anhui Changjiang Steel Co., Ltd., a controlling subsidiary of the Company

CRCC means China Railway Test & Certification Center

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

Hong Kong Company means Ma Steel (Hong Kong) Iron & Steel Co., Ltd., a controlling subsidiary of the Company

Jinma Energy means Henan Jinma Energy Co., Ltd., a investee of the Company

reporting period means From 1 January 2018 to 30 June 2018
II. Company Introduction and Major Financial Indicators

1. COMPANY PROFILE

Statutory Chinese name of the Company 馬鞍山鋼鐵股份有限公司
Statutory Chinese short name of the Company 馬鋼股份
Statutory English name of the Company MAANSHAN IRON & STEEL COMPANY LIMITED
Statutory English short name of the Company MAS C.L.
Legal representative of the Company Ding Yi

2. CONTACT PERSON

Secretary of the board of directors, joint company secretary

Name He Hongyun
Correspondence address No.8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC
Telephone 86-555-2888158/2875251
Fax 86-555-2887284
Email address mggfmds@magang.com.cn

Joint company secretary

Name Rebecca Chiu
Room 1204-16, 12/F, The Chinese Bank Building, 61-65 Des Voeux Road, Central
Telephone (852) 2155 2649
Fax (852) 2155 9568
Email address rebeccachiu@chiuandco.com

3. BASIC INFORMATION

Registered address No.8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC
Postal code of the registered address 243003
Office address No.8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC
Postal code of the office address 243003
Email address mggfmds@magang.com.cn

4. INFORMATION DISCLOSURE AND CHANGES IN LOCATION FOR INSPECTION

Name of newspaper designated for information disclosure Shanghai Securities News
Internet website designated by CSRC for interim report publication www.sse.com.cn
Location for inspection of interim report of the Company The secretariat office of the Board of Maanshan Iron & Steel Company Limited
5. **BRIEF INFORMATION ON THE SHARES OF THE COMPANY**

<table>
<thead>
<tr>
<th>Type of shares</th>
<th>Stock exchange for listing of shares</th>
<th>Short name of stock</th>
<th>Stock code</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Shares</td>
<td>The Shanghai Stock Exchange</td>
<td>Magang Stock</td>
<td>600808</td>
</tr>
<tr>
<td>H Shares</td>
<td>The Stock Exchange of Hong Kong Limited</td>
<td>Maanshan Iron&amp; Steel</td>
<td>00323</td>
</tr>
</tbody>
</table>

6. **MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS**

1. **MAJOR ACCOUNTING DATA**

   **Unit: RMB**

   **Increase/decrease at the reporting period**

   **As at the end of the reporting period**

   **As at the end of the previous year**

   **Increase/decrease at the end of the reporting period**

<table>
<thead>
<tr>
<th>Major accounting data</th>
<th>Reporting period (January to June)</th>
<th>Corresponding period of the previous year</th>
<th>Increase/decrease at the reporting period (%)</th>
<th>As at the end of the reporting period</th>
<th>As at the end of the previous year</th>
<th>Increase/decrease at the end of the reporting period (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>40,063,041,443</td>
<td>35,187,579,640</td>
<td>13.86</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</td>
<td>3,428,518,933</td>
<td>1,643,396,514</td>
<td>108.62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit excluding non-recurring gains or losses</td>
<td>3,056,663,763</td>
<td>1,531,119,148</td>
<td>186.41</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>4,180,394,974</td>
<td>1,459,592,056</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets attributable to owners of the parent</td>
<td>26,039,263,608</td>
<td>23,895,739,812</td>
<td>8.97</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>73,078,028,237</td>
<td>72,191,589,979</td>
<td>1.23</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
II. Company Introduction and Major Financial Indicators (Continued)

## 2. MAJOR FINANCIAL INDICATORS

<table>
<thead>
<tr>
<th>Major Financial Indicators</th>
<th>Reporting period (January to June)</th>
<th>Corresponding period of the previous year</th>
<th>Increase/ decrease at the reporting period as compared to the corresponding period of the previous year (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic earnings per share (RMB/share)</td>
<td>0.4452</td>
<td>0.2134</td>
<td>108.62</td>
</tr>
<tr>
<td>Diluted earnings per share (RMB/share)</td>
<td>0.4452</td>
<td>0.2134</td>
<td>108.62</td>
</tr>
<tr>
<td>Basic earnings per share excluding non-recurring gains or losses (RMB/share)</td>
<td>0.3969</td>
<td>0.1988</td>
<td>99.65 Increase by 5.41 percentage points</td>
</tr>
<tr>
<td>Return on net assets (weighted average) (%)</td>
<td>13.39</td>
<td>7.98</td>
<td>4.50 percentage points</td>
</tr>
<tr>
<td>Return on net assets excluding non-recurring gains or losses (weighted average) (%)</td>
<td>11.94</td>
<td>7.44</td>
<td></td>
</tr>
</tbody>
</table>
7. DIFFERENCES ON ACCOUNTING DATA UNDER ACCOUNTING POLICIES IN DOMESTIC AND ABROAD

☐ Applicable  ✔️ Not applicable

8. NON-RECURRING GAINS OR LOSSES ITEMS AND AMOUNT

<table>
<thead>
<tr>
<th>Non-recurring gains or losses items</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains from disposal of non-current assets</td>
<td>53,182,354</td>
</tr>
<tr>
<td>Losses from disposal of non-current assets</td>
<td>–578,928</td>
</tr>
<tr>
<td>Government grants not related to the Company’s daily activities</td>
<td>93,314,943</td>
</tr>
<tr>
<td>Government grants related to the Company’s daily activities</td>
<td>44,152,109</td>
</tr>
<tr>
<td>Employee termination benefits</td>
<td>–53,852,419</td>
</tr>
<tr>
<td>Reversal of provision for receivables assessed for impairment individually</td>
<td>487,578</td>
</tr>
<tr>
<td>Loss on fair value changes of financial assets held for trading</td>
<td></td>
</tr>
<tr>
<td>at fair value through profit or loss</td>
<td>–8,960,465</td>
</tr>
<tr>
<td>Investment income from disposal of a subsidiary</td>
<td>173,624,062</td>
</tr>
<tr>
<td>Investment income from disposal of financial assets held for trading</td>
<td></td>
</tr>
<tr>
<td>at fair value through profit or loss</td>
<td>61,809,574</td>
</tr>
<tr>
<td>Investment income from disposal of debt instruments investments</td>
<td>26,523,097</td>
</tr>
<tr>
<td>Net non-operating income and expenses other than the above items</td>
<td>392,285</td>
</tr>
<tr>
<td>Impact of income tax</td>
<td>–10,306,386</td>
</tr>
<tr>
<td>Impact of non-controlling interests</td>
<td>–7,932,634</td>
</tr>
<tr>
<td>Total</td>
<td>371,855,170</td>
</tr>
</tbody>
</table>

Unit: RMB
III. Overview of the Company’s Business

1. INTRODUCTION OF THE COMPANY’S MAJOR BUSINESSES AND OPERATION MODEL AND INDUSTRY PERFORMANCE DURING THE REPORTING PERIOD

(1) MAIN BUSINESS AND OPERATION

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

Plates: Major products include thin plates and medium plates. Thin plates can be further categorized into hot and cold-rolled thin plates, galvanized plates and coil-coating plates. Hot-rolled thin plates are mostly used in the construction, automobile, bridge-building, machinery businesses and petroleum transportation, while cold-rolled thin plates are used in high-grade light industries, home electrical appliances, and medium and high-grade production of automobile parts. Galvanized plates are positioned to be used as automobile plates, home electrical appliances plates, high-grade construction plates, and plates for businesses like packaging and utensil manufacturing. Coil-coating plates can be used in both interior and exterior of buildings, home electrical appliances and steel windows. Standards adopted by thin plate products of the Company include GB, the national standard of the PRC, Japan’s JIS standard, Germany’s DIN standard and the US ASTM standard. Medium plates are widely used in boilers, pressurized utensils, shipbuilding, container manufacturing, and so forth. Plates used for building ship structures have been endorsed by certificates issued by six ship classification societies from China, the United Kingdom, Germany, the United States, France and Norway.
**Long Products:** Major products include section steel and wire rod. H beams is mostly used in construction, steel structures, machinery manufacturing and the construction of petroleum drilling platforms and railways. It has been awarded the “Golden Cup Prized of Quality Metal Products” and has been hailed as a “Reliable and Reputable Construction Material Brand Name Product” by the China Construction Materials Enterprise Management Association and selected in the Catalog of China’s Top Brands by the China Promotion Commission for Top Brand Strategy. The Company owns the core technology and patent of the shock and fire resistant H-shaped steel for construction. The H beams have been certified under the Japanese JIS standards, Korean KS standards, European Union CE mark, H beams for offshore petroleum platform have been endorsed by certificates issued by ship classification societies from China and German. Common medium-shaped steel is mostly used in construction structures, machinery manufacturing and steel structures used in shipbuilding. It has also been awarded the “Golden Cup Prize of Quality Metal Products”. The stable corten steel has passed the onsite review of China Railways Product Certification Center (“CRCC”). Highspeed wire rod products are mostly used in the production of fasteners, strand steel wires and spring steel wires, and are occasionally used in construction materials. The Company owns the core technology and patent of the high-efficiency, low-cost cold heading steel with online softening. Hot-rolled ribbed bars are mainly used in construction. It has been acclaimed “The First Lot of Quality Products Exempted from Inspection” by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, and has been hailed as a “Reliable and Reputable Construction Material Brand Name Product” by the China Construction Materials Enterprise Management Association. It has also been endorsed by the registered BS standards in Hong Kong. Hot-rolled ribbed bars and hot-rolled wire rods have been endorsed by the quality control system certification and product certification of the UK Certification Authority for Reinforcing Steels (CARES).
III. Overview of the Company’s Business (Continued)

**Wheels and axles:** Major products include train wheels, axles and rings, which are widely used in railway transport, port machinery, petrochemical industries, aerospace industry, and so forth. Train wheel products are bestowed the honor of “Famous Brand of China”. The Company owns the core technology and patent of steels for high-speed train wheels. High-speed wheels of standardized electric multiple units have passed the CRCC product certification and obtained the first CRCC certification in China. The production quality assurance system for train wheels is accredited with authoritative certifications including the ISO9001: 2016, ISO/TS 22163 and AAR M-1003. Train wheels have been endorsed by a variety of product certification including AAR M-107 issued by North American Railway Committee, TSI issued by European Union and RISAS issued by United Kingdom. They have been certificated by many foreign customers, including General Electric Company, Deutsche Bahn and Alstom.

During the reporting period, the operation modes, major driving factors of performance did not experience substantial change.

(2) **INDUSTRY PERFORMANCE**

During the first half of 2018, international trade environment became increasingly complicated, China’s national economic performance remained steady and showed improvement, GDP grew by 6.8%. The government continued to promote structural reforms on the supply side, vigorously carried out environmental protection supervision, and consolidated the results of de-capacity through measures such as prohibiting new steel production capacity, and the supply and demand of steel were basically balanced. During the first half of the year, the average composite price index for domestic steel products was approximately 114.60 points, representing a year-on-year increase of 14.84%. The consolidated price index for domestic steel products as at the end of June was 115.80 points, up 14.51% compared with corresponding period of the previous year, and down 4.93% compared with the end of last year. According to China Iron and Steel Association (CISA), member companies posted an average profit margin of 7.07% in the first half of this year, indicating a year-on-year improvement, basically reached the profit rate of industrial enterprises above designated size.

As for raw materials and fuels, iron ore price remained stable in the second quarter after a leap-up and tall-down in the first quarter. During the first half of 2018, according to China Customs, average price of imported iron ore decreased approximately 13% year-on-year. While according to CISA until the end of June, the price of coking coal rose 18.59% year-on-year, coke prices rose 36.89% year-on-year, scrap prices rose 47.41% year-on-year, the price of accessories such as electrodes and limestone also increased significantly, and the cost pressure of steel companies increased.
As for imports and exports, according to CISA, exported steel products during the first half of 2018 amounted to 35,460,000 tonnes, a decrease of 13.2% as compared with corresponding period of the previous year, while imported steel products amounted to 6,670,000 tonnes, a decrease of 1.9% as compared with corresponding period of the previous year. The accumulated net export of equivalent crude steel amounted to 29,790,000 tonnes, a decrease of 15.5% as compared with corresponding period of the previous year.

2. **DURING THE REPORTING PERIOD, THE STATEMENT OF MATERIAL CHANGE IN THE COMPANY’S MAJOR ASSETS**

During the reporting period, the Company’s equity assets, fixed assets, intangible assets, construction in progress and other major assets did not undergo material changes.

Among them: overseas assets amounted to RMB3.5 billion, accounting for 4.79% of total assets.

3. **THE COMPANY’S CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD**

1. **LOCATION ADVANTAGE**

   The Company is located in the Eastern China where economic activities are active, and it is close to the downstream market; transportation is convenient.

2. **PRODUCT STRUCTURE ADVANTAGE**

   The Company is expertized in three products, “plates, long products and wheels and axles”, which flexibly configured, enable to enlarge the percentage of high value-added products.

3. **TECHNICAL ADVANTAGE**

   In the first six months, the Company has applied 165 patents, which included 110 invention patents; applied 1 PCT patent and issued 80 patents, which included 38 invention patents. As of 30 June 2018, the Company had owned 1,168 valid patents and 3,828 technical know-hows (non-patent technologies).

4. **TALENTS ADVANTAGE**

   The Company has always attached great importance to core technical team building. On one hand, it makes double efforts to attract and retain talents of high caliber and to foster leadership. On the other hand, it seeks to turn out leaders in each discipline from the team of senior technology leaders. The Company has 67 senior technology leaders, due to the end of the report period.
IV. Discussion and Analysis on Operation

1. THE MANAGEMENT DISCUSSIONS AND ANALYSIS

1. PRODUCTION AND OPERATION OF THE COMPANY

During the first half of 2018, faced with the new trends in the country and new changes in the industry, the Company held on closely to the work morale of “accelerating the enhancement of innovative competitiveness” and the fundamental requirement of high quality development implemented the innovation-driver strategy, grasped the favourable opportunities, insisted on strengthening the brand and adjusted the structure to optimize the resource allocation in real time. Under the active implementation of the policy to reduce excess capacity, as well as the elimination of two 420m³ shaft furnaces, the favourable trend in production and operation last year continued with a significant improvement in operating performance.

During the reporting period, the Group produced an aggregate of 9.17 million tonnes of pig iron, representing a decrease of 1.61% as compared to the same period last year; produced 9.99 million tonnes of crude steel and 9.52 million tonnes of steel, representing increases of 0.20% and 0.95% respectively as compared to the same period last year (of which the Company produced 7.3 million tonnes of pig iron, representing a slight decrease as compared to the same period last year; produced 7.93 million tonnes of crude steel and 7.41 million tonnes of steel, representing growth of 1.15% and 1.09% as compared to the same period last year respectively). The Group’s revenue amounted to approximately RMB40.063 billion, representing an increase of 13.86% as compared to the same period last year; net profit attributable to owners of the parent amounted to approximately RMB3.429 billion, representing an increase of 108.62% as compared to the same period last year. At the end of the reporting period, the Group’s asset-liability ratio was 59.83%, representing a decrease of 2.44 percentage points as compared to the end of 2017. Upon joint assessment by China Chengxin International Credit Rating Co., Ltd. and China Lianhe Credit Rating Co., Ltd, the Company’s credit rating was adjusted upward from “AA+” to “AAA”.

During the reporting period, principal activities of the Company included:

- Enhanced the competitiveness of technological innovation with stable and highly-efficient production. Iron-making system shaft furnaces operated steadily. Under a controlled low iron/steel ratio, steel rolling system mainly relied on advances in technological indicators to effectively control the exhaustion of steel and iron. Iron ore consumption in iron-making process recorded a year-on-year decrease of 10kg/t. Metal consumption in steel-making process recorded a year-on-year decrease of 7.3kg/t. Comprehensive energy consumption per ton of steel recorded a year-on-year decrease of 9.15 kg/t.
• Commenced lean factory construction activities and continued to promote lean management. Model unit acted as the pioneer while other units bridged actively, with operation standard continued to improve. During the activities, the motto “all members, all area and at all time” is highlighted and integrated with standardized practice, efficiency control and corporate culture, optimizing iron-steel ratio and unleash iron-making capacity. In the first half of the year, coke ratio recorded a year-on-year decrease of 11 kg per tonne iron and coal injection rate recorded a year-on-year increase of 12.8 kg per tonne iron. Converter utilization coefficient and output per heat of steel also showed improvement.

• Diversified product types, strengthened brand image and enhanced competitiveness of product innovation. The Company continued to improve product structure, during the first half of the year, steel proportion is 54.5%, representing an increase of 4.6 percentage points as compared to the same period last year. Product mix adjustment for hot-rolled product showed distinct effect where the production for bulk container steel, submerged pipeline steel, railroad steel and construction mechanical device steel etc increased by approximately 40%. New progress is attained in high-end customers’ recognition: auto-sheet and special steel are gradually introducing new customers. In the first half of 2018, the output of auto sheet reached 1.42 million tonnes, representing an increase of 31.5% year-on-year.

• Lean sales and enhancement of market innovative enhancement. The Company strengthened its prediction of steel market, seized the trend of price differentiation in the plates and long products markets to optimize resource allocation and realized higher production and better efficiency of products with higher returns. In addition, we improved the sales framework by increasing the proportion of high value-added products and enlarged the brand impact in circulated product market. In the first half of the year, the Group’s total sales of steel products amounted to 9.49 million tonnes, among which 4.48 million tonnes are long products, 4.90 million tonnes are steel plates and 0.11 million tonnes are wheels and axles.

• Adopt the environmental management philosophy with strict fulfillment of responsibilities, create an environmentally-friendly enterprise. In the first half of the year, the Company vigorously implemented comprehensive environmental rectification, completed environmental protection projects such as silicon steel water treatment and efficiency improvement, accelerated the transition from “required to be environmental-friendly” to “want to be environmental-friendly”, promoted the change of mindset through system, and effectively solved environmental risks. With the optimization of industrial structure and the implementation of upgrading and rebuilding of environmental protection equipment, total energy consumption and total pollutant emissions of the Company have been noticeably reduced, with the total emissions of SO₂ and smoke dust decreased by 4.8% respectively, as compared to to the same period last year.
IV. Discussion and Analysis on Operation (Continued)

2. **THE ENVIRONMENT FOR PRODUCTION AND OPERATION AND COPING STRATEGIES**

In the second half of the year, with a more challenging international trade environment, the state will expand domestic demand, deepen reforms and lay the foundation for achieving stable and healthy economic development by various policies. The steel industry will continue to adhere to the philosophy of green development, unwaveringly address overcapacity and consolidate the results of overcapacity reduction in recent years, and maintain the operating environment of the industry which shows improvement. The Company will firmly grasp the opportunity of supply side structural reform of the industry, and the improvement of corporate efficiency, adhere to the theme of “accelerating the improvement of innovation competitiveness”, and strive to strengthen benchmarking and continuous improvement through innovation in terms of technology, products, market, site, management and culture etc., and address major contradictions and issues affecting the current and long-term development of the Company; take “The Brand Is Around Us” project as the central task to expand varieties of products, improve quality, strengthen brands, and pursue excellence. At the same time, faced with the tightening of the country’s environmental protection policy, which transformed the pressure into driving force, the Company continuously improve the quality of economic operations, and strive to achieve breakthroughs in improving environmental-friendly manufacturing and pollution prevention and control, as well as achieving high quality development.

3. **FINANCIAL POSITION AND EXCHANGE RATE RISKS**

As of 30 June 2018, the total loans of the Group amounted to RMB13,453 million, including short-term loans of RMB6,843 million and long-term loans of RMB6,610 million. Among loans of the Group, there were loans amounting to US$414 million (of which US$216 million was import deposit) and Euro 24 million, and all other loans were denominated in Renminbi. Among the Renminbi-denominated loans of the Group, loans amounting to RMB3,387 million carried fixed interest rates and loans amounting to RMB7,142 million carried floating interest rates. Among the foreign currency loans, loans amounting to US$396 million carried fixed interest rates and US$18 million carried floating interest rates. Euro denominated loans amounting to Euro 14 million carried fixed interest rates, and Euro 10 million carried floating interest rates.

The Group issued two tranches of medium-term note totalling RMB4 billion in 2015, which due with payment completed in July and August 2018 respectively; and issued two tranches of short-term commercial paper totalling RMB3 billion in 2017, of which, RMB2 billion of the first tranche due with payment completed in April 2018. Short-term commercial paper of RMB1 billion was issued in June 2018. The Group’s magnitude of loans and borrowings varies along with the scale of production and construction projects and there were no overdue loans in the current period.

At present, the Group finance 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 RMB41,891 million, of which RMB25,701 million was unutilized.

As of 30 June 2018, the Group’s cash and bank balances amounted to RMB7,538 million and notes receivable amounted to RMB6,806 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.

4. INTERNAL CONTROL AND RISK MANAGEMENT

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 effectively recognize and control its major risks.

The Board reviewed and approved the “2017 Internal Control Assessment Report” on 20 March 2018. The report confirms that the Company implemented an effective internal control related to financial report over all important aspects pursuant to the enterprises internal control norms system 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 2017 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.

The hearing of “2017 Risk Supervision and Evaluation Report” by the Board of Directors was made on 20 March 2018, confirming that the Company would take appropriate control measures for strategic risks, financial risks, market risks, operational risks, legal risks and environmental risks, etc. in 2017 and the risks were under control.
(1) ANALYSIS OF PRINCIPAL OPERATION

1 Analysis of the change in accounts of the financial statements

<table>
<thead>
<tr>
<th>Accounts</th>
<th>Amount of the current period</th>
<th>Amount of the same period of last year</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>40,063,041,443</td>
<td>35,187,579,640</td>
<td>13.86</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>34,002,350,727</td>
<td>31,308,620,140</td>
<td>8.60</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>465,095,326</td>
<td>412,156,137</td>
<td>12.84</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>698,585,993</td>
<td>653,425,560</td>
<td>6.91</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>574,785,327</td>
<td>528,207,382</td>
<td>8.82</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>4,180,394,974</td>
<td>1,459,592,056</td>
<td>186.41</td>
</tr>
<tr>
<td>Net cash flows used in investing activities</td>
<td>–1,966,097,407</td>
<td>–2,128,708,572</td>
<td>N/A</td>
</tr>
<tr>
<td>Net cash flows used in financing activities</td>
<td>–255,407,786</td>
<td>–180,321,712</td>
<td>N/A</td>
</tr>
<tr>
<td>Research and development expenditure</td>
<td>576,000,000</td>
<td>385,000,000</td>
<td>49.61</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>381,791,868</td>
<td>16,593,410</td>
<td>2,200.86</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>57,950,358</td>
<td>107,667,257</td>
<td>–46.18</td>
</tr>
<tr>
<td>Credit impairment losses</td>
<td>22,658,394</td>
<td>–</td>
<td>N/A</td>
</tr>
<tr>
<td>Other income</td>
<td>44,152,109</td>
<td>83,563,376</td>
<td>–47.16</td>
</tr>
<tr>
<td>Investment income</td>
<td>560,777,607</td>
<td>286,628,017</td>
<td>95.65</td>
</tr>
<tr>
<td>(Loss)/gain on the changes in fair value</td>
<td>–8,960,465</td>
<td>14,148,342</td>
<td>–163.33</td>
</tr>
<tr>
<td>Gain/(loss) from disposal of non-current assets</td>
<td>52,603,426</td>
<td>–42,907,112</td>
<td>N/A</td>
</tr>
<tr>
<td>Non-operating income</td>
<td>96,622,262</td>
<td>69,899,116</td>
<td>38.23</td>
</tr>
<tr>
<td>Non-operating expenses</td>
<td>2,915,034</td>
<td>7,588,005</td>
<td>–61.58</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</td>
<td>3,428,518,933</td>
<td>1,643,396,514</td>
<td>108.62</td>
</tr>
<tr>
<td>Net profit attributable to non-controlling interests</td>
<td>427,726,350</td>
<td>260,737,284</td>
<td>64.04</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operations</td>
<td>–13,094,936</td>
<td>9,821,211</td>
<td>–233.33</td>
</tr>
</tbody>
</table>
Note to changes in revenue: mainly due to increase in steel sales price and sales volume in the current period.

Note to changes in cost of sales: mainly due to increase in procurement price of raw materials and fuel and sales volume in the current period.

Note to changes in selling expenses: mainly due to the increase in transportation costs caused by the increase in steel sales volume in the current period.

Note to changes in general and administrative expenses: mainly due to the increase in salary and surcharge in the current period.

Note to changes in financial expenses: mainly due to the increase in foreign exchange loss and financing costs in the current period.

Note to changes in net cash flows from operating activities: mainly due to the year-on-year increase in cash generated from sale of goods and rendering of services in the current period.

Note to changes in net cash flows used in investing activities: mainly due to the year-on-year increase of cash generated from investment income, disposal of assets and government funding for particular projects in the current period.

Note to changes in net cash flows used in financing activities: mainly due to the amount of repayment of loans exceeded the amount of increase in financing in the current period.

Note to changes in research and development expenditure: mainly because to enhance the overall R&D capability of the Company and enhance its competitiveness in the high-end product market, the Company further intensified its R&D input, expanded the product development and accelerated its product upgrade during the reporting period.

Note to changes in R&D expenses: mainly because the Company intensified R&D of new technologies and products this year for technology-supported transformation and upgrading as well as executed many national key R&D programs and provincial science and technology major projects in the current period.
Note to changes in impairment losses: mainly due to the year-on-year decrease of impairment of inventories, as the price of steel products during the reporting period is relatively stable compared with corresponding period of the previous year.

Note to changes in credit impairment losses: mainly resulting from the adoption of new financial instruments standards in 2018, the impairment loss from financial assets is included in this account.

Note to changes in other income: mainly resulting from the decrease of government grants as compared with corresponding period of the previous year.

Note to changes in investment income: mainly resulting from the increase in share of profits of associates and joint ventures and gains from disposal of a subsidiary in the current period as compared with corresponding period of the previous year.

Note to changes in (loss)/gain on changes in fair value: mainly due to the change in book profit to book loss as the Company’s futures products had not been settled at the end of this period.

Note to changes in gain/(loss) from disposal of non-current assets: mainly due to the increase in gain resulting from land disposal by the Company and from Ma Steel (Hefei) disposal of partial obsolete assets during the reporting period.

Note to the changes in non-operating income: mainly resulting from the fund subsidize, which helps to facilitate capacity cuts, increased as compared with corresponding period of the previous year.

Note to changes in non-operating expenses: mainly resulting from the decrease in compensation for trade accrued by the company in this period as compared with corresponding period of the previous year.

Note to the changes in net profit attributable to owners of the parent: mainly due to the increase in gross margin of the steel products this period as compared with corresponding period of the previous year.
Note to the changes in net profit attributable to non-controlling interests: mainly due to the increase in profits of non-wholly-owned subsidiaries this period as compared with corresponding period of the previous year.

Note to the changes in the exchange differences on translation of foreign operation: mainly due to the appreciation in RMB to Australian dollar and Euro during the reporting period.

2 Others

No significant change incurred in the composition or sources of the Company profit.
IV. Discussion and Analysis on Operation (Continued)

(2) NON-PRINCIPAL OPERATIONS DID NOT CAUSE SIGNIFICANT CHANGES IN PROFIT

(3) ANALYSIS OF ASSETS AND LIABILITIES

1. Assets and liabilities

<table>
<thead>
<tr>
<th>Item</th>
<th>Closing balance of the current period</th>
<th>Percentage of closing balance of the current period in total assets (%)</th>
<th>Closing balance of last year</th>
<th>Percentage of closing balance of last year in total assets (%)</th>
<th>Year-on-year change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances</td>
<td>7,538,181,813</td>
<td>10.32</td>
<td>4,978,352,093</td>
<td>6.90</td>
<td>51.42</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>–</td>
<td>–</td>
<td>1,546,139,404</td>
<td>2.14</td>
<td>–100.00</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>1,928,207,037</td>
<td>2.64</td>
<td>–</td>
<td>–</td>
<td>N/A</td>
</tr>
<tr>
<td>Current portion of held-to-maturity investments</td>
<td>–</td>
<td>–</td>
<td>305,228,376</td>
<td>0.42</td>
<td>–100.00</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1,766,370,623</td>
<td>2.42</td>
<td>1,251,315,253</td>
<td>1.73</td>
<td>41.16</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>117,019,986</td>
<td>0.16</td>
<td>73,454,334</td>
<td>0.10</td>
<td>59.31</td>
</tr>
<tr>
<td>Current portion of debt instruments investments</td>
<td>1,490,426,489</td>
<td>2.04</td>
<td>–</td>
<td>–</td>
<td>N/A</td>
</tr>
<tr>
<td>Available-for-sale financial investments</td>
<td>–</td>
<td>–</td>
<td>1,111,168,160</td>
<td>1.54</td>
<td>–100.00</td>
</tr>
<tr>
<td>Non-current portion of held-to-maturity investments</td>
<td>–</td>
<td>–</td>
<td>100,854,230</td>
<td>0.14</td>
<td>–100.00</td>
</tr>
<tr>
<td>Non-current portion of the debt instruments investments</td>
<td>51,148,671</td>
<td>0.07</td>
<td>–</td>
<td>–</td>
<td>N/A</td>
</tr>
<tr>
<td>Other equity instruments investments</td>
<td>143,120,746</td>
<td>0.20</td>
<td>–</td>
<td>–</td>
<td>N/A</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>2,372,168,752</td>
<td>3.25</td>
<td>1,805,955,609</td>
<td>2.50</td>
<td>31.35</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>1,013,146,250</td>
<td>1.39</td>
<td>308,100,956</td>
<td>0.43</td>
<td>228.84</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>6,843,480,037</td>
<td>9.36</td>
<td>4,630,303,694</td>
<td>6.41</td>
<td>47.80</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>–</td>
<td>–</td>
<td>10,498,810</td>
<td>0.01</td>
<td>–100.00</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>586,371,827</td>
<td>0.80</td>
<td>1,342,836,597</td>
<td>1.86</td>
<td>–56.33</td>
</tr>
<tr>
<td>Other payables</td>
<td>5,060,925,606</td>
<td>6.93</td>
<td>2,354,327,866</td>
<td>3.26</td>
<td>114.96</td>
</tr>
<tr>
<td>Non-current liabilities due within one year</td>
<td>7,885,584,392</td>
<td>10.79</td>
<td>4,928,759,378</td>
<td>6.83</td>
<td>59.99</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>2,038,424,932</td>
<td>2.79</td>
<td>3,081,026,301</td>
<td>4.27</td>
<td>–33.84</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>2,933,486,964</td>
<td>4.01</td>
<td>6,975,958,634</td>
<td>9.66</td>
<td>–57.95</td>
</tr>
<tr>
<td>Long-term payables</td>
<td>–</td>
<td>–</td>
<td>210,000,000</td>
<td>0.29</td>
<td>–100.00</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>5,432,175,348</td>
<td>7.43</td>
<td>3,643,443,763</td>
<td>5.05</td>
<td>49.09</td>
</tr>
</tbody>
</table>
• Compared with the end of last year, the cash and bank balances increased by 51.42%, which was mainly caused by the increase in operating cash inflows and the increase in financing of forfaiting business at the same time of the Company’s profitability in the current period.

• The loans and advances to customers increased by 41.16% from the end of last year, mainly due to the increase in the amount of discount for bills of the group’s external entities by the Masteel Financial in the current period.

• The assets classified as held for sale increased by 59.31% from the end of the previous year, mainly due to the accounting of the listed and sold assets of Hefei Company in this period.

• The construction in progress increased by 31.35% compared with the end of last year, mainly due to the increased completion schedule of the special steel bar and wire rod deep processing and other projects in the current period.

• The repurchase agreements increased by 228.84% compared with the end of the previous year, mainly due to the increase in the amount of funds pledged by Masteel Financial into other financial institutions in the current period.

• Short-term loans increased by 47.80% from the end of the previous year, mainly due to the increase in short-term letter of credit financing by the Hong Kong subsidiary in the current period.

• Taxes payable decreased by 56.33% compared with the end of last year, mainly due to the company’s payment of taxes payable but not paid at the end of last year.

• Other payables increased by 114.96% from the end of last year, mainly due to the increased dividends declared and unpaid by the Company and its subsidiaries in the current period and the increase in the amount of forfaiting payable by the Company.

• Non-current liabilities due within one year increased by 59.99% over the end of last year, mainly due to the increase in long-term loans due within one year of the Company and its subsidiaries in the current period.

• Other current liabilities decreased by 33.84% from the end of last year, mainly due to the maturity of the 1 billion one-year short-term financing notes issued by the Company last year.
• Long-term loans decreased by 57.95% compared with that at the end of last year, mainly due to the maturity of the Company’s long-term loans in one year and the reclassification of non-current liabilities due in one year.

• Long-term payables were zero and RMB210,000,000 at the end of last year, mainly because those were reclassified to non-current liabilities due within one year.

• The retained earnings increased by 49.09% over the end of last year, mainly due to the profits of the group during the current period.

In addition to the above items, the changes in other items listed in the table above are mainly due to the implementation of the new financial instrument standards and the changes in the accounting policies for the relevant accounts.

2. Major restricted assets at the end of the reporting period

At the end of the reporting period, the restricted assets of the Company totaling approximately RMB2,533 million consisted of mandatory reserves with the central bank of approximately RMB724 million, bill deposits placed in bank of approximately RMB1,035 million and bank promissory notes pledged for borrowings of approximately RMB774 million.

(4) INVESTMENT ANALYSIS

1. General Analysis of External Equity Investment

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment amount as at the end of the reporting period of the Company</td>
<td>9,755.41</td>
</tr>
<tr>
<td>Increase/decrease of investment amount</td>
<td>798.40</td>
</tr>
<tr>
<td>Investment amount as at the end of previous year of the Company</td>
<td>8,957.01</td>
</tr>
<tr>
<td>Increase/decrease in investment amount as compared with that of last year (%)</td>
<td>8.91</td>
</tr>
</tbody>
</table>

Unit: RMB million
### Significant Equity Investment

<table>
<thead>
<tr>
<th>Invested company</th>
<th>Equity interest</th>
<th>Main business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anhui Maanshan Iron and Steel Chemical Energy Technology Co. Ltd.</td>
<td>100%</td>
<td>Research, development, production, marketing of chemical products (excluding hazardous chemicals and easy drug production).</td>
</tr>
<tr>
<td>Maanshan Iron &amp; Steel (Shanghai) Commercial Factoring Co. Ltd.</td>
<td>25%</td>
<td>Engaged in receivables financing related to receivables received by the company, sub-account management of sales, receivables collection, bad debt guarantee.</td>
</tr>
<tr>
<td>Maanshan Iron and Steel (Shanghai) Finance Leasing Co., Ltd.</td>
<td>25%</td>
<td>Finance lease business; Leasing business; Purchase leased property at home and abroad; Treatment and maintenance of the residual value of the leased property; Leasing transaction consultation and guarantee.</td>
</tr>
</tbody>
</table>

- Maanshan Iron and Steel (Shanghai) Finance Leasing Co., Ltd. is a joint venture invested by Maanshan Iron and Steel (Hong Kong) Co., Ltd., Maanshan Jiangdong Finance Holding Co., Ltd. and Anhui Xincheng Investment Co., Ltd.
### (2) Significant Non-equity Investment

<table>
<thead>
<tr>
<th>Project name</th>
<th>Budgeted total investment</th>
<th>New investment during reporting period</th>
<th>Project progress (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality projects</td>
<td>6,634</td>
<td>708</td>
<td>46</td>
</tr>
<tr>
<td>Energy-saving and environment protection projects</td>
<td>1,354</td>
<td>257</td>
<td>65</td>
</tr>
<tr>
<td>Equipment advancement and other modification projects</td>
<td>1,263</td>
<td>53</td>
<td>33</td>
</tr>
<tr>
<td>Other projects</td>
<td>N/A</td>
<td>75</td>
<td>N/A</td>
</tr>
<tr>
<td>Total</td>
<td>N/A</td>
<td>1,093</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Details of the main projects are as follows:

<table>
<thead>
<tr>
<th>Project name</th>
<th>Budgeted total investment</th>
<th>Project progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Heavy duty H – section steel rolling line project</td>
<td>1,196</td>
<td>Construction of temporary roads, organization of equipment and tendering</td>
</tr>
<tr>
<td>Section steel upgrade and public and ancillary supporting project</td>
<td>810</td>
<td>Coordination and elimination of defects in the rolling area and installation of equipment for public and ancillary systems</td>
</tr>
<tr>
<td>Special steel bars and wire rods for high-end vehicle spare parts processing and public and ancillary supporting project</td>
<td>650</td>
<td>Construction of temporary roads, organization of equipment and tendering</td>
</tr>
<tr>
<td>Overhaul project of 1# blast furnace</td>
<td>520</td>
<td>Installation and adjustment of rolling mill</td>
</tr>
<tr>
<td>Combination of purification system of coal coking company (Southern District) project</td>
<td>380</td>
<td>Equipment installation and piping fabrication</td>
</tr>
<tr>
<td>Beam blank continuous caster engineering</td>
<td>330</td>
<td>Demolition project review, equipment procurement</td>
</tr>
<tr>
<td>Silicon steel high grade transformation project for cold rolling factory</td>
<td>260</td>
<td>Commissioning of rolling mill and installation of pipeline</td>
</tr>
<tr>
<td>New construction of six – machine and six-strand billet continuous casting project</td>
<td>100</td>
<td>Civil construction</td>
</tr>
<tr>
<td>Total</td>
<td>4,246</td>
<td></td>
</tr>
</tbody>
</table>

The projects were mainly financed by the Company’s own fund and bank loans.
(3) **Financial assets measured at fair value**

<table>
<thead>
<tr>
<th>Item</th>
<th>Opening Balance</th>
<th>Closing Balance</th>
<th>Changes during the period</th>
<th>Impact on the profit of the current period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets held for trading</td>
<td>1,546,139,404</td>
<td>1,928,207,037</td>
<td>382,067,633</td>
<td>-8,960,465</td>
</tr>
<tr>
<td>Other equity instruments investments</td>
<td>163,375,912</td>
<td>143,120,746</td>
<td>-20,255,166</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,709,515,316</td>
<td>2,071,327,783</td>
<td>361,812,467</td>
<td>-8,960,465</td>
</tr>
</tbody>
</table>

Note: The opening balance is the amount adjusted after the change of accounting policies.

(5) **DISPOSAL OF SIGNIFICANT ASSETS AND EQUITY**

During the reporting period, there were no disposal of significant assets or equity.

(6) **ANALYSIS OF THE GROUP’S MAJOR SUBSIDIARIES AND INVESTEES**

- Anhui Changjiang Iron and Steel Co., Ltd. has a registered capital of RMB1,200 million, in which the Company holds a direct stake of 55%. It is mainly engaged in the ferrous metallurgy, production of screw threaded steel, round steel, section steel, angle steel, flat steel, deformed steel, tube blank steel, wire, rod, steel billet, pig iron and industrial gas; as well as the sales and the import and export of iron ore, iron ore fines and scrap steel. During the reporting period, it recorded a revenue of RMB7,113 million, an operating profit of RMB1,115 million and a net profit of approximately RMB851 million. At the end of the reporting period, its total assets and net assets amounted to RMB9,951 million and RMB4,357 million, respectively.

- Ma Steel (Hefei) Iron & Steel Co., Ltd. has a registered capital of RMB2,500 million, in which the Company holds a direct stake of 71%. It is mainly engaged in metallurgy and extended processing of ferrous metals and sale of resulting products, by-products and semi-finished products; production and sale of coke and coke chemical products and energy, extended processing of iron and steel products, production and sale of metallic products. Net profit for the reporting period amounted to RMB54 million. As at the end of the reporting period, it had total assets amounting to RMB4,380 million and net assets of RMB2,068 million.

- Magang Group Finance Co., Ltd. has a registered capital of RMB2,000 million, in which the Company holds a direct stake of 91%. Its business scope is as follows: financial and financing consultancy, credit verification and relevant consultancy, agency business to members of the group, guarantee provided, bill acceptance and discounting, accepting deposits, loans and finance leasing; assisting members of the group in the collection and payment of transaction amount; approved insurance agency business and investment in marketable securities; entrustment loans for members of the group, internal transfer and bill settlement, design of settlement and liquidation plans; engagement in inter-bank borrowing etc. During the reporting period, it recorded a net profit of approximately RMB135 million. At the end of the reporting period, its total assets and net assets amounted to RMB12,534 million and RMB2,837 million, respectively.
IV. Discussion and Analysis on Operation (Continued)

- MG-VALDUNES S.A.S., with registered capital of Euro80.2 million, is mainly specialized in design, manufacturing, processing, putting into production, repairing and maintaining of all kinds of products and facilities that are applied in railway transportation, urban transportation and mechanical industry; sales, import and export of various shapes of steel products. In the reporting period, the net losses amounted to RMB60 million; at the end of reporting period, the total assets were RMB673 million, and the net assets were RMB223 million.

- Ma Steel (Hong Kong) Co., Ltd. has a registered capital of HK$350 million. It is mainly engaged in the production, sale and agency of steel products and trading of pig iron. Net profit for the reporting period amounted to RMB23 million. As at the end of the reporting period, it had total assets amounting to RMB2,644 million and net assets of RMB282 million.

- Anhui Masteel K. Wah New Building Materials Co., Ltd. has a registered capital of US$8.389 million, in which the Company holds a direct stake of 70%. It is mainly engaged in the production, sale and transportation of slag comprehensive utilization products and the provision of related technological consultation services. Net profit for the reporting period was RMB48 million. As at the end of the reporting period, it had total assets amounting to RMB370 million and net assets of RMB258 million.

- Maanshan BOC-Ma Steel Gases Company Limited has a registered capital of RMB468 million and the company directly holds 50% equity, to mainly produce and sell air or liquid form of air products and engage in preparation for other industrial gas products. In the reporting period, the net profits amounted to RMB87 million; at the end of reporting period, the total assets stood at RMB571 million, and the net assets were RMB516 million.

- Henan Jinma Energy Co., Ltd. has a registered capital of RMB535 million, in which the Company holds a direct stake of 26.89%. Its core business includes the production and sales of coke, coal tar, crude benzene, ammonium sulfate and coke oven gas. The core business also includes coke oven gas power and heat generation. During the reporting period, it recorded a net profit of approximately RMB371 million. At the end of the reporting period, its total assets and net assets amounted to RMB3,708 million and RMB1,923 million, respectively.

- Shenglong Chemical Co., Ltd. has a registered capital of RMB568.8 million, in which the Company holds a direct stake of 31.99%. Its core business includes the production and sales of coke, ammonium sulfate, coke; the sales of products for industrial use (hazardous chemicals excluded); the repair and processing of mechanical equipment (special equipment excluded). During the reporting period, it recorded a net profit of approximately RMB408 million. At the end of the reporting period, its total assets and net assets amounted to RMB3,508 million and RMB1,778 million, respectively.

(7) DURING THE REPORTING PERIOD, THE COMPANY HAD NO STRUCTURED ENTITY.
2. OTHER DISCLOSURES

(1) 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

In the first half of the year, the net profit attributable to owners of the parent of the Company was RMB3.429 billion. At present, the business of the company is good and profits are expected to maintain in the third quarter. Accordingly, it is expected that net profit attributable to shareholders of the parent of the Company for the period starting from the beginning of the year to the end of the next reporting period would significantly increase compared to the same period last year (RMB2.74 billion).

(2) POTENTIAL RISKS

(1) Market Risk

The complex and volatile market has brought greater uncertainty to the demand of the steel industry and downstream industries as well as greater difficulty to research the market.

Countermeasures: the company will strengthen market research and judgment, focus on tracking the trend of raw material market, strengthen inventory management, and ensure the stable and smooth operation of production as planned.

(2) Policy Risk

In recent years, the national environmental protection policy has become increasingly strict, among which the expansion of production-restricted area in the heating season has a relatively large impact on the raw materials and fuels supply as well as production and operation of iron and steel enterprises.

Countermeasures: through flexible production organization, the company will enhance the flexibility of production plan, formulate the response plan to limit production, guarantee the supply of raw materials and fuels, and ensure the normal production and operation of the company. The company will carry out the transformation from the aspects of organized discharge, logistics and transportation. While meeting the requirements of the ultra-low emission reconstruction scheme, the company will take measures in management, technology and projects to comprehensively improve the level of sewage treatment, solid disposal, comprehensive utilization and energy utilization.

(3) Foreign Exchange Risk

Since this year, the RMB’s exchange rate has fluctuated sharply. The change of exchange rate brings certain price risk to the import of raw materials and the export of products, which may bring risk to the Non-RMB liabilities of the company.

Countermeasures: actively adjust the company’s debt structure and capital status, expand financing channels, increase the export of products, increase foreign exchange income, and maintain the basic balance of the company’s foreign exchange assets and liabilities.
(3) OTHER DISCLOSURES

- **Work of Audit Committee**
  During the reporting period, the Audit Committee of the board of directors held three meetings. Members of the Audit Committee (Ms. Zhu Shaofang, Ms. Zhang Chunxia and Mr. Wang Xianzhu as independent directors) attended all meetings. Main agenda of the meetings were: Discussion of 2017 results forecast and related issues, review of the changes in accounting policies and review of 2017 profit distribution plan, review of 2017 audited financial report, hearing of 2017 internal control work report, review of 2017 internal control evaluation report, hearing of 2017 work report of related party transactions, review of 2017 related party transactions, review of 2017 external guarantees, review of 2017 remuneration and renewal of engagement with auditors and review of unaudited financial report of the first quarter of 2018 etc.

- **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 Company and its affiliated companies purchase or resale any of the listed stocks.

- **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.

- **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.

- **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.

- **Shareholders’ Rights**
  Any shareholder who holds shares carrying 10% or more of the voting rights in the Company, either individually or jointly, has the right to demand an extraordinary general meeting or a class general meeting according to Article 88 of the Articles of Association. When the Company convenes Annual General Meeting, any shareholder who meets the conditions specified in Article 60 of the Articles of Association is entitled to file a new bill with the Company in writing. Shareholders may send inquiries or comments to the Board by mail to the Company’s office in Maanshan, Anhui (No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC).
V. Significant Events

1. SHAREHOLDERS’ GENERAL MEETING

<table>
<thead>
<tr>
<th>Session of Meeting</th>
<th>Date of Meeting</th>
<th>Link to Specified Website for Publishing Resolutions</th>
<th>Publishing Date of Resolution</th>
</tr>
</thead>
</table>

The following items were on the agenda of the 2017 Annual General Meeting: reviewing and approving the 2017 Directors’ Report, 2017 Supervisors’ Report, 2017 Auditors’ Report and 2017 Profit Distribution Plan, engaging Ernst & Young Hua Ming LLP as the auditor in 2018 and authorizing the Board to determine its remuneration on the basis of the amount in 2017. As for the amendment of the company’s Articles of Association and its annex bill, regarding the company’s registration and issuance of short-term financing securities in the inter-bank market with a total amount of no more than RMB7.8 billion, it is required for the shareholders’ general meeting to authorize the board of directors and authorized persons of the board of directors to determine the specific terms and conditions of short-term financing securities and other related matters according to the company’s requirements. The agenda items were adopted after consideration.

In addition, the meeting heard the report on work for 2017 of the company’s independent directors.

2. PROFIT DISTRIBUTION PROPOSAL OR THE PLAN FOR CAPITALIZING OF CAPITAL RESERVES

(1) PROFIT DISTRIBUTION PLAN OR PLAN FOR THE CAPITALIZATION OF CAPITAL RESERVE DECLARED FOR THE FIRST HALF OF 2018

| Whether to distribute or capitalise | Yes |
| Bonus Shares Distributed Every Ten Shares (share) | 0 |
| Dividends Distributed Every Ten Shares (RMB) (tax included) | 0.5 |
| Transferred Shares Every Ten Shares (share) | 0 |

Description of Relevant Information About Profit Distribution or the plan for capitalizing of capital reserves is as follows.

The Board recommended 2018 interim cash dividend of RMB0.05 per share (tax included), and no capitalization of capital reserve will be conducted during the reporting period.
V. Significant Events (Continued)

The aforesaid plan complies with the provisions of the Company’s Articles of Association and the review process, fully protects the legitimate rights and interests of small and medium-sized investors, and obtains the approval of all directors including independent directors, which will be submitted to an extraordinary general meeting for review. The plan must be approved by the extraordinary general meeting before it can be implemented.

3. PERFORMANCE OF UNDERTAKINGS

(1) UNDERTAKINGS MADE BY RELATED PARTIES INCLUDING ACTUAL CONTROLLER, SHAREHOLDERS, CONNECTED PARTIES, ACQUIRERS AND THE COMPANY DURING THE REPORTING PERIOD OR SUBSISTING TO THE REPORTING PERIOD

<table>
<thead>
<tr>
<th>Type of undertaking</th>
<th>Undertake</th>
<th>Content of undertaking</th>
<th>Time of making the undertaking and its term</th>
<th>Deadline for the fulfillment of undertaking</th>
<th>Undertaking fulfilled on a timely basis</th>
<th>Reasons for non-fulfillment of undertaking</th>
<th>Next steps to be taken after non-fulfillment of undertaking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>The Group Company</td>
<td>The controlling shareholder intended to further acquire A Shares of the Company for not less than RMB409 million at an appropriate price through Magang Investment Limited in a way complying with applicable laws and regulations, and promised the shares acquired would not be sold within six months after the completion of the further acquisition plan.</td>
<td>2015-7-24</td>
<td>No</td>
<td>No</td>
<td>The Group Company was under less stress in 2017 but will redouble its deleveraging efforts in 2018 in response to the de-leveraging drive of the iron and steel industry. As a result, the Group Company is experiencing financial strains and has not raised the fund needed to increase the equity holdings.</td>
<td>Under the premise of ensuring the normal operation of funds, the Group Company will make more efforts to increase the intensity of financing and implement the increased holding in a legitimate and compliance manner</td>
</tr>
</tbody>
</table>

4. APPOINTMENT AND REMOVAL OF AUDITORS

During the reporting period, the board of directors proposed the renewal of Ernst & Young Hua Ming LLP as the Company’s auditor. The resolution was approved by the Company’s 2017 Annual General Meeting on 28 June 2018. During the reporting period, the Company did not change to employ accounting firms, nor did accounting firms issue non-standard auditing reports to the Company.

5. THERE WERE NO INSOLVENCY OR RESTRUCTURING RELATED MATTERS DURING THE REPORTING PERIOD

6. THERE WERE NO MAJOR LITIGATION OR ARBITRATION CASES DURING THE REPORTING PERIOD
7. **NO PUNISHMENT ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL CONTROLLER AND ACQUIRERS WAS MADE BY COMPETENT AUTHORITIES DURING THE REPORTING PERIOD**

8. **EXPLANATION OF THE CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER DURING THE REPORTING PERIOD**

During the reporting period, there were no non-fulfillment of the court’s effective judgements or unsettled expired debts of large amount by the Company, its controlling shareholders and actual controller.

9. **SUBSTANTIAL RELATED PARTY TRANSACTIONS**

   (1) **RELATED PARTY TRANSACTIONS RELATED TO NORMAL OPERATION**

   1. Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation

<table>
<thead>
<tr>
<th>Summary of matter</th>
<th>Index for enquiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Continuing Connected Transaction Agreement” and “Energy Saving and Environmental Protection Agreement” 2016-2018</td>
<td></td>
</tr>
</tbody>
</table>
V. Significant Events (Continued)

Transactions between the Group and the Group Company and its subsidiaries carried out in the normal course of business were settled in cash or notes. The details of which are as follows:

(1) The continuing connected transactions under the “Sale and Purchase of Ore Agreement”

To ensure that the Company has sufficient ore to meet the production demands, the Group Company agreed to continuously provide the Company with ore on a first priority basis.

In the period between 1 January 2018 and 30 June 2018, the transaction between the Company and the Group Company in respect of the 2016-2018 Sale and Purchase of Ore Agreement, which was signed in 2015, was as follows (RMB’000):

<table>
<thead>
<tr>
<th>Amount</th>
<th>Proportion of transaction of the same category (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of iron ore, limestone and dolomite</td>
<td>1,874,412                  23</td>
</tr>
</tbody>
</table>

The prices per ton of iron ore, limestone and dolomite the Group purchases from the Group Company and its subsidiaries every year are negotiated between the parties on arm’s length by referring to comparable market prices and determined as per general terms and conditions during the term of the contract.

All Directors of the Board who are not associated with the Group Company (including Independent Non-executive Directors) considered that those transactions were carried out under normal commercial terms or were no less favorable than the terms agreed between the Company with any independent third party. They were in the best interest of the Company and its shareholders. The continuing related party transactions contemplated under the “Sale and Purchase of Ore Agreement” between the Company and the Group Company were approved at the shareholders’ general meeting. In the reporting period, such transactions were carried out according to the terms for the “Sale and Purchase of Ore Agreement” and their transaction amount was under the annual cap of 2018 for that agreement, amounting to RMB5,425 million.
(2) The continuing connected transactions under the “Energy Saving and Environmental Protection Agreement”

In the period between 1 January 2018 and 30 June 2018, the transaction between in respect of the 2016-2018 Energy Saving and Environmental Protection Agreement, which was signed in 2015, was as follows (RMB’000):

<table>
<thead>
<tr>
<th>Amount</th>
<th>Proportion of transaction of the same category</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy saving and environmental protection engineering and services</td>
<td>352,456</td>
</tr>
<tr>
<td>Sales of useful resources for steel production including slag and coal ash (wastes)</td>
<td>5,262</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>357,718</strong></td>
</tr>
</tbody>
</table>

The price the group receives annually from the environmental protection company for the provision of energy conservation and environmental protection projects and services, as well as the price for the sale of available resources to the environmental protection company, is determined by both parties through fair negotiation during the term of the agreement, with reference to the comparable market transaction price and in accordance with the general commercial terms.

The Energy Saving and Environmental Protection Agreement between the Group and Environment Protection Company was approved by the shareholders at the shareholders’ general meeting. All Directors of the Board who are not associated with the Group Company (including Independent Non-executive Directors) considered that those transactions were conducted under normal commercial terms and were in the best interest of the Company and its shareholders. Their transaction amount did not exceed the annual cap of RMB645 million specified in the agreement.
V. Significant Events (Continued)

(3) The continuing connected transactions under the “Continuing Connected Transaction Agreement”

In the period between 1 January 2018 and 30 June 2018, the transaction in respect of the 2016-2018 Continuing Connected Transaction Agreement, which was signed in 2015, was as follows (RMB’000):

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Proportion of transaction of the same category (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of finished goods related commodities and provision of services</td>
<td>300,521</td>
<td>–</td>
</tr>
<tr>
<td>Purchase of infrastructure spare-parts and related services</td>
<td>2,338,912</td>
<td>96</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,639,433</strong></td>
<td></td>
</tr>
</tbody>
</table>

All Directors of the Board who are not associated with the Group Company (including Independent Non-executive Directors) considered that such transactions were carried out between the Company and the Group Company in their normal course of business in compliance with normal commercial requirements, and the terms of such transactions using market price as the pricing benchmark were at least as favorable to the Company when they were compared with normal commercial terms. Those transactions were approved by the Board and conducted under the related terms of the agreement. The transaction amount did not exceed the annual cap of RMB4,954 million.
(4) The continuing connected transactions under the “Financial Services Agreement in 2018”

<table>
<thead>
<tr>
<th>Business Nature</th>
<th>Amount of loan or deposit</th>
<th>Interest income/expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit</td>
<td>Maximum daily deposit</td>
<td>RMB100 million</td>
</tr>
<tr>
<td></td>
<td>Monthly average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>maximum daily deposit</td>
<td></td>
</tr>
<tr>
<td>Loan</td>
<td>Maximum daily loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Monthly average</td>
<td></td>
</tr>
<tr>
<td></td>
<td>maximum daily loan</td>
<td></td>
</tr>
</tbody>
</table>

| Deposit Maximum daily deposit | 35.1 | Interest expenses | 16,691 |
| Monthly average maximum daily deposit | 30.8 |
| Loan Maximum daily loan | 4.98 | Interest income | 10,702 |
| Monthly average maximum daily loan | 4.98 |

Other income

Net income from handling fee and commission (RMB’000) 183
Income from discount interest (RMB’000) 17,395

When Masteel Finance provides the deposit service to the Group Company and its subsidiaries, the interest rate paid on the deposit shall not be higher than the benchmark interest rate and floating range of the same type of deposit set by the People’s Bank of China in the same period. It shall not be higher than the interest rate offered by other independent commercial banks in China to the Group Company and its subsidiaries in the same period. When Masteel Finance provides loan services to the Group Company and its subsidiaries, the interest rate charged on the loan shall not be lower than the interest rate range set by the People’s Bank of China for the same type of loan in the same period. It shall not be less than the interest rate charged by other independent commercial banks in China to the Group Company and its subsidiaries for the same type of loan interest in the same period. When Masteel Finance provides other financial services to the Group Company and its subsidiaries, the fees shall not be lower than the standard fees published by the People’s Bank of China for the same type of financial services in the same period (if applicable). It shall not be less than the fees charged by other independent commercial banks in China for providing the Group Company and its subsidiaries with other financial services of the same type in the same period.

The continuing related party transactions contemplated under the Financial Services Agreement between Masteel Finance and the Group Company were approved by the Board. All Directors of the Board who are not associated with the Group Company (including Independent Non-executive Directors) considered that those transactions were conducted under normal commercial terms and were in the best interest of the Company and its shareholders. The maximum daily loan did not exceed the daily cap of RMB500 million, while interests, handling and service fees were less than RMB80 million.
V. Significant Events (Continued)

(5) The continuing connected transactions under the “Integrated Support Services Agreement in 2018”

For the period between 1 January 2018 and 30 June 2018, transaction of the Group in respect of the Integrated Support Services Agreement was as follows (RMB’000):

<table>
<thead>
<tr>
<th>Product Category</th>
<th>Amount (RMB’000)</th>
<th>Proportion of the same category (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy, technical support and other products or services purchased by the Group Company from the Company</td>
<td>47,156</td>
<td>–</td>
</tr>
<tr>
<td>Products, printing services and other professional services purchased from the Group Company by the Company</td>
<td>98,984</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>146,140</strong></td>
<td></td>
</tr>
</tbody>
</table>

The price at which the Group purchases relevant commodities and professional services such as printing from the Group Company each year, as well as the price at which it sells commodities such as energy and provides technical services to the Group Company are negotiated between the parties on arm’s length by referring to comparable market prices and determined as per general terms and conditions during the term of the contract.

The continuing related party transactions contemplated under the Integrated Support Services Agreement between the Group and the Group Company were approved by the Board. All Directors of the Board who are not associated with the Group Company (including Independent Non-executive Directors) considered that those transactions were conducted under normal commercial terms and were in the best interest of the Company and its shareholders. The transaction amount did not exceed the annual cap of RMB408 million.
(2) RELATED PARTY TRANSACTIONS IN RESPECT OF ACQUISITION AND DISPOSAL OF ASSETS OR EQUITY

1. Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation

<table>
<thead>
<tr>
<th>Summary of matter</th>
<th>Index of enquiry</th>
</tr>
</thead>
</table>

(3) SUBSTANTIAL RELATED PARTY TRANSACTIONS IN RESPECT OF JOINTLY INVESTMENT

1. Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation

<table>
<thead>
<tr>
<th>Summary of matter</th>
<th>Index of enquiry</th>
</tr>
</thead>
</table>
10. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

1. THERE WAS NO ENTRUSTMENT, CONTRACTING OR LEASING MADE BY THE COMPANY NEITHER DURING THE REPORTING PERIOD NOR LASTING FROM PREVIOUS YEARS.

2. GUARANTEES

<table>
<thead>
<tr>
<th>Guarantees Offered by the Company (excluding guarantees offered to subsidiaries)</th>
<th>Unit: RMB100 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees incurred in the reporting period (excluding guarantees offered to subsidiaries)</td>
<td>–</td>
</tr>
<tr>
<td>Total ending balance of guarantees (excluding guarantees offered to subsidiaries) (A)</td>
<td>–</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Guarantees Offered to Subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of guarantees newly offered to subsidiaries during the reporting period</td>
</tr>
<tr>
<td>Total ending balance of guarantees offered to subsidiaries (B)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Amount of Guarantees Offered by the Company (including guarantees offered to subsidiaries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of guarantees (A+B)</td>
</tr>
<tr>
<td>Total amount of guarantees as a percentage of net assets of the Company (%)</td>
</tr>
<tr>
<td>of which:</td>
</tr>
<tr>
<td>Amount of guarantees offered to shareholders, actual controller and their related parties (C)</td>
</tr>
<tr>
<td>Amount of debt guarantees offered to those with asset-liability ratio exceeding 70%, directly or indirectly (D)</td>
</tr>
<tr>
<td>Amount of total guarantees in excess of 50% of net assets (E)</td>
</tr>
<tr>
<td>Total amount of the preceding three types of guarantees (C+D+E)</td>
</tr>
</tbody>
</table>

Explanation on guarantees: During the reporting period, the Company provided MG-Valdunes S.A.S with a guarantee of Euro42 million (equivalent to RMB321 million); and provided the Ma Steel (Hong Kong) with a guarantee for banking facilities of RMB3 billion for its trade financing. Additionally, at the end of the reporting period, Changjiang Steel provided its wholly-owned subsidiary with a guarantee of RMB150 million.

3. DURING THE REPORTING PERIOD, THERE WAS NO OTHER MATERIAL CONTRACTS
11. **POVERTY ALLEVIATION WORK BY THE LISTED COMPANY**

1. **RESULTS OF TARGETED POVERTY RELIEF EFFORTS**

*Unit: RMB’10 thousands*

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Figures and Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Summary</td>
<td></td>
</tr>
<tr>
<td>1. Funding</td>
<td>60</td>
</tr>
<tr>
<td>II. Breakdown</td>
<td></td>
</tr>
<tr>
<td>1. Poverty relief by industries</td>
<td></td>
</tr>
<tr>
<td>1.1 Sector of industrial poverty alleviation programs</td>
<td>✔ Agriculture and forestry</td>
</tr>
<tr>
<td></td>
<td>□ Tourism</td>
</tr>
<tr>
<td></td>
<td>□ Online</td>
</tr>
<tr>
<td></td>
<td>□ Retailers</td>
</tr>
<tr>
<td></td>
<td>□ Return on Assets</td>
</tr>
<tr>
<td></td>
<td>□ Science and technology</td>
</tr>
<tr>
<td></td>
<td>□ Others</td>
</tr>
<tr>
<td>1.2 Number of industrial poverty alleviation programs</td>
<td>1</td>
</tr>
<tr>
<td>1.3 Funding for industrial poverty alleviation programs</td>
<td>60</td>
</tr>
</tbody>
</table>
### Environmental Information

#### 1. Pollutant Emission Information

The Company, the Hefei Company and Changjiang Steel operate in highly polluting industries identified by the state environment authority. Main pollutants are waste water, waste gases and solid wastes. Details are as follows:

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Pollutant Category</th>
<th>Typical Pollutants</th>
<th>Way of Discharge</th>
<th>Processing Equipment</th>
<th>Number and Distribution of Discharge Outlets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magang</td>
<td>Waste gases</td>
<td>Dust, NOx, SO₂</td>
<td>Emitted into the air via chimney stack after</td>
<td>205 sets</td>
<td>309, distributed along the production lines</td>
</tr>
<tr>
<td></td>
<td>Waste water</td>
<td>SS, COD, oil, ammonia nitrogen</td>
<td>Discharged after up-to-standard processing</td>
<td>70 sets</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Solid wastes</td>
<td>Iron dust, iron oxide scale, metallurgical slag</td>
<td>Recycled totally</td>
<td>36 sets</td>
<td></td>
</tr>
<tr>
<td>Changjiang Steel</td>
<td>Waste gases</td>
<td>Dust, NOx, SO₂</td>
<td>Discharged after up-to-standard processing</td>
<td>44 sets</td>
<td>49, distributed along the production lines</td>
</tr>
<tr>
<td></td>
<td>Waste water</td>
<td>SS, COD, oil, ammonia nitrogen</td>
<td>Discharged after up-to-standard processing</td>
<td>10 sets</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Solid wastes</td>
<td>Iron dust, iron oxide scale, metallurgical slag</td>
<td>Treatment by qualified service provider</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Hefei Company</td>
<td>Waste gases</td>
<td>Dust, acid fog, alkali fog, oil fog</td>
<td>Discharged after up-to-standard processing</td>
<td>11 sets</td>
<td>9 distributed along the production lines</td>
</tr>
<tr>
<td></td>
<td>Waste water</td>
<td>acid and alkali, oil</td>
<td>Discharged after up-to-standard processing</td>
<td>3 sets</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Solid wastes</td>
<td>emulsified liquid slag, oil sludge, used oil</td>
<td>Treatment by qualified service provider</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>
All the above key pollutant-discharging enterprises have achieved zero discharge of solid waste. The total emission amount of other main typical pollutants during the reporting period and the approved annual emission permit limit are as follows:

<table>
<thead>
<tr>
<th>Name of Company</th>
<th>Pollutant Category</th>
<th>Typical Pollutants</th>
<th>Emission Permit Limit (Ton/Year)</th>
<th>Total Emissions During the Reporting Period (Ton)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Waste gases</td>
<td>Dust</td>
<td>34,489.82</td>
<td>2,729</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SO₂</td>
<td>21,404.30</td>
<td>3,548</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NOₓ</td>
<td>40,533.80</td>
<td>8,586</td>
</tr>
<tr>
<td>Magang</td>
<td>Waste water</td>
<td>COD</td>
<td>1,564</td>
<td>329</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ammonia nitrogen</td>
<td>160.4</td>
<td>18.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dust</td>
<td>10,682.51</td>
<td>5,778.78</td>
</tr>
<tr>
<td>Changjiang</td>
<td>Waste gases</td>
<td>SO₂</td>
<td>4,462.12</td>
<td>462.14</td>
</tr>
<tr>
<td>Steel Company</td>
<td></td>
<td>NOₓ</td>
<td>7,420.48</td>
<td>2,151.44</td>
</tr>
<tr>
<td></td>
<td>Waste water</td>
<td>COD</td>
<td>270</td>
<td>0.03</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ammonia nitrogen</td>
<td>27</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dust</td>
<td>51.82</td>
<td>3.86</td>
</tr>
<tr>
<td></td>
<td>Waste gases</td>
<td>SO₂</td>
<td>6.04</td>
<td>0.99</td>
</tr>
<tr>
<td></td>
<td></td>
<td>NOₓ</td>
<td>38.06</td>
<td>7.94</td>
</tr>
<tr>
<td>Hefei Company</td>
<td>Waste water</td>
<td>COD</td>
<td>106.82</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ammonia nitrogen</td>
<td>16.10</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Hazardous wastes</td>
<td>emulsified liquid slag</td>
<td>700</td>
<td>258.74</td>
</tr>
<tr>
<td></td>
<td></td>
<td>oil sludge</td>
<td>650</td>
<td>283.18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>used oil</td>
<td>80</td>
<td>10.36</td>
</tr>
</tbody>
</table>

The above key enterprises implement the steel industry series emission standards. In the self-monitoring of the reporting period, the Company’s manual monitoring compliance rate is 100%; The daily mean of waste gas was not exceed the standard, and the daily mean of waste water was exceeded once, because there was a rainstorm in Maanshan on that day. The high COD content in the water and the impact of material particles on the monitoring instrument caused the rapid surge of COD, which resulted in the daily mean of waste water exceeding the standard. After maintaining the monitoring pipeline, the monitoring data returned to normal.
V. Significant Events (Continued)

2. **Construction and operation of pollution prevention and control facilities**

The pollution prevention facilities of the above key polluting enterprises are designed, constructed and operated at the same time with corresponding production facilities, and the operation of environmental protection facilities is stable and effective.

3. **Environmental impact assessment of construction projects and other environmental protection administrative licenses**

The construction projects of the above key polluting enterprises have environmental impact assessment documents and approvals. Steel, self-supplied power plants, and coking are all audited by environmental protection agencies to obtain sewage permits.

4. **Prepared Environment Emergency Response Plans**

All of them have prepared environment emergency response plans and selftest plans, and have filed these documents with the local environment authority.

5. **Environmental self-monitoring program**

All of them have prepared environment emergency response plans and selftest plans, and have filed these documents with the local environment authority.

The Company strictly abides by The Environmental Protection Law, Environmental Impact Assessment Law, Air Pollution Prevention and Control Law, Water Pollution Prevention and Control Law, and Solid Waste Pollution Prevention and Control Law, and imposes internal controls stricter than national emission limits on certain pollutants. The Company monitors closely key points exposed to environment risk; maintains a weekly examination plan, carries out examination regularly and put any defect found to rights timely. The Company reinforces online management of pollution sources and process data monitoring in an effort to discover and address any problem timely. The Company maintains automated detection of key pollutants around the clock by using monitoring devices approved by the state environment authority. Data acquisition devices submit real-time data, minutely data, hourly data and daily data to Anhui Provincial Administration of Environment. The Company has 211 sets of online pollution source monitoring devices and 25 sets of visual monitoring devices.

6. **Other Environmental Information that Should be Disclosed**

The environmental impact assessment of the construction projects of the above enterprises has been published online before accepting the public notice and examination and approval. The acceptance status of the completed project “three simultaneously” is published on the network and put on record; The environmental self-monitoring program and its annual implementation are published online by the local Environmental Protection Bureau.
14. OTHER MAJOR EVENTS

(1) THE CIRCUMSTANCES, CAUSES AND EFFECTS OF CHANGES IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ACCOUNTING METHODS COMPARED WITH THE PREVIOUS ACCOUNTING PERIOD

• THE CHANGES TO ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

In 2017, the Ministry of Finance has promulgated the revised “Accounting Standard for Business Enterprises No. 14 – Revenue” (“New Revenue Standard”). The New Revenue Standard establishes a new model to account for revenue arising from contracts with customers. The adoption of the New Revenue Standard did not have significant impact on the Group’s and the Company’s revenue, net profit or shareholders’ equity. Therefore, the Group and the Company did not adjust the financial statements upon initial adoption.

• Changes In Accounting Policies Related To Financial Instruments


The New Financial Instruments Standards changed the classification and measurement of financial instruments.

On the first implementation date of the New Financial Instruments Standards, the group assessed the classification and measurement results of its financial instruments as of 1 January 2018 in accordance with the provisions of the unrevised and revised financial instruments standards, and adjusted the classification and measurement results of financial instruments as of 1 January 2018. Such change of accounting policies has resulted in an increase of RMB13,521,768 in total assets and an increase of RMB4,154,774 in net assets at the opening balance of the consolidated financial statements of the Group (including an increase of RMB32,360,498 in other comprehensive income attributable to owners of the parent, and a decrease of RMB20,317,968 in retained earnings attributable to owners of the parent). The Company’s total assets increased by RMB36,653,752, and its net assets increased by RMB27,490,314 at the opening balance of the financial statements of the Company (including an increase in the other comprehensive income of RMB27,490,314).
V. Significant Events (Continued)

- **Change in Financial Statements Format**

  According to “The Circular of the Ministry of Finance on Revising and Issuing the Format of the Financial Statements of General Enterprises for 2018” (Caikuai [2018] No. 15), The Group combined “notes receivable” and “trade receivable” as “notes and trade receivable”, and combined “interest receivable”, “dividends receivable” and “other receivables” as “other receivables”, combined “fixed assets” and “disposal on fixed assets” as “fixed assets”, combined “notes payable” and “trade payable” as “notes and trade payable”, combined “interest payable”, “dividends payable” and “other payables” as “other payables”, and combined “long-term payables” and “special payables” as “long-term payables”. The Group inserted “R&D expenses” above the item of “financial expenses” in the income statement which accounts for expensed expenditure occurred during the course of research and development. The Group retrospectively represented the comparative balance sheet and the income statements. The change of accounting policies did not have impact on the Group’s and the Company’s net profit and shareholders’ equity.

(2) **CASES IN WHICH MAJOR ACCOUNTING ERROR CORRECTION OCCURS DURING THE REPORTING PERIOD SHALL BE RESTATED RETROSPECTIVELY, THE AMOUNT OF CORRECTION, THE CAUSE AND ITS IMPACT**

During the reporting period, the Company doesn’t have significant accounting errors that need to be retrospectively restated.
VI. Movements in Share Capital and Shareholders

I. SHARE MOVEMENTS

(1) TABLE ON SHARE MOVEMENTS

1. Table on share movements

<table>
<thead>
<tr>
<th>Shares converted from surplus reserve</th>
<th>Before the change</th>
<th>Increase/(decrease) during the period</th>
<th>After the change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares owned by domestic natural persons</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Shares owned by domestic natural persons</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign shareholding</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Foreign shareholding</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overseas natural person shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Overseas natural person shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B. Shares without selling restriction</td>
<td>7,700,681,186</td>
<td>100</td>
<td>-</td>
</tr>
<tr>
<td>1. RMB ordinary shares</td>
<td>5,967,751,186</td>
<td>77.5</td>
<td>-</td>
</tr>
<tr>
<td>2. Foreign shares listed domestically</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3. Foreign shares listed overseas</td>
<td>1,732,930,000</td>
<td>22.5</td>
<td>-</td>
</tr>
<tr>
<td>4. Other shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C. Total</td>
<td>7,700,681,186</td>
<td>100</td>
<td>-</td>
</tr>
</tbody>
</table>

In the reporting period, there was no share movements in ordinary shares.
### II. SHAREHOLDERS

#### (1) TOTAL SHAREHOLDER

Numbers of Shareholder as end of the reporting period (account)  
229,411

#### (2) SHAREHOLDING OF THE TOP TEN SHAREHOLDERS AT THE END OF THE REPORTING PERIOD AND THE TOP TEN TRADABLE-SHARE HOLDER (OR SHAREHOLDERS WITHOUT SELLING RESTRICTIONS)

*Unit: Share*

<table>
<thead>
<tr>
<th>Name of Shareholder (Full Name)</th>
<th>Increase/Decrease within the Reporting Period</th>
<th>No. of Shares at the End of Period</th>
<th>Percentage (%)</th>
<th>No. of Shares under Restricted Condition for Sales</th>
<th>Share status</th>
<th>Number</th>
<th>Shareholder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magang (Group) Holding Co., Limited</td>
<td>–</td>
<td>3,506,467,456</td>
<td>45.54</td>
<td>–</td>
<td>No</td>
<td>–</td>
<td>Stated Owned</td>
</tr>
<tr>
<td>Hong Kong Securities Clearing Nominees Limited</td>
<td>2,176,000</td>
<td>1,716,192,900</td>
<td>22.29</td>
<td>–</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Central Huijin Investment Ltd</td>
<td>–</td>
<td>142,155,000</td>
<td>1.85</td>
<td>–</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Stated Owned</td>
</tr>
<tr>
<td>China Merchants Bank Co., Ltd. – Everbright Baoding’s Advantageous Allocation of Mixed-type Securities</td>
<td>Unknown</td>
<td>44,524,390</td>
<td>0.58</td>
<td>–</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Beijing Haoqing Wealth Investment Management Co., Ltd. – Haoqing Value Investment Fund No. 8</td>
<td>Unknown</td>
<td>41,948,530</td>
<td>0.54</td>
<td>–</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Hu Zhongxiang</td>
<td>Unknown</td>
<td>29,848,511</td>
<td>0.39</td>
<td>–</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Agricultural Bank of China LTD-CSI 500 Trading Open-ended Index Securities Investment Fund</td>
<td>Unknown</td>
<td>28,653,912</td>
<td>0.37</td>
<td>–</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>China Galaxy Securities Co., Ltd</td>
<td>Unknown</td>
<td>26,908,400</td>
<td>0.34</td>
<td>–</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China LTD. – Everbright China Manufacturing 2025 Flexible Allocation of Hybrid Securities Investment Funds</td>
<td>Unknown</td>
<td>19,916,449</td>
<td>0.26</td>
<td>–</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
<tr>
<td></td>
<td>Unknown</td>
<td>19,000,000</td>
<td>0.25</td>
<td>–</td>
<td>Unknown</td>
<td>Unknown</td>
<td>Unknown</td>
</tr>
</tbody>
</table>
### Top Ten Shareholders with unrestricted selling condition

<table>
<thead>
<tr>
<th>Name of Share Holder</th>
<th>The number of unrestricted outstanding shares held</th>
<th>Type and Quantity of Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magang (Group) Holding Co., Limited</td>
<td>3,506,467,456 ordinary shares in RMB 3,506,467,456</td>
<td></td>
</tr>
<tr>
<td>Hong Kong Securities Clearing Nominees Limited</td>
<td>1,716,192,900 Overseas listed shares 1,716,192,900</td>
<td></td>
</tr>
<tr>
<td>Central Huijin Investment Ltd</td>
<td>142,155,000 ordinary shares in RMB 142,155,000</td>
<td></td>
</tr>
<tr>
<td>China Merchants Bank Co., Ltd.-Everbright BaoDeXin’s Advantageous Allocation of Mixed-type Securities Investment Funds</td>
<td>44,524,390 ordinary shares in RMB 44,524,390</td>
<td></td>
</tr>
<tr>
<td>Hong Kong Securities Clearing Limited</td>
<td>41,948,530 ordinary shares in RMB 41,948,530</td>
<td></td>
</tr>
<tr>
<td>Hu Zhongxiang</td>
<td>29,848,511 ordinary shares in RMB 29,848,511</td>
<td></td>
</tr>
<tr>
<td>Beijing Haoqing Wealth Investment Management Co., Ltd. – Haoqing Value Investment Fund No. 8</td>
<td>28,653,912 ordinary shares in RMB 28,653,912</td>
<td></td>
</tr>
<tr>
<td>China Galaxy Securities Co., Ltd</td>
<td>25,906,600 ordinary shares in RMB 25,906,600</td>
<td></td>
</tr>
<tr>
<td>Agricultural Bank of China LTD-CS1 500 Trading Open-ended Index Securities Investment Fund</td>
<td>19,916,449 ordinary shares in RMB 19,916,449</td>
<td></td>
</tr>
<tr>
<td>Industrial and Commercial Bank of China LTD. – Everbright China Manufacturing 2025 Flexible Allocation of Hybrid Securities Investment Funds</td>
<td>19,000,000 ordinary shares in RMB 19,000,000</td>
<td></td>
</tr>
</tbody>
</table>

Note on the above shareholders’ affiliated relation or concerted action:

Magang (Group) Holding Co., Ltd. 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.

### Top Ten Shareholders with Restricted Selling Condition and the Related Condition

In the reporting period, no other shares held by the Magang(Group) were pledged, frozen or hosted. However, the Company was unaware whether shares held by other shareholders who have 5% and above of the total were pledged, frozen or hosted.

Hong Kong Securities Clearing Company Nominees Limited held 1,716,192,900 H Shares of the Company on behalf of multiple clients.
Based on the data accessible for the Company and to the best knowledge of the board of directors, as of the announcement date of the report, the Company meets relevant requirements about public holdings in Securities Listing Rules of Stock Exchange of Hong Kong Limited.

As the end of the reporting period, none of the directors, supervisors, senior management or their respective associates had any interests or short positions in the share capital or relevant share capital of the Company or any of its associated corporations (definition refers to the Securities and Futures Ordinance).

As at 30 June 2018, the Company was aware of below interests or short positions recorded according to the Securities and Futures Ordinance, according to the Securities and Futures Ordinance.

<table>
<thead>
<tr>
<th>Name of the Shareholder</th>
<th>Identity held or deemed to be interested</th>
<th>Number of shares held or deemed to be in equity (shares)</th>
<th>Percentage of the company's issued H shares (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TT International (Hong Kong) Limited</td>
<td>Invest Manager</td>
<td>117,501,000</td>
<td>6.78</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Long position)</td>
<td></td>
</tr>
</tbody>
</table>

Save as disclosed above, as at 30 June 2018, the Company was no aware of any interests or short positions recorded according to the Securities and Futures Ordinance, according to the Securities and Futures Ordinance.

(3) THERE WERE NO STRATEGIC INVESTORS OR GENERAL LEGAL PERSONS AS THE TOP 10 SHAREHOLDERS DUE TO THE PLACEMENT OF NEW SHARES

III. THE COMPANY’S CONTROLLING SHAREHOLDERS AND ACTUAL CONTROLLER HAVE NO CHANGE DURING THE REPORTING PERIOD
VII. Directors, Supervisors and Senior Management

I. CHANGES IN SHAREHOLDING AND EMOLUMENTS

(1) CHANGES IN SHAREHOLDING HELD BY AND EMOLUMENTS FOR INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE REPORTING PERIOD

During the reporting period, none of the current or resigned Directors, supervisors and senior management held any shares of the Company.

(2) EQUITY INCENTIVES GRANTED TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

During the reporting period, no directors, supervisors and senior management of the Company were awarded with stock option incentive.

II. PERSONAL MOVEMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gao Haichao</td>
<td>Standing Deputy General Manager, Chief Engineer</td>
<td>Resignation</td>
</tr>
<tr>
<td>He Hongyun</td>
<td>Secretary of the board</td>
<td>Appointment</td>
</tr>
</tbody>
</table>

NOTES ON PERSONAL MOVEMENT OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT


VIII. Financial Statements

CONTENTS

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CONSOLIDATED STATEMENT OF CASH FLOWS  57-59
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SUPPLEMENTARY INFORMATION

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Note: The notes to the interim financial statements with *** are disclosed in accordance with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 30 June 2018

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Note V Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>1</td>
<td>7,538,181,813</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>3</td>
<td>1,928,207,037</td>
</tr>
<tr>
<td>Notes and trade receivables</td>
<td>4</td>
<td>7,917,108,224</td>
</tr>
<tr>
<td>Prepayments</td>
<td>5</td>
<td>618,402,366</td>
</tr>
<tr>
<td>Other receivables</td>
<td>6</td>
<td>340,412,767</td>
</tr>
<tr>
<td>Inventories</td>
<td>7</td>
<td>11,333,539,937</td>
</tr>
<tr>
<td>Financial assets purchased under agreements to resell</td>
<td>8</td>
<td>884,886,602</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>9</td>
<td>1,766,370,623</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>10</td>
<td>117,019,986</td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>11</td>
<td>–</td>
</tr>
<tr>
<td>Debt instruments investment</td>
<td>12</td>
<td>1,490,426,489</td>
</tr>
<tr>
<td>Other current assets</td>
<td>13</td>
<td>881,678,929</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>34,816,234,773</td>
</tr>
</tbody>
</table>

| NON-CURRENT ASSETS | | |
| Available-for-sale financial assets | 14 | – | 1,111,168,160 |
| Held-to-maturity investments | 11 | – | 100,854,230 |
| Debt instruments investment | 12 | 51,148,671 | – |
| Long-term equity investments | 15 | 1,782,379,366 | 1,525,225,202 |
| Other equity instruments investments | 16 | 143,120,746 | – |
| Investment properties | 17 | 56,634,034 | 57,508,684 |
| Property, plant and equipment | 18 | 31,449,475,633 | 33,130,499,862 |
| Construction in progress | 19 | 2,372,168,752 | 1,805,955,609 |
| Intangible assets | 20 | 1,907,760,736 | 1,883,604,173 |
| Deferred tax assets | 21 | 499,105,526 | 478,235,280 |
| **Total non-current assets** | | 38,261,793,464 | 40,093,051,200 |

| TOTAL ASSETS | 73,078,028,237 | 72,191,589,979 |

The accompanying notes are an integral part of these financial statements.
Consolidated Statement of Financial Position (Continued)
30 June 2018
Renminbi Yuan

**LIABILITIES AND SHAREHOLDERS’ EQUITY**

<table>
<thead>
<tr>
<th>Note</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
</tbody>
</table>

**CURRENT LIABILITIES**

- Deposits and balances from banks and other financial institutions: 23 200,000,000 200,000,000
- Customer deposits: 24 2,101,060,111 2,947,639,610
- Repurchase agreements: 25 1,013,146,250 308,100,956
- Short-term loans: 26 6,843,480,037 4,630,303,694
- Financial liabilities at fair value through profit or loss: 27 – 10,498,810
- Notes and trade payables: 28 8,690,455,040 11,778,382,830
- Advances from customers: 29 3,949,852,811 3,842,903,332
- Payroll and employee benefits payable: 30 827,076,654 654,822,505
- Taxes payable: 31 586,371,827 1,342,836,597
- Other payables: 32 5,060,925,606 2,354,327,866
- Non-current liabilities due within one year: 33 7,885,584,392 4,928,758,378
- Provision: 34 35,828,320 38,537,369
- Other current liabilities: 35 2,038,424,932 3,081,026,301

Total current liabilities: 39,232,205,980 36,118,138,248

**NON-CURRENT LIABILITIES**

- Long-term loans: 36 2,933,486,964 6,975,958,634
- Long-term payables: 38 – 210,000,000
- Deferred revenue: 40 1,368,276,758 1,462,490,533
- Deferred tax liabilities: 21 25,349,304 26,841,665

Total non-current liabilities: 4,490,876,643 8,836,187,418

Total liabilities: 43,723,082,623 44,954,325,666

The accompanying notes are an integral part of these financial statements.
## Consolidated Statement of Financial Position (Continued)

### 30 June 2018
Renminbi Yuan

<table>
<thead>
<tr>
<th>Note V</th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders’ Equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>41</td>
<td>7,700,681,186</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>42</td>
<td>8,352,287,192</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>43</td>
<td>(120,854,748)</td>
</tr>
<tr>
<td>Special reserve</td>
<td>44</td>
<td>34,563,637</td>
</tr>
<tr>
<td>Surplus reserve</td>
<td>45</td>
<td>4,448,864,325</td>
</tr>
<tr>
<td>General reserve</td>
<td>46</td>
<td>191,546,668</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>47</td>
<td>5,432,175,348</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td></td>
<td>26,039,263,608</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>3,315,682,006</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td></td>
<td>29,354,945,614</td>
</tr>
<tr>
<td>Total liabilities and shareholders’ equity</td>
<td></td>
<td>73,078,028,237</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.

The financial statements were signed by the following persons:

Legal Representative: Ding Yi
Chief Accountant: Qian Haifan
Head of Accounting: Xing Qunli
### Consolidated Income Statement

**For the six months ended 30 June 2018**

<table>
<thead>
<tr>
<th>Note</th>
<th>Unaudited</th>
<th>Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>48</strong></td>
<td>40,063,041,443</td>
</tr>
<tr>
<td><strong>Less: Cost of sales</strong></td>
<td><strong>48</strong></td>
<td>34,002,350,727</td>
</tr>
<tr>
<td>Taxes and surcharges</td>
<td>49</td>
<td>399,818,296</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>50</td>
<td>465,095,326</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>51</td>
<td>698,585,993</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>52</td>
<td>381,791,868</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>52</td>
<td>574,785,327</td>
</tr>
<tr>
<td>including: interest expense</td>
<td>52</td>
<td>476,375,706</td>
</tr>
<tr>
<td>interest income</td>
<td>(17,490,196)</td>
<td>(17,007,814)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>53</td>
<td>57,950,358</td>
</tr>
<tr>
<td>Credit impairment losses</td>
<td>54</td>
<td>22,658,394</td>
</tr>
<tr>
<td><strong>Add: Other income</strong></td>
<td><strong>55</strong></td>
<td>44,152,109</td>
</tr>
<tr>
<td>Investment income</td>
<td>56</td>
<td>560,777,607</td>
</tr>
<tr>
<td>including: share of profits of associates</td>
<td>56</td>
<td>298,820,874</td>
</tr>
<tr>
<td>and joint ventures</td>
<td>56</td>
<td>(8,960,465)</td>
</tr>
<tr>
<td>(Loss)/gain on the changes in fair value</td>
<td>57</td>
<td>52,603,426</td>
</tr>
<tr>
<td>Gain/(loss) from disposal of non-current assets</td>
<td>57</td>
<td>52,603,426</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>4,108,577,831</strong></td>
<td><strong>2,179,741,858</strong></td>
</tr>
<tr>
<td><strong>Add: Non-operating income</strong></td>
<td><strong>58</strong></td>
<td>96,622,262</td>
</tr>
<tr>
<td><strong>Less: Non-operating expenses</strong></td>
<td><strong>59</strong></td>
<td>2,915,034</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>4,202,285,059</strong></td>
<td><strong>2,242,052,969</strong></td>
</tr>
<tr>
<td><strong>Less: Income tax expense</strong></td>
<td><strong>60</strong></td>
<td>346,039,776</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td><strong>3,856,245,283</strong></td>
<td><strong>1,904,133,798</strong></td>
</tr>
</tbody>
</table>

**Categorized by operation continuity**

- **Net profit from continuing operations** | **3,856,245,283** | **1,904,133,798** |
- **Net profit from discontinued operations** | – | – |

**Categorized by ownership**

- **Net profit attributable to owners of the parent** | **3,428,518,933** | **1,643,396,514** |
- **Net profit attributable to non-controlling interests** | **427,726,350** | **260,737,284** |

The accompanying notes are an integral part of these financial statements.
## Consolidated Income Statement (Continued)

**For the six months ended 30 June 2018**

<table>
<thead>
<tr>
<th>Note V</th>
<th>For the six months ended 30 June</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td></td>
<td>(29,059,186)</td>
<td>8,534,036</td>
</tr>
<tr>
<td>Other comprehensive income attributable to owners of the parent, net of tax</td>
<td>43</td>
<td>(29,059,186)</td>
<td>9,040,441</td>
</tr>
<tr>
<td>Other comprehensive income that could not be reclassified to profit or loss</td>
<td></td>
<td>(15,964,250)</td>
<td>–</td>
</tr>
<tr>
<td>Changes in fair value of other equity instruments investments</td>
<td></td>
<td>(15,964,250)</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income to be reclassified to profit or loss</td>
<td></td>
<td>(13,094,936)</td>
<td>9,040,441</td>
</tr>
<tr>
<td>Fair value changes of available-for-sale financial assets</td>
<td></td>
<td>–</td>
<td>(780,770)</td>
</tr>
<tr>
<td>Exchange differences on translation of foreign operation</td>
<td></td>
<td>(13,094,936)</td>
<td>9,821,211</td>
</tr>
<tr>
<td>Other comprehensive income attributable to non-controlling interests, net of tax</td>
<td></td>
<td>–</td>
<td>(506,405)</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td>3,827,186,097</td>
<td>1,912,667,834</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td>3,399,459,747</td>
<td>1,652,436,955</td>
</tr>
<tr>
<td>Owners of the parent</td>
<td></td>
<td>427,726,350</td>
<td>260,230,879</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>61</td>
<td>44.52 cents</td>
</tr>
<tr>
<td>EARNINGS PER SHARE:</td>
<td></td>
<td>61</td>
<td>44.52 cents</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

Maanshan Iron & Steel Company Limited

### For the six months ended 30 June 2018

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Capital reserve</th>
<th>Other comprehensive income</th>
<th>Special reserve</th>
<th>Surplus reserve</th>
<th>General reserve</th>
<th>Retained earnings</th>
<th>Sub-total</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2017</td>
<td>7,708,681,186</td>
<td>8,352,287,192</td>
<td>(124,156,060)</td>
<td>31,929,722</td>
<td>4,100,007,341</td>
<td>191,546,888</td>
<td>3,040,443,703</td>
<td>23,865,730,812</td>
</tr>
</tbody>
</table>

(1) Changes in accounting policies
(Note III.31)

2. At 1 January 2018

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Capital reserve</th>
<th>Other comprehensive income</th>
<th>Special reserve</th>
<th>Surplus reserve</th>
<th>General reserve</th>
<th>Retained earnings</th>
<th>Sub-total</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2018</td>
<td>7,708,681,186</td>
<td>8,352,287,192</td>
<td>(91,795,562)</td>
<td>31,929,722</td>
<td>4,100,007,341</td>
<td>191,546,888</td>
<td>3,033,125,795</td>
<td>23,907,782,342</td>
</tr>
</tbody>
</table>

3. Increase/(decrease) during the period

<p>| | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>(29,059,186)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,428,618,933</td>
<td>3,399,559,747</td>
<td>427,730,380</td>
</tr>
</tbody>
</table>

2. At 1 January 2018

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Capital reserve</th>
<th>Other comprehensive income</th>
<th>Special reserve</th>
<th>Surplus reserve</th>
<th>General reserve</th>
<th>Retained earnings</th>
<th>Sub-total</th>
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<td>(124,156,060)</td>
<td>31,929,722</td>
<td>4,100,007,341</td>
<td>191,546,888</td>
<td>3,040,443,703</td>
<td>23,865,730,812</td>
</tr>
</tbody>
</table>

(1) Changes in accounting policies
(Note III.31)

2. At 1 January 2018

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<th>Capital reserve</th>
<th>Other comprehensive income</th>
<th>Special reserve</th>
<th>Surplus reserve</th>
<th>General reserve</th>
<th>Retained earnings</th>
<th>Sub-total</th>
<th>Total shareholders’ equity</th>
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</thead>
<tbody>
<tr>
<td>At 1 January 2018</td>
<td>7,708,681,186</td>
<td>8,352,287,192</td>
<td>(91,795,562)</td>
<td>31,929,722</td>
<td>4,100,007,341</td>
<td>191,546,888</td>
<td>3,033,125,795</td>
<td>23,907,782,342</td>
</tr>
</tbody>
</table>

3. Increase/(decrease) during the period

<p>| | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>9,040,441</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,643,396,514</td>
<td>1,652,436,955</td>
<td>260,230,879</td>
</tr>
</tbody>
</table>

2. At 1 January 2018

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Capital reserve</th>
<th>Other comprehensive income</th>
<th>Special reserve</th>
<th>Surplus reserve</th>
<th>General reserve</th>
<th>Retained earnings</th>
<th>Sub-total</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2018</td>
<td>7,708,681,186</td>
<td>8,352,287,192</td>
<td>(119,263,454)</td>
<td>27,969,571</td>
<td>3,843,231,617</td>
<td>153,394,916</td>
<td>1,980,360,622</td>
<td>19,764,171,955</td>
</tr>
</tbody>
</table>

2. At 1 January 2018

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Capital reserve</th>
<th>Other comprehensive income</th>
<th>Special reserve</th>
<th>Surplus reserve</th>
<th>General reserve</th>
<th>Retained earnings</th>
<th>Sub-total</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2018</td>
<td>7,708,681,186</td>
<td>8,352,287,192</td>
<td>(119,263,454)</td>
<td>27,969,571</td>
<td>3,843,231,617</td>
<td>153,394,916</td>
<td>1,980,360,622</td>
<td>19,764,171,955</td>
</tr>
</tbody>
</table>

3. Increase/(decrease) during the period

<p>| | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>(29,059,186)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,428,618,933</td>
<td>3,399,559,747</td>
<td>427,730,380</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
Consolidated Statement of Cash Flows
For the six months ended 30 June 2018
Renminbi Yuan

For the six months ended 30 June

Note V 2018 2017

Unaudited Unaudited

1. Cash flows from operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from sale of goods and rendering of services</td>
<td>42,195,059,784</td>
<td>39,139,433,476</td>
</tr>
<tr>
<td>Cash received for interest charges, fees and commissions</td>
<td>66,727,395</td>
<td>50,417,268</td>
</tr>
<tr>
<td>Tax refunds received</td>
<td>4,191,303</td>
<td>–</td>
</tr>
<tr>
<td>Net decrease in loans and advances to customers</td>
<td>–</td>
<td>46,218,288</td>
</tr>
<tr>
<td>Net decrease in financial assets purchased under agreements to resell</td>
<td>319,711,999</td>
<td>230,047,000</td>
</tr>
<tr>
<td>Net increase in repurchase agreements of financial assets</td>
<td>705,045,294</td>
<td>–</td>
</tr>
<tr>
<td>Cash received relating to other operating activities</td>
<td>124,299,060</td>
<td>127,463,477</td>
</tr>
<tr>
<td>Sub-total of cash inflows</td>
<td>43,415,034,835</td>
<td>39,593,579,509</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for purchases of goods and services</td>
<td>(32,480,242,466)</td>
<td>(32,905,122,314)</td>
</tr>
<tr>
<td>Cash paid to or on behalf of employees</td>
<td>(2,100,937,079)</td>
<td>(1,926,494,889)</td>
</tr>
<tr>
<td>Taxes and surcharges paid</td>
<td>(2,683,880,257)</td>
<td>(1,602,505,535)</td>
</tr>
<tr>
<td>Increase in deposits in central bank</td>
<td>(13,534,484)</td>
<td>(38,113,076)</td>
</tr>
<tr>
<td>Net decrease in repurchase agreements of financial assets</td>
<td>–</td>
<td>(397,665,698)</td>
</tr>
<tr>
<td>Net decrease in customer deposits and deposits from banks</td>
<td>(846,579,499)</td>
<td>(830,110,045)</td>
</tr>
<tr>
<td>Net increase in loans and advances to customers</td>
<td>(528,003,855)</td>
<td>–</td>
</tr>
<tr>
<td>Cash paid for interest charges, fees and commissions</td>
<td>(31,693,385)</td>
<td>(27,622,969)</td>
</tr>
<tr>
<td>Cash paid relating to other operating activities</td>
<td>(549,768,836)</td>
<td>(406,352,927)</td>
</tr>
<tr>
<td>Sub-total of cash outflows</td>
<td>(39,234,639,861)</td>
<td>(38,133,987,453)</td>
</tr>
</tbody>
</table>

Net cash flows from operating activities                                      | 4,180,394,974     | 1,459,592,056     |

The accompanying notes are an integral part of these financial statements.
Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2018
Renminbi Yuan

<table>
<thead>
<tr>
<th>Note V</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
</tbody>
</table>

2. Cash flows from investing activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from disposal of investments</td>
<td>28,016,492,050</td>
<td>18,933,948,622</td>
</tr>
<tr>
<td>Cash received from investment income</td>
<td>250,081,329</td>
<td>121,100,872</td>
</tr>
<tr>
<td>Net cash from acquisition of subsidiaries and other operating units</td>
<td>–</td>
<td>115,777,566</td>
</tr>
<tr>
<td>Proceeds from disposal of property, plant and equipment, intangible assets, and other non-current assets</td>
<td>59,599,019</td>
<td>2,987,026</td>
</tr>
<tr>
<td>Net cash from disposal of a subsidiary and other operating units</td>
<td>–</td>
<td>4,854,451</td>
</tr>
<tr>
<td>Cash received relating to other investing activities</td>
<td>62(57,335,541)</td>
<td>14,908,915</td>
</tr>
<tr>
<td>Sub-total of cash inflows</td>
<td>28,383,507,939</td>
<td>19,193,577,452</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property, plant and equipment, intangible assets and other non-current assets</td>
<td>(1,153,850,786)</td>
<td>(998,870,449)</td>
</tr>
<tr>
<td>Cash paid for investments</td>
<td>(29,195,716,872)</td>
<td>(20,121,952,188)</td>
</tr>
<tr>
<td>Net increase in held-to-maturity investments</td>
<td>–</td>
<td>(201,463,387)</td>
</tr>
<tr>
<td>Net cash from disposal of subsidiaries and other operating units</td>
<td>63(2)</td>
<td>(37,688)</td>
</tr>
<tr>
<td>Sub-total of cash outflows</td>
<td>(30,349,605,346)</td>
<td>(21,322,286,024)</td>
</tr>
</tbody>
</table>

Net cash flows used in investing activities                     | (1,966,097,407) | (2,128,708,572) |

The accompanying notes are an integral part of these financial statements.
Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2018
Renminbi Yuan

<table>
<thead>
<tr>
<th>Note V</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
</tbody>
</table>

3. Cash flows from financing activities

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from borrowings</td>
<td>7,554,707,131</td>
<td>7,963,827,700</td>
</tr>
<tr>
<td>Proceeds from issuing short-term bonds</td>
<td>1,000,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Cash received relating to other financing activities</td>
<td>–</td>
<td>210,000,000</td>
</tr>
<tr>
<td>Cash received from investors</td>
<td>–</td>
<td>91,470,000</td>
</tr>
<tr>
<td>Including: capital injection from a subsidiary’s non-controlling interests</td>
<td>–</td>
<td>91,470,000</td>
</tr>
<tr>
<td>Sub-total of cash inflows</td>
<td>8,554,707,131</td>
<td>8,265,297,700</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayment of borrowings</td>
<td>(8,527,815,996)</td>
<td>(8,097,524,552)</td>
</tr>
<tr>
<td>Cash paid for distribution of dividends or profits and for interest expenses</td>
<td>(282,298,921)</td>
<td>(348,094,860)</td>
</tr>
<tr>
<td>Including: dividends paid to non-controlling interests by subsidiaries</td>
<td>(2,481,210)</td>
<td>(25,671,100)</td>
</tr>
<tr>
<td>Sub-total of cash outflows</td>
<td>(8,810,114,917)</td>
<td>(8,445,619,412)</td>
</tr>
</tbody>
</table>

4. Effect of foreign exchange rate changes on cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19,255,014</td>
<td>(28,607,718)</td>
</tr>
</tbody>
</table>

5. Net increase/(decrease) in cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: cash and cash equivalents at the beginning of the period</td>
<td>1,978,144,795</td>
<td>(878,045,946)</td>
</tr>
<tr>
<td></td>
<td>2,940,502,015</td>
<td>4,324,131,687</td>
</tr>
</tbody>
</table>

6. Cash and cash equivalents at the end of the period

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,918,646,810</td>
<td>3,446,085,741</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## Statement of Financial Position

30 June 2018  
Renminbi Yuan

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>30 June</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Note XIV</td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>6,035,721,281</td>
<td>4,169,232,422</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>–</td>
<td>62,721,800</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>23,590,842</td>
<td>–</td>
</tr>
<tr>
<td>Notes and trade receivables</td>
<td>7,983,173,811</td>
<td>10,170,482,595</td>
</tr>
<tr>
<td>Prepayments</td>
<td>640,148,829</td>
<td>600,539,572</td>
</tr>
<tr>
<td>Other receivables</td>
<td>888,006,640</td>
<td>188,725,018</td>
</tr>
<tr>
<td>Inventories</td>
<td>7,620,889,649</td>
<td>7,740,789,448</td>
</tr>
<tr>
<td>Other current assets</td>
<td>275,543,737</td>
<td>294,632,327</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>23,467,074,789</td>
<td>23,227,123,182</td>
</tr>
</tbody>
</table>

| **NON-CURRENT ASSETS**                      |         |      |      |
| Available-for-sale financial investments    | – | 126,722,160 |
| Long-term equity investments                | 9,612,286,608 | 8,830,290,112 |
| Other equity instruments investments        | 143,120,746 | – |
| Investment properties                       | 70,690,920 | 71,554,652 |
| Property, plant and equipment               | 23,532,649,108 | 25,089,628,791 |
| Construction in progress                    | 1,754,601,132 | 1,356,492,361 |
| Intangible assets                           | 977,275,353 | 904,435,151 |
| Deferred tax assets                         | 443,002,514 | 438,445,874 |
| **Total non-current assets**                | 36,533,626,381 | 36,817,569,101 |

**TOTAL ASSETS**                              | 60,000,701,170 | 60,044,692,283 |

The accompanying notes are an integral part of these financial statements.
## Statement of Financial Position (Continued)

### 30 June 2018

Renminbi Yuan

### LIABILITIES AND SHAREHOLDERS’ EQUITY

<table>
<thead>
<tr>
<th></th>
<th>30 June</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Category</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CURRENT LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term loans</td>
<td>4,055,188,687</td>
<td>3,226,709,122</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>–</td>
<td>10,498,810</td>
</tr>
<tr>
<td>Notes and trade payables</td>
<td>7,990,150,284</td>
<td>10,050,245,456</td>
</tr>
<tr>
<td>Advances from customers</td>
<td>2,537,244,226</td>
<td>2,626,167,696</td>
</tr>
<tr>
<td>Payroll and employee benefits payables</td>
<td>676,771,402</td>
<td>502,689,195</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>378,049,564</td>
<td>795,312,565</td>
</tr>
<tr>
<td>Other payables</td>
<td>4,115,707,132</td>
<td>1,871,957,462</td>
</tr>
<tr>
<td>Non-current liabilities due within one year</td>
<td>7,801,364,842</td>
<td>5,928,758,378</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>2,038,424,932</td>
<td>3,081,026,301</td>
</tr>
</tbody>
</table>

**Total current liabilities**

| Total current liabilities         | 29,592,901,069| 28,093,364,985|

<table>
<thead>
<tr>
<th><strong>NON-CURRENT LIABILITIES</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term loans</td>
<td>5,695,229,464</td>
<td>9,461,264,824</td>
</tr>
<tr>
<td>Long-term employee benefits payable</td>
<td>136,054,823</td>
<td>132,641,692</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>717,681,931</td>
<td>730,152,350</td>
</tr>
</tbody>
</table>

**Total non-current liabilities**

| Total non-current liabilities     | 6,548,966,218| 10,324,058,866|

| **Total liabilities**             | 36,141,867,287| 38,417,423,851|

<table>
<thead>
<tr>
<th><strong>SHAREHOLDERS’ EQUITY</strong></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>7,700,681,186</td>
<td>7,700,681,186</td>
</tr>
<tr>
<td>Capital reserve</td>
<td>8,358,017,477</td>
<td>8,358,017,477</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>11,526,064</td>
<td>–</td>
</tr>
<tr>
<td>Special reserve</td>
<td>9,719,477</td>
<td>7,637,529</td>
</tr>
<tr>
<td>Surplus reserve</td>
<td>3,598,807,709</td>
<td>3,249,950,725</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>4,180,081,970</td>
<td>2,310,981,515</td>
</tr>
</tbody>
</table>

**Total shareholders’ equity**

| Total shareholders’ equity        | 23,858,833,883| 21,627,268,432|

**TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY**

| Total liabilities and shareholders’ equity | 60,000,701,170| 60,044,692,283|

The accompanying notes are an integral part of these financial statements.
## Income Statement

For the six months ended 30 June 2018

Renminbi Yuan

<table>
<thead>
<tr>
<th>Note XIV</th>
<th>2018 Unaudited</th>
<th>2017 Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>33,692,258,610</td>
<td>29,186,631,452</td>
</tr>
<tr>
<td>Less: Cost of sales</td>
<td>29,566,665,372</td>
<td>26,862,921,216</td>
</tr>
<tr>
<td>Taxes and surcharges</td>
<td>305,999,623</td>
<td>237,603,318</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>220,187,402</td>
<td>186,194,763</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>478,033,907</td>
<td>410,209,297</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>375,773,915</td>
<td>16,593,410</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>496,798,257</td>
<td>525,019,932</td>
</tr>
<tr>
<td>including: interest expense</td>
<td>415,614,854</td>
<td>480,954,991</td>
</tr>
<tr>
<td>interest income</td>
<td>(31,785,576)</td>
<td>(25,461,077)</td>
</tr>
<tr>
<td>Impairment losses</td>
<td>53,372,164</td>
<td>94,777,557</td>
</tr>
<tr>
<td>Credit impairment losses</td>
<td>3,062,918</td>
<td>–</td>
</tr>
<tr>
<td>Add: Other income</td>
<td>33,003,460</td>
<td>76,014,555</td>
</tr>
<tr>
<td>Investment income</td>
<td>931,980,371</td>
<td>297,973,623</td>
</tr>
<tr>
<td>including: share of profits of associates and joint ventures</td>
<td>298,163,206</td>
<td>241,096,593</td>
</tr>
<tr>
<td>Loss on the changes in fair value</td>
<td>(9,981,140)</td>
<td>(2,273,546)</td>
</tr>
<tr>
<td>Gain/(loss) from disposal of non-current assets</td>
<td>256,779,130</td>
<td>(43,291,050)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>3,404,146,873</td>
<td>1,181,735,539</td>
</tr>
<tr>
<td>Add: Non-operating income</td>
<td>96,124,755</td>
<td>69,105,364</td>
</tr>
<tr>
<td>Less: Non-operating expenses</td>
<td>1,011,864</td>
<td>7,159,658</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>3,499,259,764</td>
<td>1,243,681,245</td>
</tr>
<tr>
<td>Less: Income tax expense</td>
<td>10,689,929</td>
<td>5,382,066</td>
</tr>
<tr>
<td>Net profit</td>
<td>3,488,569,835</td>
<td>1,238,299,179</td>
</tr>
<tr>
<td>Categorized by operation continuity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit from continuing operations</td>
<td>3,488,569,835</td>
<td>1,238,299,179</td>
</tr>
<tr>
<td>Net profit from discontinued operation</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income, net of tax</td>
<td>(15,964,250)</td>
<td>–</td>
</tr>
<tr>
<td>Other comprehensive income that could not be reclassified to profit or loss</td>
<td>(15,964,250)</td>
<td>–</td>
</tr>
<tr>
<td>Changes in fair value of other equity instruments investments</td>
<td>(15,964,250)</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>3,472,605,585</td>
<td>1,238,299,179</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## Statement of Changes in Equity

For the six months ended 30 June 2018

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Capital reserve</th>
<th>Other comprehensive income</th>
<th>Special reserve</th>
<th>Surplus reserve</th>
<th>Retained earnings</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. At 31 December 2017</td>
<td>7,700,681,186</td>
<td>8,358,017,477</td>
<td>–</td>
<td>7,637,529</td>
<td>3,249,950,725</td>
<td>2,310,981,515</td>
</tr>
<tr>
<td>(1) Changes in accounting policies</td>
<td>–</td>
<td>–</td>
<td>27,490,314</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2. At 1 January 2018</td>
<td>7,700,681,186</td>
<td>8,358,017,477</td>
<td>27,490,314</td>
<td>7,637,529</td>
<td>3,249,950,725</td>
<td>2,310,981,515</td>
</tr>
<tr>
<td>3. Increase/(decrease) during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>(15,964,250)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(2) Capital contributions and withdrawal</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(3) Profit appropriation</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>348,856,984</td>
<td>(348,856,984)</td>
</tr>
<tr>
<td>(i) Transfer to surplus reserves</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>348,856,984</td>
<td>(348,856,984)</td>
</tr>
<tr>
<td>(ii) Distribution to shareholders</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>4. At 30 June 2018 (Unaudited)</td>
<td>7,700,681,186</td>
<td>8,358,017,477</td>
<td>11,526,064</td>
<td>9,719,477</td>
<td>3,598,807,709</td>
<td>4,180,081,970</td>
</tr>
</tbody>
</table>

For the six months ended 30 June 2017

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Capital reserve</th>
<th>Special reserve</th>
<th>Surplus reserve</th>
<th>(Accumulated losses)/ retained earnings</th>
<th>Total shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. At 1 January 2017</td>
<td>7,700,681,186</td>
<td>8,358,017,477</td>
<td>3,827,107</td>
<td>2,993,175,001</td>
<td>(126,292,373)</td>
</tr>
<tr>
<td>2. Increase/(decrease) during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(1) Total comprehensive income</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,238,299,179</td>
</tr>
<tr>
<td>(2) Capital contributions and withdrawal</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(3) Profit appropriation</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(4) Special reserve</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(i) Additions</td>
<td>–</td>
<td>–</td>
<td>22,837,390</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(ii) Utilisation</td>
<td>–</td>
<td>–</td>
<td>(22,837,390)</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(iii) Changes in the share of associates and joint ventures’ special reserve, net</td>
<td>–</td>
<td>–</td>
<td>3,462,370</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>(5) Others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Changes in the share of associates and joint ventures’ capital reserve, net</td>
<td>–</td>
<td>(120,416)</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>3. At 30 June 2017 (Unaudited)</td>
<td>7,700,681,186</td>
<td>8,357,897,061</td>
<td>12,130,178</td>
<td>3,993,175,001</td>
<td>1,112,006,806</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
### Statement of Cash Flows

For the six months ended 30 June 2018

<table>
<thead>
<tr>
<th>Renminbi Yuan</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
</tbody>
</table>

#### 1. Cash flows from operating activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from sale of goods and rendering of services</td>
<td>32,434,580,728</td>
<td>30,757,114,901</td>
</tr>
<tr>
<td>Cash received relating to other operating activities</td>
<td>352,266,354</td>
<td>107,961,827</td>
</tr>
<tr>
<td><strong>Sub-total of cash inflows</strong></td>
<td><strong>32,786,847,082</strong></td>
<td><strong>30,865,076,728</strong></td>
</tr>
<tr>
<td>Cash paid for purchase of goods and services</td>
<td>(23,688,914,407)</td>
<td>(26,765,548,157)</td>
</tr>
<tr>
<td>Cash paid to or on behalf of employees</td>
<td>(2,020,006,843)</td>
<td>(1,626,726,082)</td>
</tr>
<tr>
<td>Taxes and surcharges paid</td>
<td>(1,683,603,629)</td>
<td>(1,072,261,860)</td>
</tr>
<tr>
<td>Cash paid relating to other operating activities</td>
<td>(58,065,765)</td>
<td>(356,280,616)</td>
</tr>
<tr>
<td><strong>Sub-total of cash outflows</strong></td>
<td><strong>(27,450,590,644)</strong></td>
<td><strong>(29,820,816,715)</strong></td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td><strong>5,336,256,438</strong></td>
<td><strong>1,044,260,013</strong></td>
</tr>
</tbody>
</table>

#### 2. Cash flows from investing activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from disposal of investments</td>
<td>40,952,073</td>
<td>–</td>
</tr>
<tr>
<td>Cash received from investment income</td>
<td>254,884,445</td>
<td>124,703,297</td>
</tr>
<tr>
<td>Net cash received from disposal of property, plant and equipment, intangible assets and other long-term assets</td>
<td>173,264,767</td>
<td>1,016,060</td>
</tr>
<tr>
<td>Net cash received from disposal of a subsidiary and other operating units</td>
<td>–</td>
<td>8,696,084</td>
</tr>
<tr>
<td>Cash received relating to other investing activities</td>
<td>–</td>
<td>8,500,000</td>
</tr>
<tr>
<td><strong>Sub-total of cash inflows</strong></td>
<td><strong>469,101,285</strong></td>
<td><strong>142,915,441</strong></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment, intangible assets and other non-current assets</td>
<td>(903,750,387)</td>
<td>(408,988,826)</td>
</tr>
<tr>
<td>Cash paid for investments</td>
<td>(890,208,188)</td>
<td>(1,161,478,300)</td>
</tr>
<tr>
<td>Net cash paid for acquisition of a subsidiary and other operating units</td>
<td>(336,014,040)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Sub-total of cash outflows</strong></td>
<td><strong>(2,129,972,615)</strong></td>
<td><strong>(1,570,467,126)</strong></td>
</tr>
<tr>
<td><strong>Net cash flows used in investing activities</strong></td>
<td><strong>(1,660,871,330)</strong></td>
<td><strong>(1,427,551,685)</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
### Statement of Cash Flows (Continued)

For the six months ended 30 June 2018

<table>
<thead>
<tr>
<th>Renminbi Yuan</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unaudited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>For the six months ended 30 June</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td><strong>2017</strong></td>
<td></td>
</tr>
</tbody>
</table>

#### 3. Cash flows from financing activities

- **Cash received from issuing short-term bonds**: 1,000,000,000
- **Cash received from borrowings**: 7,054,795,530
- **Sub-total of cash inflows**: 8,054,795,530
- **Repayment of borrowings**: (10,116,667,147)
- **Cash paid for the distribution of dividend or profits and for interest expenses**: (430,703,666)
- **Sub-total of cash outflows**: (10,547,370,813)
- **Net cash flows (used in)/generated from financing activities**: (2,492,575,283)

#### 4. Effect of foreign exchange rate changes on cash and cash equivalents

- **21,188,376**

#### 5. Increase/(decrease) in cash and cash equivalents

- **1,203,998,201**
- **Add: Cash and cash equivalents at the beginning of the period**: 3,798,992,422
- **Cash and cash equivalents at the end of the period**: 5,002,990,623

The accompanying notes are an integral part of these financial statements.
I. GENERAL INFORMATION OF THE GROUP

Maanshan Iron & Steel Company Limited (the "Company"), a joint stock limited company incorporated after the reorganization of a state-owned enterprise known as Maanshan Iron and Steel Company (the "Original Magang", now named as Magang (Group) Holding Company Limited), was established in Maanshan City, Anhui Province, the People’s Republic of China (the "PRC") on 1 September 1993. The unified social credit code of the Company’s business license is 91340000610400837Y. The Company’s A shares and H shares were issued and listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, respectively. The headquarter of the Company is located at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.

As of 30 June 2018, the Company had issued 7,700,681,186 shares in total, including ordinary A shares of 5,967,751,186 shares and ordinary H shares of 1,732,930,000 shares. The nominal value of each share is RMB1.

The Company, together with its subsidiaries (collectively known as the "Group"), is principally engaged in the manufacture and sale of iron and steel products and related by-products.

The parent company of the Group is Magang (Group) Holding Company Limited (the “Holding”), which is incorporated in the PRC.

The financial statements were approved by the board of directors on 29 August 2018.

The scope of the consolidated financial statements is determined on the control basis. The change in the scope of consolidation during the period is described in Note VI.

II. BASIS OF PREPARATION

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 financial statements are prepared on going concern basis.

As of 30 June 2018, the net current liabilities of the Group amounted to RMB4,415,971,207. The directors of the Company have considered the availability of funding sources, including but not limited to an unutilised bank facilities of RMB25.7 billion as at 30 June 2018. The Company’s board of directors believes that the Group has sufficient working capital 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 2018 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. Assets classified as held for sale are disclosed at the lower of carrying amount and fair value less costs to disposal on the date of classification. Provision for asset impairment is provided in accordance with related regulations.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group has determined the accounting policies and accounting estimates based on the characteristics of the operation, especially those related to bad debt provision for accounts receivable and inventory provision, depreciation of fixed assets, amortisation of intangible assets, impairment of non-financial assets excluding the financial instruments (other than goodwill), recognition of deferred tax assets, recognition and measurement of revenue, etc.

1. STATEMENT OF COMPLIANCE WITH 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 2018, and the results of their operations and cash flows for the six months ended 30 June 2018.

2. ACCOUNTING PERIOD

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. REPORTING CURRENCY

Renminbi, in which the financial statements are presented, is used as the Group’s recording and functional currency. All values are rounded to the nearest Renminbi Yuan (“RMB”) except when otherwise indicated.

The Group’s subsidiaries use their respective local currencies as the reporting currencies for recording purposes in accordance with their own operating environment, which are translated into Renminbi in the preparation of the consolidated financial statements.

4. BUSINESS COMBINATION

A business combination represents a transaction or event where two, or more than two separate entities form one reporting entity. Business combinations are classified into “Business combination involving entities under common control” and “Business combination involving entities not under common control”.

Business combination involving entities under common control

Business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under a business combination involving entities under common control, the combining entity obtains control of another involving entity on the combination date. The acquisition date is the date on which the combining entity effectively obtains control of the entity being combined.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. BUSINESS COMBINATION (CONTINUED)

Business combination involving entities under common control (Continued)

The assets and liabilities obtained under common control (including the goodwill arising from the acquisition of the acquiree as part of the ultimate controlling party’s investment) are measured at the carrying amounts as recorded by the ultimate controlling party at the acquisition date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium, which is included in the capital reserve. If the balance of the share premium reserve is insufficient, any excess is adjusted to retained earnings.

Business combination involving entities not under common control

Business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties before and after the business combination. Under a business combination involving entities not under common control, the entity (the acquirer) obtains control of other entities (the acquiree) on the acquisition date. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall, recognise the acquiree’s identifiable assets, liabilities and provisions that satisfy the recognition criteria at their fair values at the date of acquisition.

Any excess of the sum of the fair value of consideration paid for a business combination (or the fair value of equity securities issued) and the fair value of the acquiree’s equity interest held by the acquirer before the acquisition date over the fair value of the acquirer’s interest in the acquiree’s identifiable net assets is recorded as goodwill, which is measured at cost less any accumulated subsequent impairment. If the fair value of the acquirer’s interest in the acquiree’s identifiable net assets exceeds the sum of the fair value of consideration paid for a business combination (or the fair value of equity securities issued) and the fair value of the acquiree’s equity interest held by the acquirer before the acquisition date, the acquirer shall reassess the measurement of the fair value of the acquiree’s identifiable assets, liabilities or provision, as well as the fair value of consideration paid for a business combination (or the fair value of equity securities issued) and the fair value of the acquiree’s equity interest held before the acquisition date, and recognise immediately in profit or loss any excess remaining after the reassessment.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. CONSOLIDATED FINANCIAL STATEMENTS

The scope of the consolidated financial statements is determined on the control basis, which consists of financial statements of the Company and its subsidiaries for the six months ended 30 June 2018. A subsidiary is a company or entity that is controlled by the Company.

The financial year of subsidiaries is coterminous and the accounting policies of subsidiaries are applied consistently with those of the Company when preparing consolidated financial statements. All intercompany balances, transactions and unrealized gains and losses resulting from intercompany transactions, and dividends within the Group are fully eliminated on consolidation.

Where the current loss assumed by non-controlling interests of a subsidiary exceeds the opening non-controlling interests, the balance offsets non-controlling interests.

For subsidiaries acquired through a business combination not under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the acquisition date until the date on which the Group ceases the control of the subsidiary. In preparing the consolidated financial statements, adjustments are made to the subsidiaries’ financial statements based on fair values of the identifiable assets, liabilities and provision at the acquisition date.

For subsidiaries acquired through a business combination under common control, the operating results and cash flows of the acquiree are included in the consolidated financial statements from the beginning of the combination period. In preparing consolidated financial statements, adjustments are made to related items in comparative financial statements, as if the combination had occurred from the date when the combining entities first came under control of the ultimate controlling party.

The investor shall reassess its control when changes in relevant facts and circumstances lead to changes in the elements of control.

Any change in the non-controlling interests without losing control is recognised as an equity transaction.

6. JOINT ARRANGEMENT AND JOINT OPERATIONS

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities arising from the joint arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The joint arrangements of the Group are all joint ventures.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. CASH AND CASH EQUIVALENTS

Cash represents the cash on hand and deposits which are readily available for payment. Cash equivalents represent the Group’s short term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

8. FOREIGN OPERATIONS AND FOREIGN CURRENCY TRANSLATION

The Group translates foreign currencies into the reporting currency when foreign currency transactions occur.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the exchange rates ruling at the end of the reporting period. The exchange differences are recognised in profit or loss, except those arising from the foreign currency borrowings specifically for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign exchange rates at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates at the date the fair value is determined, and the exchange differences are recognised in profit or loss or other comprehensive income.

The Group translates functional currencies of overseas businesses into Renminbi when preparing the consolidated financial statements. All assets and liabilities are translated at the exchange rates ruling at the end of the reporting period; shareholders’ equity, with the exception of retained earnings, are translated at the exchange rates ruling at the transaction date; all income and expense items in the income statement are translated at the average exchange rates during the period. Exchange differences arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the cumulative exchange translation differences arising from the overseas business will be transferred to profit or loss in the period. In case of a partial disposal, only the proportionate share of the related exchange translation difference is transferred to profit or loss.

The foreign currency cash flows and cash flows of an overseas business shall be translated at the exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash and cash equivalents is presented separately in the statement of cash flows.

9. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

A financial asset (either a part of financial asset or a part of a group of similar financial assets) will be derecognised, which means writing off from the account and the statement of financial position:

(1) The contractual rights to the cash flows from the financial asset expire; or

(2) It transfers the contractual rights to receive the cash flows of the financial asset, or assumes a contractual obligation to pay the cash flows to one or more recipients in a “transfer arrangement” and that (a) substantially transfers all the risks and rewards of ownership of the financial asset, or (b) neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but abandons control of the financial asset.

A financial liability is derecognised when, and only when, the current obligation is discharged or cancelled or expires. If an existing financial liability is replaced by the same debtor with a new financial liability, whose contractual stipulations is substantially different from those of the existing financial liability, or if an enterprise makes substantial revisions to almost all of the contractual stipulations of the existing financial liability, it shall terminate the recognition of the existing financial liability, and at the same time recognise the financial liability after revising the contractual stipulation as a new financial liability, and the difference is recognised in profit or loss.

All financial assets purchased or sold in regular way are recognised or derecognised on the trading date when the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Classification and measurement of financial assets

The Group classifies its financial assets, based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, as measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. A financial asset is measured at its fair value at initial recognition.

For financial assets measured at fair value through profit or loss, the relevant transaction costs are charged to profit or loss; for other financial assets, the relevant transaction costs are recognised as initial investment costs.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Classification and measurement of financial assets (Continued)

The subsequent measurement of financial assets depending on their classifications as follows:

**Debt instruments investment measured at amortised cost**

A financial asset shall be measured at amortised cost if both of the following conditions are met: (a) the financial asset is held whose objective is to collect contractual cash flows and; (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This type of financial asset is measured at amortised cost using effective interest rate method. The gain or loss generated by its’ amortisation and impairment should be accounted in the profit or loss for the period.

**Debt instruments investment measured at fair value through other comprehensive income**

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective will be achieved by both collecting contractual cash flows and trading financial assets and; (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This type of financial asset is subsequently measured at fair value. The premiums or discounts are amortised using effective interest rates method and are recognised as interest income or expense. The change in fair value on such financial asset shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gain and loss which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income should be transferred to profit or loss. Interest income related to such type of financial assets should be recognised in profit or loss.

**Equity instruments investment measured at fair value through other comprehensive income**

The Group irrevocably choose to designate the equity instruments investment not held for trading as financial assets measured at fair value through other comprehensive income at initial recognition. Dividends are recognised in profit or loss and the change in fair value shall be recognised in other comprehensive income. When the financial assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income should be transferred to retained earning.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Classification and measurement of financial assets (Continued)

Financial assets measured at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. This type of financial asset is measured at fair value and the change in fair value shall be recognised in profit or loss.

Classification and measurement of financial liabilities

The Group classifies its financial liabilities at initial recognition as financial liabilities measured at fair value through profit or loss and other financial liabilities. With respect to financial liabilities at fair value through profit or loss, transaction costs are charged to profit or loss; whereas for other financial liabilities, transaction costs are recognised at initial cost.

The subsequent measurement of financial liabilities depending on their classifications as follows:

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss, including financial liabilities held for trading (including derivatives liabilities) and those are designated as at fair value through profit or loss at initial recognition.

A financial asset or liability is classified as held for trading if any of the conditions is met: the financial asset or liability is held or obliged, principally for the purpose of trading or redemption in the near future; it is part of a portfolio of identified financial instruments that are managed collectively and for which there is evidence of a recent actual pattern of short-term profit-taking; or it is a derivative (except for derivatives designated as effective hedging instrument or constitute financial guarantee contract). Such trading financial assets and financial liabilities that are subsequently measured at fair value. All fair value changes are recognised in profit or loss except for those related to hedge accounting.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Classification and measurement of financial liabilities (Continued)

Financial liabilities measured at fair value through profit or loss (Continued)

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when either of the conditions is met:

(1) it eliminates or significantly reduces a measurement or recognition inconsistency.

(2) a group of financial instruments is managed, evaluated and reported to key management on a fair value basis, in accordance with a documented risk management or investment strategy.

(3) the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract, or apparently should not be separated from the hybrid instrument.

(4) Comprehensive instruments with embedded derivative instruments which need to be separated but can’t be measured separately originally and subsequently.

The above financial liabilities of the Group shall subsequently measure at fair value through profit or loss except the change in fair value of the financial liability that is attributable to changes in its own credit risk of the Group shall be recognised in other comprehensive income. The Group shall recognise the change in fair value through profit or loss (including amount of change of self-credit risk), unless the change of fair value recognised in the comprehensive income that is caused by change of the Group’s self-credit risk would create or enlarge the accounting mismatch in profit or loss.

Once a financial liability is designated as measured at fair value through profit or loss at initial recognition, the Group shall not reclassify it as other financial liability, nor shall the Group reclassify other financial liability to designated financial liability measured at fair value through profit or loss.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and disclosed in the statement of financial position at net amount if the entity has a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

The Group uses derivatives such as forward exchange contracts to hedge the exchange risk. Derivatives are measured at its fair value at the transaction date at initial recognition and measured at fair value subsequently. Derivatives with positive fair value would be recognised as assets while those with negative fair value would be recognised as liabilities.

The gain or loss arising from change in fair value of derivatives are recognised in profit or loss, except for that the effective portion in cash flow hedging are recognised in other comprehensive income which will be transferred to profit or loss when the hedged item has an impact on profit or loss.

Impairment of financial assets

The Group recognises loss allowance for financial assets measured at amortised cost, debt instruments investment measured at fair value through other comprehensive income and loan commitment based on their expected credit losses.

A credit loss is the difference between the present value of the contractual cash flows that an entity is entitled to receive under the contract discounted at the original effective interest rate and the cash flows an entity expect to receive. In another word, it is the present value of the cash flow shortfall. The Group discounts the cash flows of purchased or original credit-impaired financial assets at adjusted effective interest rates.

For receivables that do not contain significant financing component, the Group adopts a simplified approach and measures the credit loss at an amount equal to lifetime expected credit losses.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. FINANCIAL INSTRUMENTS (CONTINUED)

Impairment of financial assets (Continued)

For financial assets and loan commitments other than those adopt a simplified approach, the Group assess whether their credit risk at each reporting date has increased significantly. If the credit risk has increased significantly, the Group measures the credit loss at an amount equal to lifetime expected credit losses. If not, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group assesses the credit loss of receivables based on aging analysis unless the receivables are deposit for futures, interest receivable and dividend receivable, which are assessed on individual basis.

When assessing expected credit losses, the Group considers all reasonable and supportable information, including forecast information.

When the Group expects failing to collect or partially collect the contractual cash flow of financial assets, the Group will directly write off the book value of the financial assets.

Modification of financial assets

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of financial asset, an entity shall recalculate the carrying amount of the financial asset and shall recognise a modification gain or loss in profit or loss. The carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset’s original effective interest rate (or credit-adjusted effective interest rate). Any costs or expenses incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining life of the modified financial asset.

Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial assets, it shall derecognise the financial assets. Whereas, if it retains substantially all the risks and rewards of ownership of the assets, it should not derecognise the financial assets.

If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the entity shall determine whether it has retained control of the financial asset. In this case: (i) if the entity has not retained control, it shall derecognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer; (ii) if the entity has retained control, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. INVENTORIES

Inventories include raw materials, work in progress, finished goods and spare parts.

Inventories are initially recognised at cost, which comprises purchase cost, processing cost, and other costs. Costs of delivered inventories, other than construction contracts and spare parts, are determined on the weighted average basis. Costs of general spare parts, lower valued consumables and packing materials are charged to profit or loss at consumption; accident spare parts are amortised in 8 years with 4% residual rate; large rolls on rolling mills are amortised according to the grinding amount.

Inventories are accounted for using the perpetual inventory system.

At the end of each reporting period, inventories shall be measured at the lower of cost and net realizable value. If the cost is in excess of the amounts expected to be realized from their sale or use, provision for inventories is recognised in profit or loss. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realizable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to profit or loss.

Net realizable value is the estimated selling price on normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for raw materials, and on an individual basis for finished goods. For the inventories sold, the relevant inventory provision should be written off accordingly, and the current period’s cost of sales should be reversed.

11. ASSETS HELD FOR SALE

Non-current asset will be classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. An asset is classified as held for sale when both of the criteria are met: (a) it must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets; (b) its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset, and a promise to buy should be acquired. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. (If relevant regulations require approval from authorities or regulators to sell, the approval should be acquired.) An entity that is committed to a sale plan involving loss of control of a subsidiary shall classify all investment in the subsidiary as held for sale in company’s statement of financial position and all assets and liabilities of that subsidiary as held for sale in consolidated statement of financial position when the criteria set out above are met, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale.

If the carrying amount of an asset held for sale (except for financial assets and deferred tax assets) exceeds its fair value less cost to sell, an entity shall reduce the carrying amount to its fair value less cost to sell and any excess of carrying value should be recognised as an impairment loss in profit and loss for that period. Assets held for sale should not be depreciated or amortised.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS

Long-term equity investments consist of equity investments in subsidiaries, joint ventures and associates.

Long-term equity investments are recognised at initial investment cost upon acquisition. For a long-term equity investment acquired through a business combination under common control, the initial investment cost shall be acquirer’s share of the carrying amount of the acquiree’s equity in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of the acquisition consideration shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. Upon disposal, any other comprehensive income previously recognised before the acquisition shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The portion of other comprehensive income recognised based on changes in the investee’s equity (other than net profit or loss, other comprehensive income and profit distribution) is charged to profit or loss upon disposal of such long-term equity investment. For those partially disposed, other comprehensive income gains or losses are proportionately recognised in profit or loss upon disposal when the investment still constitutes long-term equity investments after the disposal, and are fully charged to profit or loss when the investment are reclassified to financial instruments after the disposal. Investments acquired through business combination involving entities not under common control, the initial investment cost should be the acquisition consideration (for step acquisitions not under common control, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree held before the acquisition date and the additional investment cost paid on the acquisition date) which is the sum of the fair value of assets transferred, liabilities incurred or assumed and equity instruments issued by the acquire. Upon disposal, the other comprehensive income recognised relating to the investee under equity method prior to the acquisition will be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The portion of other comprehensive income recognised based on changes in the investee’s equity (other than net profit or loss, other comprehensive income and profit distribution) are proportionately charged to profit or loss when the investment still constitutes long-term equity investments after disposal, and are fully charged to profit or loss when the investment are reclassified as financial instruments after disposal. The cumulative fair value changes, recognized in other comprehensive income of the equity investment classified as other equity instrument investment before acquisition, are transferred to retained earnings when the investment is accounted for under cost method upon acquisition. The initial investment cost of a long-term equity investment acquired other than through a business combination shall be determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price paid plus any costs, taxes and other necessary expenditures directly attributable to the acquisition; for those acquired by issuance of equity securities, the initial investment cost shall be the fair value of the equity securities issued; for those acquired through non-monetary assets exchange, the initial investment cost is determined in accordance with the “Accounting Standards for Business Enterprises No. 7 – Exchange of Non-Monetary Assets”.

Cost method is applied for long-term equity investments in the financial statements of the Company when the investee is controlled by the Company. Control refers to the power over the investee such that the Company is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor’s returns.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

When cost method is adopted, long-term equity investments are recorded at initial investment cost adjusted according to any subsequent addition or reduction of the investment. Dividends declared by the investee should be recognised as investment income in the current period.

Equity method is applied for long-term equity investments when the investees are jointly controlled or significantly influenced by the Group. Joint control is the agreed sharing of control through an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under equity method, when the initial cost of an investment in excess of fair value of the share of investee’s identifiable net assets, the investment cost remains unchanged; when the initial cost of the investment falls short of the fair value of the share of investee’s identifiable net assets, the investment cost shall be adjusted accordingly, with difference charged to profit or loss.

Under equity method, the carrying amount of long-term equity investment are subsequently adjusted for the shared profit or other comprehensive income of the investee, which are charged into profit or loss and other comprehensive income, respectively. The share of profit or other comprehensive income of investee shall be recognised based on fair value of investee’s identifiable net assets upon investment, and adjusted according to the Group’s accounting policies and accounting period, if difference. Any unrealized profit or loss arising from the intercompany transaction between the Group and its joint venture and associate are eliminated from the shared profit to the extend as attributable to the Group’s share of interest, unless the loss is arising from impairment loss of assets. However, the elimination is exempted when the assets disposed constitute a business. The investor’s share of profit distributions or cash dividends declared by the investee is deducted from the carrying amount of the investment. The Group recognises net losses incurred by the investee to the extent that the carrying amount of the investment and other substantial interest in the investee is reduced to zero, unless the investor has an obligation to assume extra loss. Any other changes in equity of investee than profit or loss, other comprehensive income or profit distribution, the Group adjusts the carrying amount of the investment through shareholders’ equity.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

When long-term equity investments are disposed of, the difference between the carrying amount and the actual proceeds are charged to profit or loss. After disposal, if long-term equity investment cease being accounted for under equity method, any other comprehensive income originally recognised under equity method are accounted on the same basis as if the investee would have disposed directly the relevant assets or liabilities, and any reserve recognised based on changes in investee’s equity other than profit or loss, other comprehensive income or profit distribution are fully transferred to profit or loss. If long-term equity investment continue being accounted for under equity method, any other comprehensive income originally recognised under equity method are accounted on the same basis as if the investee would have disposed directly the relevant assets or liabilities, and transferred to profit or loss proportionally, and any reserve recognised based on changes in investee’s equity other than profit or loss, other comprehensive income or profit distribution are proportionally transferred to profit or loss.

If the Company loses control of an investee with joint control or significant influence retained after partial disposal of its shares, the equity investment should be accounted as long-term investment in accordance with the rules of conversion from cost method to equity method; If no joint control or significant influence was retained, the equity investment should be accounted as financial assets. The difference between the fair value on the day of losing control and the book value is recognised in profit or loss.

13. INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property) held to earn rental income and/or for capital appreciation.

Investment properties are measured initially at cost. As for the subsequent costs related to investment properties, if the economic benefits of the assets are likely to flow to the Company and its cost can be measured reliably, then it will be included in the cost of investment property. Otherwise, the subsequent cost will be charged to profit or loss when it occurs.

The Group uses cost model for subsequent measurement of investment properties and the estimated useful life is determined by the period that it can bring economic benefits to the Group. Depreciation is calculated on the straight-line basis over its estimated useful life of 24-50 years. The estimated residual value is 3% to 10% of the cost.
14. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised when it is probable that their related future economic benefits will flow into the Group, and their cost can be measured reliably. The subsequent expenditure is recorded in the cost of fixed assets only if the conditions above are met and the carrying amount of parts which had been replaced shall be derecognised; otherwise, is charged to profit or loss.

Property, plant and equipment are initially measured at cost with consideration of any rehabilitation expenditures. The purchase cost of fixed assets comprises its purchase price, related taxes, and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

Except for the land abroad purchased by an overseas subsidiary of the Group, depreciation is calculated on the straight-line basis. The estimated useful lives, estimated residual values, and the annual depreciation rates of each category of fixed assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Estimated useful life</th>
<th>Estimated residual value</th>
<th>Annual depreciation rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>10 – 30 years</td>
<td>3%</td>
<td>3.2 – 9.7%</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>10 – 15 years</td>
<td>3%</td>
<td>6.5 – 9.7%</td>
</tr>
<tr>
<td>Office equipment</td>
<td>5 – 10 years</td>
<td>3%</td>
<td>9.7 – 19.4%</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>5 – 8 years</td>
<td>3%</td>
<td>12.1 – 19.4%</td>
</tr>
</tbody>
</table>

Where different components of property, plant and equipment have different useful lives or generate profit in different ways, the components are depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

15. CONSTRUCTION IN PROGRESS

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction.

Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. BORROWING COSTS

Borrowing costs are interests and other expenses arising from borrowings of the Group, including borrowing interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

All the borrowing costs that are directly attributable to construction or production of all qualifying assets are capitalized and other borrowing costs are treated as an expense. A qualifying asset is defined as a fixed asset, investment property or inventory that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs commences when:

1. Expenditures for the assets are incurred;
2. Borrowing costs are incurred; or
3. The acquisition and construction activities that are necessary to bring the assets to get ready for their intended use or sale have commenced.

The capitalization of borrowing costs ceases when the asset being acquired or constructed is substantially ready for its intended use or sale and borrowing costs incurred thereafter are treated as an expense.

Within the capitalization period, the amounts of capitalized borrowing costs for each accounting period are determined by the following methods:

1. For specific borrowings, the borrowing costs eligible for capitalization are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income.
2. For general borrowings, the borrowing costs eligible for capitalization are determined by applying a capitalization rate to the weighted average of capital expenditure that exceeds the specific borrowings.

Capitalization of borrowing costs is suspended during extended periods in which the acquisition or construction of a property, plant and equipment is interrupted abnormally and the interruption lasts for more than three months until the acquisition or construction is resumed.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. INTANGIBLE ASSETS

Intangible assets are recognised if and only if it is probable that the related economic benefits will flow into the Group and the costs of which can be measured reliably. Intangible assets are measured at cost initially. However, for an intangible asset acquired in the business combination not under common control whose fair value can be reliably measured, it is separately recognised and is measured at its fair value.

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

The useful lives of the Group’s intangible assets are as follows:

<table>
<thead>
<tr>
<th>Useful life</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Concession right</td>
<td>25 years</td>
</tr>
<tr>
<td>Land use rights</td>
<td>50 years</td>
</tr>
<tr>
<td>Mining rights</td>
<td>25 years</td>
</tr>
<tr>
<td>Patent</td>
<td>3 years</td>
</tr>
</tbody>
</table>

Concession right is the right to operate water supply factories. It is recorded at cost minus accumulative amortisations and impairment, if any. The amortisation is calculated within a period of 25 years using straight-line method.

For internally generated plants and other buildings, the land use rights and buildings are accounted for as intangible assets and fixed assets, respectively. With respect to the land use right purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as fixed assets if it is difficult to allocate reasonably.

Intangible assets with finite useful lives are amortised over the useful lives on the straight-line basis. The Group reviews the useful lives and amortisation method of intangible assets with finite useful lives, and adjusts them if appropriate, at least at the end of each reporting period.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. INTANGIBLE ASSETS (CONTINUED)

The expenditures for internal research and development projects of the Group were classified as research expenditures and development expenditures. All research expenditures are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised if, and only if, an entity can demonstrate all of the following: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale. (b) its intention to complete the intangible asset and use or sell it. (c) its ability to use or sell the intangible asset. (d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset. (e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. (f) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Product development expenditure which does not meet these criteria is expensed when incurred.

18. IMPAIRMENT OF ASSETS

The Group determines the impairment of assets according to the following method, except for inventories, deferred tax assets, financial assets and assets classified as held-for-sale.

The Group assesses whether any indicator of impairment exists as of the end of each reporting period, and, if yes, performs impairment test by estimation of the asset’s recoverable amount. For goodwill acquired in business combinations and intangible assets with indefinite lives, an annual impairment test is performed no matter whether there is any indicator of impairment. Intangible assets that not available for use are also tested for impairment annually.

An asset’s recoverable amount is calculated as the higher of the asset’s fair value less costs to sell and the present value of estimated future cash flows generated from the use of assets. The recoverable amount is calculated on individual basis unless it is not applicable, in which case the recoverable amount is determined for the asset group to which the asset belongs. An asset group is recognised based on whether the cash inflows generated by the asset group are largely independent to those of other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment allowance is provided.

Impairment losses cannot be reversed in subsequent accounting periods.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. PAYROLL AND EMPLOYEE BENEFITS PAYABLE

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits that the Group provides to the spouses, children and dependents of employees, the late employees’ family and other beneficiaries also shall be deemed as employee benefits.

Short-term employee benefits payable

A liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Post-employment benefit (defined contribution plans)

Expenditures for employees’ endowment insurance managed by the local government and annuity plan established by the Group are capitalised in the related assets or charged to profit or loss.

Post-employment benefit (defined benefit plans)

An overseas subsidiary of the Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to shareholder’s equity through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of the date of the plan amendment or curtailment, and the date the Group recognises restructuring costs or termination benefits.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. PAYROLL AND EMPLOYEE BENEFITS PAYABLE (CONTINUED)

Post-employment benefit (defined benefit plans) (Continued)

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “Cost of sales”, “General and administrative expenses” and “Financial expenses” in the income statement by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements

- net interest expense or income comprising interest income on plan assets, interest expense on plan obligations and the interest influenced by asset ceiling.

Termination benefits

An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

Other long-term employee benefits

Other long-term employee benefits apply the same recognition and measurement as for post-employment benefits but all changes in the carrying amount of liabilities for other long-term employment benefits are recognised in profit or loss or capitalized in cost of assets.

20. PROVISIONS

Except for contingent considerations or contingent liability assumed in business combination, a provision is recognised if:

1. the obligation is a present obligation assumed by the Group; and

2. it is probable that an outflow of economic benefits will be required to settle the obligation; and

3. a reliable estimate can be made of the amount of the obligation.

Provisions are initially measured at the best estimate of the expenditure required to settle the present obligation, after considering risks, uncertainties, time value of money, etc. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. PROVISIONS (CONTINUED)

For the provision acquired from business combination, it should be initially measured at fair value. After initial recognition, the amount of provision should be subsequently measured at the higher of the amount being recognised and the initially recognised amount after deducting the accumulated amortisation in accordance with the policy for revenue recognition.

21. REPURCHASE AND REVERSE REPURCHASE TRANSACTIONS

Assets sold under agreements to repurchase at a specified future date ("repos") are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised as "repurchase agreement" on the statement of financial position, reflecting the economic nature that such cash is a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date ("reverse repos") are not recognised in the statement of financial position as a "reverse repurchase agreement." The corresponding cash paid, including accrued interest, is recognised as a "reverse repurchase agreement" in the statement of financial position. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

22. REVENUE

Revenue is recognized when the Group has satisfied its performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services. To obtain control of the relevant good and services is to have the ability to direct the use of, and obtain substantially all of the remaining benefits from of the relevant good and services.

Contracts for the sale of goods

Contracts for the sale of goods between the Group and its customers usually only involves the performance obligations of the transferring of the goods. The Group generally recognises revenue based on the following considerations, taking into account the timing of the transfer of major risks and rewards of ownership of goods. This includes obtaining the current collection rights of the goods, the transfer of the main risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the acceptance of the goods by the customer.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. REVENUE (CONTINUED)

Contracts for rendering of services

The service contract between the Group and its customers usually includes performance obligations for transportation, processing, technical consulting or technical services. As a result of the satisfaction of the performance obligation the Group, the customers obtain and consume the economic benefits of the service while the Group provides the service simultaneously. The Group is entitled to recover from the accumulative performance of the contract that has been completed to date, except when progress of the performance cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. When the progress of the performance cannot be reasonably determined, and the costs incurred by the Group are expected to be compensated, the revenue will be recognized based on the amount of costs incurred, until the progress of the performance can be reasonably determined.

Variable considerations

The contracts between the Group and its certain customers containing sales rebate arrangements (future price reductions based on cumulative sales volumes), which forms a variable consideration. The Group determines the best estimate of the variable consideration based on the expected value or the best estimate value. However, the sales price including variable considerations should not exceed the amount accumulatively recognised which is not likely to be significantly reversed when the uncertainty disappears.

Sales involving right of return

For sales involving right of return, the Group recognizes revenue at the amount of consideration expected to receive from the customer upon transfer of control of the good to the customer, and recognizes refund liability at the amount expected to be refunded due to the sale return. An asset recognised for an entity’s right to recover products from a customer on settling a refund liability shall initially be measured by reference to the former carrying amount of the product (for example, inventory) less any expected costs to recover those products (including potential decreases in the value to the entity of returned products). At the end of each reporting period, the Group updates the estimation on the future sales return and measurement of both the refund liabilities and assets.

Significant financing component

With existence of a significant financing component in the contract, the Group adjusts the amount of the promised consideration at the amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer (“adjusted price”). The difference between the contract price and the adjusted price is amortised over the contract period at the interest rate reflecting that discounts the nominal amount of the promised consideration to the price that the customer would pay in cash for the goods or services when (or as) they transfer to the customer.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. **REVENUE (CONTINUED)**

**Principal consideration**

The Group has the right to determine the price of the goods transferred, that is, the Group has control over the products before transferring the steel and other products to the customers, thus the Group is considered as the principal and recognises revenue based on the total amount received or receivable. Otherwise, the Group is considered to be acting as an agent. As an agent, revenue shall be recognized at the amount of the commission or brokerage that is expected to be collected. The amount is determined based on the net amount of received or receivable deducting any amount payable to the third party, or based on specific commission amount or proportion.

**Interest income**

Interest income is recognised based on the time horizon of the use of the Group’s cash by others and the effective interest rate.

**Lease income**

Lease income from operating leases is recognised over the lease terms on the straight-line basis. Contingent lease income is recognised when incurred.

23. **GOVERNMENT GRANTS**

Government grants are recognised in profit or loss, when they are highly probable to be received and all conditions are fulfilled. If a government grant is in form of monetary asset, it is measured at the amount received or receivable. If a government grant is in form of non-monetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at the nominal amount.

Asset-related government grants are recognised when the government document designates that the government grants are used for constructing or forming long-term assets. If the government document is inexplicit, the Company should make a judgement based on the basic conditions to obtain the government grants, and recognises them as asset-related government grants if the conditions are to form long-term assets through construction or other method. Otherwise, the government grants should be income-related.

If the grant is a compensation for related expenses or losses in future period, the grant is recognised as deferred income and should be recognised in profit or loss for the period when the expenses or losses are incurred.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. GOVERNMENT GRANTS (CONTINUED)

A government grant related to asset can be either accounted by reducing the carrying amount of the asset or by being recognised as deferred income, and amortised systematically and reasonably to profit or loss over the useful life of the related asset (government grants measured at the nominal amount should be recognised in profit or loss immediately for the period). When the asset is sold, transferred, discarded or destroyed within the useful life, the related deferred income should be recognised in profit or loss immediately.

For discounts appropriated to lending banks by the government, and the lending banks provide loans with policy preferential discounts, the Group accounts for the loans with the actual received amount, and calculates the relevant borrowing expenses based on principal and the preferential discounts of the loans.

24. INCOME TAX

Income tax comprises current tax and deferred tax, and is normally recognised as income or expense in profit or loss, except for goodwill generated in a business combination or items that have been recognised directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

Based on the differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, and the differences between the carrying amounts of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision of deferred tax.

A deferred tax liability is recognised in respect of all taxable temporary differences except those arising from:

(1) the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; and

(2) as to temporary differences associated with subsidiaries, joint ventures and associates: the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. INCOME TAX (CONTINUED)

A deferred tax asset is recognised in respect of all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference will be utilized except those arising from the initial recognition of an asset or liability in a transaction which:

1. is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; and

2. as to deductible temporary differences associated with subsidiaries, joint ventures and associates: a deferred tax asset is recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilized.

At the end of each reporting period, deferred tax assets and liabilities are measured, based on taxation laws and regulations, at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, taking into account the income tax effect of expected asset realisation or liability settlement at the end of each reporting period.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Deferred tax assets and liabilities should be offset and disclosed in net if and only if: the entity has a legally enforceable right to set off current tax and liabilities; and the deferred tax assets and liabilities concerned related to income taxes raised by the same authority on the same taxable entity, or taxable entities which intend, in each future period in which significant amounts of deferred tax are expected to be settled or recovered, to settle their current tax assets and liabilities either on a net basis or simultaneously.

25. LEASES

A lease that transfers substantially all of the risks and benefits of ownership of an asset to the lessee is termed as a finance lease. All the other leases are termed as operating leases.

As lessee in operating leases

Rentals payable under operating leases are charged to profit or loss or capitalised on the straight-line basis over the lease terms, and contingent rental payment is charged to profit or loss when it is incurred.

As lessor in operating leases

Rentals receivable under operating leases are credited to profit or loss over the lease terms on the straight-line basis.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

26. PROFIT DISTRIBUTION

The cash dividend of the Company is recognised as a liability upon the approval at the annual general meeting.

27. SAFETY PRODUCTION RESERVE

Safety production reserve sets aside in compliance with relevant regulations, is included in the cost of relevant products or recognised in profit or loss for the period, and credited to the special reserve at the same time. When safety production reserve is utilised, it is accounted for based on whether a fixed asset is generated or not: if the costs incurred can be categorised as expenditure, the costs incurred should be charged against the special reserve; if the reserve is used to build up fixed assets, the costs should be charged to construction in progress, and reclassified to fixed assets when the projects reach the status ready for intended use. Meantime, expenditures in building up fixed assets are directly charged against the special reserve with the accumulated depreciation recognised at the same amount.

28. GENERAL RESERVE

According to the relevant policy of the MOF, Masteel Group Finance Co., Ltd. ("Masteel Finance") accrues the general reserve from net profit as profit distribution. After 1 July 2012, the balance of the general reserve should not be less than 1.5% of the balance of the risk assets.

29. FAIR VALUE MEASUREMENT

The Group measures listed equity investment instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. FAIR VALUE MEASUREMENT (CONTINUED)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value, giving priority to the use of relevant observable inputs, and using unobservable inputs only when observable inputs are unavailable or not feasible to obtain.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

30. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of provision, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Judgments**

In the process of applying the Group’s accounting policies, management has made the following judgments, which have significant effect on the amounts recognised in the financial statements:

**Going concern**

As stated in Note II, the going-concern of the Group relies on the cash inflows from borrowings and operating activities, in order to maintain sufficient cash on the due date of the relevant liabilities. The uncertainty of the Group’s going-concern exists once the Group cannot obtain sufficient cash. The financial statements do not include any necessary adjustments related to book value and classification of assets and liabilities when the Group cannot operate continuously.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Judgments (Continued)

Operating lease – as lessor

The Group has entered into operating leases on its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out and hence has classified the leases as operating leases according to the lease contracts.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the portions are accounted for separately. If the portions could not be sold separately, the property is an investment property only if the portion held for use in the production or supply of goods or services or for administrative purposes is not significant.

Judgement is made on an individual basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Judgement on entities in which the Group holds less than 20% of voting rights but has a significant influence over them

As of 30 June 2018, the Group held 16.34% equity interests in Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. (“Xinchuang Environmental Protection”). The Company designates one director and one supervisor to Xinchuang Environmental Protection according to the Articles of Association and the directors of the Company believe the Company can exercise significant influence over Xinchuang Environmental Protection, despite the equity share is under 20%. Thus the Company had accounted for the investment in Xinchuang Environmental Protection as an associate.

As of 30 June 2018, the Group held 12% equity interests in Anhui Linhuan Chemical Co., Ltd. (“Anhui Linhuan Chemical”). The Company designates one director to Anhui Linhuan Chemical according to the Articles of Association and the directors of the Company believe the Company can exercise significant influence over Anhui Linhuan Chemical, despite the equity share is under 20%. Thus, the Company had accounted for the investment in Anhui Linhuan Chemical as an associate.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Judgments (Continued)

Business model

The classification of a financial asset at initial recognition depends on the Group’s business model of managing financial assets. To determine whether the Group’s business model for managing financial assets is to collect contractual cash flows, the Group needs to analysis the sale of financial assets before the due date. The determination of whether a sale of a financial asset is occasional or not and whether the sale price is insignificant or not requires judgment.

The characteristics of contractual cash flows

The classification of a financial asset at initial recognition depends on the characteristics of its contractual cash flows. This requires a determination of whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. It requires judgement to determine whether the contractual cash flows differ significantly with benchmark cash flows when assessing the adjustment of the time value of money. For financial assets with characteristics of paying in advance, it requires judgement to determine whether the fair value of this characteristics is insignificant.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of financial assets

The group adopts expected credit loss model to assess the impairment of financial assets. The application of expected credit losses model requires significant judgements and estimates. The management needs to consider all reasonable and supportable information including forecasts information. When making the judgements and estimates, the Group should also infer the debtor’s expected change in credit risk on the basis of the past repayment statistics combining the economic policies, macro-economic indicators and industrial risk factors.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When the carrying amount of an asset or asset group is higher than its recoverable amount, that is the higher of fair value less costs to sell and the present value of estimated future cash flows, the related asset or asset group is impaired. The fair value less costs to sell of an asset is determined as the contractual price of similar assets in an arm’s length transaction, or the observable market price of similar assets, after deducting the additional costs directly attributable to the disposal of this asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and unused tax credit can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

Sales involving right of return

For contracts with sales clause involving right of return, the group forms a reasonable estimate of the rate of return based on sales return historical data, current sales return, and consider all relevant information such as customer changes, market changes and etc. The Group re-evaluates the return rate on each balance sheet date and determines the amount due for return and the cost of return receivable based on the re-evaluated return rate.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Constraint in variable consideration estimate

When the Group assess the variable consideration, it considers all the information that can be reasonably obtained, including historical, current information and forecast information that are reasonably available to the entity and shall identify a reasonable number of possible consideration amounts. When it is estimated that the contract may produce multiple results, the Group estimates the variable consideration amount according to the expectation method. When the contract consists of only two possible outcomes, the Group estimates the variable consideration value according to the most likely value. When the variable uncertainties cease to exist, the variable consideration transaction price should not exceed the amount of accumulated revenue that is not likely to be significantly reversed. Under the above circumstance, the group considers the possibility of revenue reversal and the proportion of the amount of money transferred. The Group considers “highly probable” as higher than 50%. In order to reflect the condition of the reporting period and changes within the reporting period, the Group reassesses the variable consideration amount at each balance sheet date, including whether the reassessment of the variable consideration estimate is constraint.

Estimation of useful life of fixed assets

The Group’s management determines the estimated useful life of its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions.

Estimation of inventories net realizable value

Management reviews the condition of inventories (including spare parts) of the Group and their net realisable values and makes provision accordingly. The Group carries out an inventory review at the end of each reporting period and makes provision accordingly.

Net realisable value of inventories is the estimated based on expected selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature. Management reassesses the estimation at the end of each reporting period.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES

Changes in accounting policies


New Revenue Standard

The New Revenue Standard establishes a new model to account for revenue arising from contracts with customers. The revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment and estimation, taking into consideration of the contract costs, performance obligations, variable considerations, principal versus agent. The Group measured the cumulative effect for the uncompleted contracts as at 1 January 2018 under the New Revenue Standard, and for the contract change occurred before 1 January 2018, the Group identified fulfilled and outstanding performance obligations, determine the consideration of the transaction, and the allocation of the consideration between the fulfilled and outstanding performance obligations according to the final arrangement of the contract change. Based on the assessment on uncompleted sales contracts as at January 1, 2018, the Group believed that the impact by adopting the New Revenue Standard on the Group’s financial statements was insignificant which was mainly due to the revenue recognition upon the transfer of risks and rewards coincided with the fulfilment of performance obligations for sales contract for the Group, and also the Group’s sales contracts generally include one performance obligation. The assessment results showed that the adoption of the New Revenue Standard did not have significant impact on the Group’s and the Company’s revenue, net profit and shareholders’ equity. Therefore, the Group and the Company did not adjust the financial statements upon initial adoption.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Changes in accounting policies (Continued)

New Financial Instruments Standards

New Financial Instruments Standards changed the classification and measurement for financial instruments and designated 3 categories of the financial assets: financial assets measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss. The classification is based on the Group’s business model for managing the asset and the instruments’ contractual cash flows characteristic. Equity investments are measured at fair value through profit or loss, but entity can choose irrevocably at initial recognition at fair value through other comprehensive income (no gain or loss on disposal recycled to profit or loss except the dividends).

The adoption of the New Financial Instruments Standards required the change from “incurred loss approach” to a “expected credit loss ("ECL") approach” for the impairment of financial assets measured at amortised cost, debt instrument investment measured at fair value through other comprehensive income, loan commitment and financial guarantee.

The new hedge accounting method strengthened the connection between the entity risk management and its financial statements, enlarged the scope of hedging instrument and hedged item, removed the revisit effectiveness test, and defined the rebalancing mechanism and hedging cost.
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Changes in accounting policies (Continued)

New Financial Instruments Standards (Continued)

A reconciliation on the financial instruments’ classification and measurement (including the change of impairment provision using the ECL approach as at 1 January 2018) as at 1 January 2018 upon initial adoption of the New Financial Instruments Standards is as follows:

The Group

<table>
<thead>
<tr>
<th></th>
<th>Under Original Accounting Standards 31 December 2017</th>
<th>Changes in accounting policies</th>
<th>Under New Accounting Standards 1 January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Reclassification</td>
<td>Remeasurement</td>
<td>Reclassification</td>
</tr>
<tr>
<td>Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>1,546,139,404</td>
<td>(1,546,139,404)</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>–</td>
<td>1,546,139,404</td>
<td>–</td>
</tr>
<tr>
<td>Notes and trade receivables</td>
<td>9,341,614,275</td>
<td>–</td>
<td>(9,861,282)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>285,228,074</td>
<td>–</td>
<td>(15,693,097)</td>
</tr>
<tr>
<td>Financial assets purchased under agreements to resell</td>
<td>1,204,603,000</td>
<td>–</td>
<td>(6,523)</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1,251,315,253</td>
<td>–</td>
<td>(2,735,732)</td>
</tr>
<tr>
<td>Held-to-maturity investments</td>
<td>406,082,606</td>
<td>(406,082,606)</td>
<td>–</td>
</tr>
<tr>
<td>Debt instruments investment</td>
<td>–</td>
<td>1,390,528,606</td>
<td>6,948,601</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>1,111,168,160</td>
<td>(1,111,168,160)</td>
<td>–</td>
</tr>
<tr>
<td>Other equity instrument investments (Note)</td>
<td>–</td>
<td>126,722,160</td>
<td>36,653,752</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>478,235,280</td>
<td>–</td>
<td>(1,783,951)</td>
</tr>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit or loss</td>
<td>10,498,810</td>
<td>(10,498,810)</td>
<td>–</td>
</tr>
<tr>
<td>Financial liabilities held for trading</td>
<td>–</td>
<td>10,498,810</td>
<td>–</td>
</tr>
<tr>
<td>Provision (loan commitment)</td>
<td>–</td>
<td>–</td>
<td>203,555</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>26,841,665</td>
<td>–</td>
<td>9,163,438</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(124,156,060)</td>
<td>–</td>
<td>32,360,498</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>3,643,443,763</td>
<td>–</td>
<td>(20,317,968)</td>
</tr>
<tr>
<td>Equity attributable to owners of parent</td>
<td>23,895,739,812</td>
<td>–</td>
<td>12,042,530</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>3,341,524,501</td>
<td>–</td>
<td>(7,887,756)</td>
</tr>
<tr>
<td>Total shareholders’ equity</td>
<td>27,237,264,313</td>
<td>–</td>
<td>4,154,774</td>
</tr>
</tbody>
</table>
III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. CHANGES IN ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

Changes in accounting policies (Continued)

New Financial Instruments Standards (Continued)

The Company

<table>
<thead>
<tr>
<th></th>
<th>Under Original Accounting Standards 31 December 2017</th>
<th>Changes in accounting policies</th>
<th>Under New Accounting Standards 1 January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td>Reclassification</td>
<td>Remeasurement</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>62,721,800</td>
<td>(62,721,800)</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>–</td>
<td>62,721,800</td>
<td>–</td>
</tr>
<tr>
<td>Notes receivable and accounts receivable</td>
<td>10,170,482,595</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other receivables</td>
<td>7,740,789,448</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>126,722,160</td>
<td>(126,722,160)</td>
<td>–</td>
</tr>
<tr>
<td>Other equity instrument investments (Note)</td>
<td>–</td>
<td>126,722,160</td>
<td>36,653,752</td>
</tr>
</tbody>
</table>

| Liabilities                    |                                                     |                              |                                |
| Financial liabilities at fair value through profit or loss | 10,498,810 | (10,498,810) | – | – |
| Financial liabilities held for trading | – | 10,498,810 | – | 10,498,810 |
| Deferred tax liabilities       | – | – | 9,163,438 | 9,163,438 |

| Shareholders’ equity           |                                                     |                              |                                |
| Other comprehensive income     | – | – | 27,490,314 | 27,490,314 |

Note: Other equity instruments investments are financial assets measured at fair value through other comprehensive income.

Financial Statements Format

According to the Circular of the Ministry of Finance on Revising and Issuing the Format of the Financial Statements of General Enterprises for 2018 (Caikuai [2018] No.15), the Group combined “notes receivable” and “trade receivable” as “notes and trade receivables”, and combined “interest receivable”, “dividends receivable” and “other receivables” as “other receivables”, combined “fixed assets” and “disposal on fixed assets” as “fixed assets”, combined “notes payable” and “trade payable” as “notes and trade payables”, combined “interest payable”, “dividends payable” and “other payables” as “other payables”, and combined “long-term payables” and “special payables” together as “long-term payables”. The Group inserted “Research and Development expenses” above the item of “financial expenses” in the income statement which accounts for expensed expenditure occurred during the course of research and development. The Group retrospectively represented the comparative balance sheet and the income statement. The change of accounting policy did not have an impact on the Group’s and Company’s net profit and shareholders’ equity.
## IV. TAX

### 1. THE MAJOR TAXES AND RELATED TAX RATES

<table>
<thead>
<tr>
<th>Tax</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value-added tax</strong></td>
<td>Before 1 May, 2018, the output VAT rate of domestic sales is 17%. Since 1 May 2018, the output VAT rate of domestic sales is 16%. VAT payable is the net difference between output VAT and deductible input VAT. According to national tax regulations, the Company adopted the “Exempt, Offset, Refund” arrangements for VAT in export sales with the refund rates of 9% to 16%.</td>
</tr>
<tr>
<td><strong>City construction and maintenance tax</strong></td>
<td>Payable based on 5% to 7% of the turnover taxes to be paid.</td>
</tr>
<tr>
<td><strong>Income tax</strong></td>
<td>The Group and certain of its subsidiaries were subject to corporate income tax (“CIT”) at a rate of 25% on their taxable profits. Maanshan Iron &amp; Steel (HK) Limited (“Ma Steel (HK)”) was established and registered in Hong Kong (China), the applicable income tax rate is 16.5%. Maanshan Iron and Steel (Australia) Proprietary Limited (“Ma Steel (Australia)”) was established and registered in Australia, the applicable income tax rate is 30%. MG Trading and Development GmbH (“MG Trading”) was established and registered in Germany, the applicable income tax rate is 30%. MG-VALDUNES S.A.S was established and registered in France, the applicable income tax rate is 33.3%. MASTEEL AMERICA INC (“Masteel America”) was established and registered in the United States, the applicable income tax rate is 30%.</td>
</tr>
<tr>
<td><strong>Land appreciation tax</strong></td>
<td>Payable based on appreciation of land use right and building at a progressive tax rate of 30%-60% as a result of the transfer of ownership.</td>
</tr>
<tr>
<td><strong>Education surcharge</strong></td>
<td>Payable based on 3% of the turnover taxes to be paid.</td>
</tr>
<tr>
<td><strong>Local education surcharge</strong></td>
<td>Payable based on 2% of the turnover taxes to be paid.</td>
</tr>
<tr>
<td><strong>Property tax</strong></td>
<td>Payable based on a certain percentage of the cost of real estate with legal title in accordance with relevant regulations.</td>
</tr>
<tr>
<td><strong>Environment protection tax</strong></td>
<td>Payable based on the actual air pollution generated with RMB1.2 per pollution equivalent. Environment protection tax was levied since 1 January 2018.</td>
</tr>
<tr>
<td><strong>Other taxes</strong></td>
<td>In accordance with tax laws and other relevant regulations.</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CASH AND BANK BALANCES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Cash on hand</td>
<td>5,126</td>
<td>69,222</td>
</tr>
<tr>
<td>Bank balances</td>
<td>5,778,799,684</td>
<td>3,317,292,945</td>
</tr>
<tr>
<td>Other monetary assets</td>
<td>1,035,019,064</td>
<td>950,166,471</td>
</tr>
<tr>
<td>Mandatory reserves of</td>
<td>724,357,939</td>
<td>710,823,455</td>
</tr>
<tr>
<td>Masteel Finance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>deposited in the central bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>7,538,181,813</td>
<td>4,978,352,093</td>
</tr>
</tbody>
</table>

As of 30 June 2018, the Group’s other monetary assets amounting to RMB1,035,019,064 have been pledged to banks as security (31 December 2017: RMB950,166,471) for bank acceptance notes, letters of credit and performance guarantees.

As of 30 June 2018, the Group had cash and bank balances amounting to RMB890,678,739 that have been deposited outside the PRC (31 December 2017: RMB405,464,133).

Cash deposited in current accounts earns interest at floating interest rates. The terms of time deposits are from three months, six months to one year respectively, depending on the cash flow demand of the Group. Such deposits earn interest at the respective bank deposit rates. As of 30 June 2018, the Group had time deposits amounting to RMB860,158,000 (31 December 2017: RMB376,860,152) with terms of over three months.

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>designated as at fair</td>
<td></td>
<td></td>
</tr>
<tr>
<td>value through profit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>derivative financial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>futures contracts</td>
<td>–</td>
<td>62,721,800</td>
</tr>
<tr>
<td>investments in equity</td>
<td>–</td>
<td>1,483,417,604</td>
</tr>
<tr>
<td>instruments</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>–</td>
<td>1,546,139,404</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

The fair value of futures contracts was determined by the settlement price of the Dalian Commodity Exchange and Zhengzhou Commodity Exchange on the last trading date in 2017.

As of 31 December 2017, the investments in equity instruments were mainly financial products held by the Group.

As of 31 December 2017, there was no material restriction on the realisation of these investments.

3. FINANCIAL ASSETS HELD FOR TRADING

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Equity investment</td>
<td>1,904,616,195</td>
<td>1,020,675</td>
</tr>
<tr>
<td>Derivative financial instruments – futures contracts</td>
<td>19,789,892</td>
<td>(24,280,900)</td>
</tr>
<tr>
<td>Derivative financial instruments – forward foreign exchange contracts</td>
<td>3,800,950</td>
<td>14,299,760</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,928,207,037</strong></td>
<td><strong>(8,960,465)</strong></td>
</tr>
</tbody>
</table>

As of 30 June, 2018, the Group’s equity instruments investment was mainly for its financial products.

As of 30 June, 2018, there were no major restrictions on the realization of the Group’s equity instruments investment.

The fair value of the futures contract is determined based on the settlement price of the Dalian Commodity Exchange and the Zhengzhou Commodity Exchange on the last trading day of June 2018.

As of 30 June 2018, the fair value of forward foreign exchange contracts held by the Group was determined based on the forward foreign exchange rates on the last trading day of June 2018.
### V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. NOTES AND TRADE RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2018 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Notes receivable</td>
<td>6,805,738,623</td>
<td>8,375,166,683</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>1,183,198,528</td>
<td>1,014,120,802</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,988,937,151</strong></td>
<td><strong>9,389,287,485</strong></td>
</tr>
<tr>
<td>Less: Provisions for bad debts</td>
<td>71,828,927</td>
<td>47,673,210</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7,917,108,224</strong></td>
<td><strong>9,341,614,275</strong></td>
</tr>
</tbody>
</table>

**Notes receivable**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2018 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank acceptance notes</td>
<td>6,800,538,623</td>
<td>8,369,466,683</td>
</tr>
<tr>
<td>Commercial acceptance notes</td>
<td>5,200,000</td>
<td>5,700,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,805,738,623</strong></td>
<td><strong>8,375,166,683</strong></td>
</tr>
</tbody>
</table>

The pledged notes receivable were as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2018 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank acceptance notes</td>
<td><strong>774,389,336</strong></td>
<td>–</td>
</tr>
</tbody>
</table>

As of the financial position date, the undue notes discounted or endorsed were as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank acceptance notes</td>
<td><strong>7,591,140,954</strong></td>
<td><strong>222,902,072</strong></td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. NOTES AND TRADE RECEIVABLES (CONTINUED)

As of 30 June 2018 and 31 December 2017, there was no trade receivables transferred from notes receivable because of the drawers’ inability to pay.

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:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 Unaudited</th>
<th>31 December 2017 Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within one year</td>
<td>1,062,939,322</td>
<td>915,981,378</td>
</tr>
<tr>
<td>One to two years</td>
<td>55,173,112</td>
<td>50,266,296</td>
</tr>
<tr>
<td>Two to three years</td>
<td>17,564,201</td>
<td>8,034,401</td>
</tr>
<tr>
<td>Over three years</td>
<td>47,521,893</td>
<td>39,838,727</td>
</tr>
</tbody>
</table>

Less: Provisions for bad debts

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>71,828,927</td>
<td>47,673,210</td>
</tr>
</tbody>
</table>

The movements of provisions for bad debts against trade receivables were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Accounting policies changes</th>
<th>Increase during the year/period Reversal</th>
<th>Write-back</th>
<th>Write off</th>
<th>Other changes</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2018</td>
<td>47,673,210</td>
<td>9,861,282</td>
<td>14,806,822 (487,578)</td>
<td>–</td>
<td>–</td>
<td>(24,809)</td>
<td>71,828,927</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>20,729,608</td>
<td>–</td>
<td>30,468,944 (3,632,383)</td>
<td>–</td>
<td>–</td>
<td>106,841</td>
<td>47,673,210</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. NOTES AND TRADE RECEIVABLES (CONTINUED)

The balances of trade receivables are analysed as follows:

<table>
<thead>
<tr>
<th>Book value</th>
<th>Provision for bad debts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
</tr>
<tr>
<td>30 June 2018 (Unaudited)</td>
<td></td>
</tr>
<tr>
<td>Assessed bad debt provision</td>
<td></td>
</tr>
<tr>
<td>individually</td>
<td>–</td>
</tr>
<tr>
<td>Assessed bad debt provision in</td>
<td>1,183,198,528</td>
</tr>
<tr>
<td>portfolios based on credit risk characteristics</td>
<td></td>
</tr>
<tr>
<td>31 December 2017 (Audited)</td>
<td></td>
</tr>
<tr>
<td>Individually significant and assessed for bad debt provision individually</td>
<td>33,846,252</td>
</tr>
<tr>
<td>Assessed bad debt provision in portfolios based on credit risk characteristics</td>
<td>972,551,207</td>
</tr>
<tr>
<td>Individually insignificant but assessed for bad debt provision individually</td>
<td>7,723,343</td>
</tr>
<tr>
<td></td>
<td>1,014,120,802</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. NOTES AND TRADE RECEIVABLES (CONTINUED)

As of 31 December 2017, those individually significant and assessed for impairment individually were as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Book value</th>
<th>Provision</th>
<th>Ratio (%)</th>
<th>Reason for bad debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>20,279,298</td>
<td>(20,279,298)</td>
<td>100</td>
<td>Note</td>
</tr>
<tr>
<td>Company 2</td>
<td>6,927,040</td>
<td>(6,927,040)</td>
<td>100</td>
<td>Note</td>
</tr>
<tr>
<td>Company 3</td>
<td>3,920,206</td>
<td>(3,920,206)</td>
<td>100</td>
<td>Note</td>
</tr>
<tr>
<td>Company 4</td>
<td>2,719,708</td>
<td>(2,719,708)</td>
<td>100</td>
<td>Note</td>
</tr>
</tbody>
</table>

33,846,252 (33,846,252) 100

Note: The Company has confirmed trade receivables to these companies were uncollectible. Therefore provision for bad debts was fully recognised.

Provision for bad debts of trade receivables of the Group analysed by aging is disclosed as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book value</td>
<td>Expected credit loss</td>
</tr>
<tr>
<td></td>
<td>within one year</td>
<td>percentage (%)</td>
</tr>
<tr>
<td>Within one year</td>
<td>1,062,939,322</td>
<td>1</td>
</tr>
<tr>
<td>One to two years</td>
<td>55,173,112</td>
<td>12</td>
</tr>
<tr>
<td>Two to three years</td>
<td>17,564,201</td>
<td>51</td>
</tr>
<tr>
<td>Over three years</td>
<td>47,521,893</td>
<td>96</td>
</tr>
</tbody>
</table>

1,183,198,528 (71,828,927) 972,551,207 (8,122,204)

During the current period, provision for bad debts was RMB14,806,822 and the recovery or reversal of provision for bad debts was RMB487,578.

During the current period, there was no write-off of provision for bad debts.
4. NOTES AND TRADE RECEIVABLES (CONTINUED)

As of 30 June 2018 and 31 December 2017, there was no trade receivables that were derecognised due to the transfer of financial assets.

The top five trade receivables classified by debtors are as follows:

<table>
<thead>
<tr>
<th>30 June 2018</th>
<th>Relationship with the Group</th>
<th>Ending balance</th>
<th>Aging</th>
<th>Percentage of trade receivables</th>
<th>Ending balance of bad debts provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>Third Party</td>
<td>52,780,911</td>
<td>Within 1 year</td>
<td>5%</td>
<td>(527,809)</td>
</tr>
<tr>
<td>Company 2</td>
<td>Third Party</td>
<td>49,742,227</td>
<td>Within 1 year</td>
<td>4%</td>
<td>(497,422)</td>
</tr>
<tr>
<td>Company 3</td>
<td>Third Party</td>
<td>48,312,244</td>
<td>Within 3 years</td>
<td>4%</td>
<td>(46,379,754)</td>
</tr>
<tr>
<td>Company 4</td>
<td>Third Party</td>
<td>47,172,173</td>
<td>Within 1 year</td>
<td>4%</td>
<td>(471,722)</td>
</tr>
<tr>
<td>Company 5</td>
<td>Third Party</td>
<td>46,665,191</td>
<td>Within 1 year</td>
<td>4%</td>
<td>(466,652)</td>
</tr>
</tbody>
</table>

244,672,746 21% (48,343,359)

As of 30 June 2018, the Group had no assets or liabilities deriving from transferring trade receivables in which the Group was continuingly involved (31 December 2017: Nil).
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. PREPAYMENTS

An aging analysis of the prepayments is as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book value</td>
<td>Ratio (%)</td>
</tr>
<tr>
<td>Within one year</td>
<td>601,100,684</td>
<td>97</td>
</tr>
<tr>
<td>One to two years</td>
<td>5,084,367</td>
<td>1</td>
</tr>
<tr>
<td>Two to three years</td>
<td>1,060,733</td>
<td>–</td>
</tr>
<tr>
<td>Over three years</td>
<td>11,156,582</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>618,402,366</td>
<td>100</td>
</tr>
</tbody>
</table>

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

The top five prepayments classified by debtors are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Relationship with the Group</th>
<th>Ending balance</th>
<th>Aging</th>
<th>Percentage of prepayments</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company 1</td>
<td>Third Party</td>
<td>155,856,095</td>
<td>Within 1 year</td>
<td>25%</td>
</tr>
<tr>
<td>Company 2</td>
<td>Third Party</td>
<td>112,836,621</td>
<td>Within 1 year</td>
<td>18%</td>
</tr>
<tr>
<td>Company 3</td>
<td>Associate</td>
<td>34,337,449</td>
<td>Within 1 year</td>
<td>6%</td>
</tr>
<tr>
<td>Company 4</td>
<td>Third Party</td>
<td>29,910,750</td>
<td>Within 1 year</td>
<td>5%</td>
</tr>
<tr>
<td>Company 5</td>
<td>Third Party</td>
<td>24,335,794</td>
<td>Within 1 year</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>357,276,709</td>
<td></td>
<td>58%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Relationship with the Group</th>
<th>Ending balance</th>
<th>Aging</th>
<th>Percentage of prepayments</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company 1</td>
<td>Associate</td>
<td>153,338,367</td>
<td>Within 1 year</td>
<td>20%</td>
</tr>
<tr>
<td>Company 2</td>
<td>Third Party</td>
<td>112,221,723</td>
<td>Within 1 year</td>
<td>15%</td>
</tr>
<tr>
<td>Company 3</td>
<td>Third Party</td>
<td>99,610,140</td>
<td>Within 1 year</td>
<td>13%</td>
</tr>
<tr>
<td>Company 4</td>
<td>Third Party</td>
<td>42,455,500</td>
<td>Within 1 year</td>
<td>6%</td>
</tr>
<tr>
<td>Company 5</td>
<td>Third Party</td>
<td>34,483,771</td>
<td>Within 1 year</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>442,109,501</td>
<td></td>
<td>59%</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Interest receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest from loans and advances</td>
<td>5,315,576</td>
<td>6,390,787</td>
</tr>
<tr>
<td>Dividends receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associate-Shenlong Chemical</td>
<td>32,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Government grants receivable</td>
<td>237,911</td>
<td>5,237,911</td>
</tr>
<tr>
<td>Payment on behalf of other companies</td>
<td>50,733,791</td>
<td>50,733,791</td>
</tr>
<tr>
<td>Prepaid import tariff and VAT deposit</td>
<td>18,799,531</td>
<td>39,396,766</td>
</tr>
<tr>
<td>Prepayment for trading</td>
<td>415,916,327</td>
<td>585,534,699</td>
</tr>
<tr>
<td>Deposit for steel futures</td>
<td>126,462,731</td>
<td>131,482,895</td>
</tr>
<tr>
<td>Others</td>
<td>128,927,358</td>
<td>60,143,385</td>
</tr>
<tr>
<td></td>
<td>778,393,225</td>
<td>878,920,234</td>
</tr>
<tr>
<td></td>
<td>340,412,767</td>
<td>285,228,074</td>
</tr>
</tbody>
</table>

An aging analysis of other receivables is as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Within one year</td>
<td>295,159,041</td>
<td>213,071,211</td>
</tr>
<tr>
<td>One to two years</td>
<td>8,253,941</td>
<td>66,060,251</td>
</tr>
<tr>
<td>Two to three years</td>
<td>50,963,144</td>
<td>615,046</td>
</tr>
<tr>
<td>Over three years</td>
<td>424,017,099</td>
<td>599,173,726</td>
</tr>
<tr>
<td></td>
<td>778,393,225</td>
<td>878,920,234</td>
</tr>
<tr>
<td></td>
<td>340,412,767</td>
<td>285,228,074</td>
</tr>
</tbody>
</table>
### 6. OTHER RECEIVABLES (CONTINUED)

The movement of bad debt provision provided based on the lifetime credit losses is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Accounting policies changes</th>
<th>Increase during the period</th>
<th>Write-back due to disposal of a subsidiary</th>
<th>Other changes</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected credit loss during the lifetime</td>
<td>593,892,160</td>
<td>15,693,097</td>
<td>43,316</td>
<td>(1,823,390)</td>
<td>(6,353)</td>
<td>437,980,458</td>
</tr>
</tbody>
</table>

The other receivables balance is analysed as follows:

#### 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Ratio (%)</th>
<th>Provision for bad debts</th>
<th>Amount</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessed expected credit losses individually</td>
<td>163,778,305</td>
<td>21</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Assessed expected credit losses in portfolios based on credit risk characteristics</td>
<td>614,614,920</td>
<td>79</td>
<td>(437,980,458)</td>
<td>71</td>
<td></td>
</tr>
<tr>
<td></td>
<td>778,393,225</td>
<td>100</td>
<td>(437,980,458)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Ratio (%)</th>
<th>Provision for bad debts</th>
<th>Amount</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individually significant and assessed for bad debt provision individually</td>
<td>587,934,699</td>
<td>67</td>
<td>(587,934,699)</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Assessed bad debt provision in portfolios based on credit risk characteristics</td>
<td>215,595,435</td>
<td>25</td>
<td>(2,966,381)</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Individually insignificant but assessed for bad debt provision individually</td>
<td>75,390,100</td>
<td>8</td>
<td>(2,791,080)</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td></td>
<td>878,920,234</td>
<td>100</td>
<td>(593,692,160)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. OTHER RECEIVABLES (CONTINUED)

As of 31 December 2017, those individually significant and assessed for impairment individually were as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Book value</th>
<th>Provision for bad debts</th>
<th>Ratio (%)</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>132,058,434</td>
<td>(132,058,434)</td>
<td>100</td>
<td>(i)</td>
</tr>
<tr>
<td>Company 2</td>
<td>127,685,367</td>
<td>(127,685,367)</td>
<td>100</td>
<td>(i)</td>
</tr>
<tr>
<td>Company 3</td>
<td>76,821,224</td>
<td>(76,821,224)</td>
<td>100</td>
<td>(ii)</td>
</tr>
<tr>
<td>Company 4</td>
<td>60,939,960</td>
<td>(60,939,960)</td>
<td>100</td>
<td>(i)</td>
</tr>
<tr>
<td>Company 5</td>
<td>57,988,833</td>
<td>(57,988,833)</td>
<td>100</td>
<td>(iv)</td>
</tr>
<tr>
<td>Company 6</td>
<td>37,243,732</td>
<td>(37,243,732)</td>
<td>100</td>
<td>(i)</td>
</tr>
<tr>
<td>Company 7</td>
<td>34,783,463</td>
<td>(34,783,463)</td>
<td>100</td>
<td>(ii)</td>
</tr>
<tr>
<td>Company 8</td>
<td>17,079,513</td>
<td>(17,079,513)</td>
<td>100</td>
<td>(ii)</td>
</tr>
<tr>
<td>Company 9</td>
<td>10,056,058</td>
<td>(10,056,058)</td>
<td>100</td>
<td>(ii)</td>
</tr>
<tr>
<td>Company 10</td>
<td>9,051,133</td>
<td>(9,051,133)</td>
<td>100</td>
<td>(ii)</td>
</tr>
<tr>
<td>Company 11</td>
<td>7,396,979</td>
<td>(7,396,979)</td>
<td>100</td>
<td>(ii)</td>
</tr>
<tr>
<td>Company 12</td>
<td>5,216,988</td>
<td>(5,216,988)</td>
<td>100</td>
<td>(ii)</td>
</tr>
<tr>
<td>Company 13</td>
<td>5,143,596</td>
<td>(5,143,596)</td>
<td>100</td>
<td>(ii)</td>
</tr>
<tr>
<td>Company 14</td>
<td>4,069,419</td>
<td>(4,069,419)</td>
<td>100</td>
<td>(ii)</td>
</tr>
<tr>
<td>Company 15</td>
<td>2,400,000</td>
<td>(2,400,000)</td>
<td>100</td>
<td>(ii)</td>
</tr>
</tbody>
</table>

| Total | 587,934,699 | (587,934,699) | 100 | |

(i) The companies were former steel trading suppliers of the Company, which were in operating difficulties. The fair value of the assets which pledged the receivables has changed, management assessed that it was difficult for the Company to collect the receivables as the second in line pledgee, therefore, a full provision for the bad debts was made.

(ii) The companies were former steel trading suppliers of Maanshan Iron & Steel Company Limited (Shanghai) Trade Co., Ltd. ("Shanghai Trading") (Disposed in 2018, as reference to Note VI Changes in the scope of consolidation), a subsidiary of the Company. Management of the Group has assessed that it was difficult to collect the receivables because that the companies were in operating difficulties, and therefore made a full provision for the bad debts.

(iii) As the customer was in operating difficulties, management has assessed that it was difficult to collect the receivables and therefore made a full provision for the bad debts.

(iv) As the customer had broken the contract and paid part of the debt with real estate, the Company estimated that the rest of the receivables amounting to RMB57,988,833 were uncollectible and therefore made a full provision for bad debts as of 31 December 2017.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OTHER RECEIVABLES (CONTINUED)

Provision for bad debts of other receivables analysed by aging is disclosed as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book value</td>
<td>Expected credit loss</td>
</tr>
<tr>
<td></td>
<td></td>
<td>defaulted percentage (%)</td>
</tr>
<tr>
<td>Within one year</td>
<td>131,380,736</td>
<td>2</td>
</tr>
<tr>
<td>One to two years</td>
<td>8,253,941</td>
<td>22</td>
</tr>
<tr>
<td>Two to three years</td>
<td>50,963,144</td>
<td>27</td>
</tr>
<tr>
<td>Over three years</td>
<td>424,017,099</td>
<td>99</td>
</tr>
<tr>
<td></td>
<td>614,614,920</td>
<td></td>
</tr>
</tbody>
</table>

During the current period, the provision for bad debts was RMB43,316, recovery of provision for bad debts was RMB1,823,390 and write-back reversal of provision for bad debts was RMB169,618,372 due to the change of consolidation scope.

During the current period, there was no write-off of provision for bad debts.

As of 30 June 2018, the top five other receivables were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Book value</th>
<th>Ratio in other receivables (%)</th>
<th>Nature</th>
<th>Aging</th>
<th>Provision for bad debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>132,058,434</td>
<td>17</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(132,058,434)</td>
</tr>
<tr>
<td>Company 2</td>
<td>127,685,367</td>
<td>16</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(127,685,367)</td>
</tr>
<tr>
<td>Company 3</td>
<td>67,731,041</td>
<td>9</td>
<td>Guarantee</td>
<td>Within 1 year</td>
<td>–</td>
</tr>
<tr>
<td>Company 4</td>
<td>60,939,960</td>
<td>8</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(60,939,960)</td>
</tr>
<tr>
<td>Company 5</td>
<td>57,968,833</td>
<td>7</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(57,968,833)</td>
</tr>
<tr>
<td></td>
<td>446,403,635</td>
<td>57</td>
<td></td>
<td></td>
<td>(378,672,594)</td>
</tr>
</tbody>
</table>

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## MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. OTHER RECEIVABLES (CONTINUED)

As of 31 December 2017, the top five other receivables were as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Book value</th>
<th>Ratio in other receivables (%)</th>
<th>Nature</th>
<th>Aging</th>
<th>Provision for bad debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>132,058,434</td>
<td>15</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(132,058,434)</td>
</tr>
<tr>
<td>Company 2</td>
<td>127,685,367</td>
<td>15</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(127,685,367)</td>
</tr>
<tr>
<td>Company 3</td>
<td>76,821,224</td>
<td>9</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(76,821,224)</td>
</tr>
<tr>
<td>Company 4</td>
<td>73,560,769</td>
<td>8</td>
<td>Guarantee</td>
<td>Within 1 year</td>
<td></td>
</tr>
<tr>
<td>Company 5</td>
<td>60,939,960</td>
<td>7</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td></td>
</tr>
</tbody>
</table>

| Total     | 471,065,754| 54                             |         |                        | (397,504,985)           |

As of 30 June 2018, the government grants receivable were as follows:

<table>
<thead>
<tr>
<th>Government grant project</th>
<th>Balance</th>
<th>Aging</th>
<th>Expected receiving time, amount and basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables due from Taibai Town Government</td>
<td>Policy return from 2004 to 2009</td>
<td>237,911</td>
<td>More than three years</td>
</tr>
</tbody>
</table>

As of 31 December 2017, the government grants receivable were as follows:

<table>
<thead>
<tr>
<th>Government grant project</th>
<th>Balance</th>
<th>Aging</th>
<th>Expected receiving time, amount and basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other receivables due from Taibai Town Government</td>
<td>Policy return from 2004 to 2009</td>
<td>5,237,911</td>
<td>More than three years</td>
</tr>
</tbody>
</table>

Note: The balance is the government grant received by a subsidiary named Anhui Changjiang Iron and Steel Co., Ltd. ("Anhui Changjiang Iron and Steel") in 2009 from the Town Government of Taibai, Dangtu in Anhui Province because of its timely and full tax payments between 2004 and 2009. This government grant was recorded as non-operating income in 2009. During the current period, Anhui Changjiang Iron and Steel collected RMB5,000,000, and the remaining amount was expected to collect in 2018.

The balances of other receivables as of 30 June 2018 and 31 December 2017 did not contain any amount derecognised due to the transfer of financial assets.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. INVENTORIES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book value</td>
<td>Provision for impairment</td>
</tr>
<tr>
<td>Raw materials</td>
<td>5,332,820,823</td>
<td>(25,203,965)</td>
</tr>
<tr>
<td>Work in progress</td>
<td>1,426,268,683</td>
<td>(35,960,731)</td>
</tr>
<tr>
<td>Finished goods</td>
<td>3,501,448,420</td>
<td>(78,801,665)</td>
</tr>
<tr>
<td>Spare parts</td>
<td>1,061,266,729</td>
<td>(81,773,206)</td>
</tr>
<tr>
<td>Others</td>
<td>233,474,649</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>11,555,279,504</strong></td>
<td><strong>(221,739,567)</strong></td>
</tr>
</tbody>
</table>

The movements of impairment provision against inventories for the period are disclosed in Note V.22.

At the balance sheet date, inventories were measured at the lower of costs and net realisable values, and provision for impairment was made for items whose costs were higher than their net realisable values. Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes.

As of 30 June 2018, the Group had no constraint inventories (31 December 2017: Nil).

8. FINANCIAL ASSETS PURCHASED UNDER AGREEMENTS TO RESELL

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018 2017 Unaudited Audited</td>
</tr>
<tr>
<td>Bonds</td>
<td>884,891,001 1,204,603,000</td>
</tr>
<tr>
<td>Less: Provision for impairment</td>
<td>4,399 –</td>
</tr>
<tr>
<td></td>
<td><strong>884,886,602</strong> <strong>1,204,603,000</strong></td>
</tr>
</tbody>
</table>

The movements of impairment provision against financial assets purchased under agreements to resell for the period are disclosed in Note V.22.

Financial assets purchased under agreements to resell are bonds that are bought first and to be sold at a fixed price by Masteel Finance according to the resale agreements. The ending balance was bonds repurchased by pledge.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. LOANS AND ADVANCES TO CUSTOMERS

<table>
<thead>
<tr>
<th></th>
<th>30 June</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Loans</td>
<td>540,000,000</td>
<td>531,000,000</td>
</tr>
<tr>
<td>Discounted notes</td>
<td>1,273,468,227</td>
<td>734,464,372</td>
</tr>
<tr>
<td>Factoring</td>
<td>–</td>
<td>20,000,000</td>
</tr>
<tr>
<td></td>
<td><strong>1,813,468,227</strong></td>
<td><strong>1,285,464,372</strong></td>
</tr>
<tr>
<td>Less: Bad debt provision for loans and advances</td>
<td><strong>47,097,604</strong></td>
<td><strong>34,149,119</strong></td>
</tr>
<tr>
<td></td>
<td><strong>1,766,370,623</strong></td>
<td><strong>1,251,315,253</strong></td>
</tr>
</tbody>
</table>

The movement of the provision for bad debts against loans and advances to customers for the current period is disclosed in Note V.22.

As of 30 June 2018, there was no non-performing loan in the Group’s loans and advances to customers. Loans and advances to customers due from related parties as of 30 June 2018 and 31 December 2017 are stated in Note X.6 to the financial statements.

10. ASSETS CLASSIFIED AS HELD FOR SALE

<table>
<thead>
<tr>
<th></th>
<th>30 June</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>117,019,986</td>
<td>73,454,334</td>
</tr>
</tbody>
</table>

On 18 May 2018, Ma Steel (Hefei) Co., Ltd. ("Ma Steel (Hefei)"), a subsidiary of the Company listed certain assets for sale through Anhui Assets and Equity Exchange. These assets are neither included in the assets scope to be acquired by Hefei Land Reserve Center, nor as the assets to be preserved as industrial heritage. On 15 June 2018, Jiangxi Baishengda Metal Co., Ltd. and Anhui Xinguangde Renewable Resources Co., Ltd. accepted the transaction terms and committed to acquire the listing assets. As at 30 June 2018, the carrying amount of the above assets was RMB117,019,986 which is in line with the appraisal result provided by third party evaluator less any transaction costs. The Company believed the transaction will complete in the second half of 2018, and therefore classified the above assets as held for sale.
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. HELD-TO-MATURITY INVESTMENT

<table>
<thead>
<tr>
<th></th>
<th>Book value</th>
<th>Provision for impairment</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current asset</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury bonds</td>
<td>305,228,376</td>
<td>–</td>
<td>305,228,376</td>
</tr>
<tr>
<td><strong>Non-current asset</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury bonds</td>
<td>100,854,230</td>
<td>–</td>
<td>100,854,230</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>406,082,606</td>
<td>–</td>
<td>406,082,606</td>
</tr>
</tbody>
</table>

Significant held-to-maturity investments are as follows:

<table>
<thead>
<tr>
<th>Par value</th>
<th>Nominal interest rate</th>
<th>Actual interest rate</th>
<th>Purchase date</th>
<th>Maturity date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current asset</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 interest-bearing bonds 03</td>
<td>100,000,000</td>
<td>2.78%</td>
<td>3.11%</td>
<td>28 April 2017</td>
</tr>
<tr>
<td>17 interest-bearing bonds 03</td>
<td>100,000,000</td>
<td>2.78%</td>
<td>3.53%</td>
<td>21 June 2017</td>
</tr>
<tr>
<td>15 Anhui bonds 01</td>
<td>50,000,000</td>
<td>2.90%</td>
<td>3.79%</td>
<td>9 August 2017</td>
</tr>
<tr>
<td>15 Jiangsu bonds 09</td>
<td>50,000,000</td>
<td>2.89%</td>
<td>3.84%</td>
<td>8 August 2017</td>
</tr>
<tr>
<td><strong>Non-current asset</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 interest-bearing bonds 10</td>
<td>50,000,000</td>
<td>3.14%</td>
<td>3.565%</td>
<td>18 October 2017</td>
</tr>
<tr>
<td>12 interest-bearing bonds 06</td>
<td>50,000,000</td>
<td>3.25%</td>
<td>3.565%</td>
<td>17 October 2017</td>
</tr>
</tbody>
</table>
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. DEBT INSTRUMENTS INVESTMENT

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Audited)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book value</td>
<td>Provision for impairment</td>
</tr>
<tr>
<td>Current asset</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National and local bonds</td>
<td>100,678,832</td>
<td>–</td>
</tr>
<tr>
<td>Interbank deposits</td>
<td>1,390,010,078</td>
<td>(262,421)</td>
</tr>
<tr>
<td></td>
<td>1,490,688,910</td>
<td>(262,421)</td>
</tr>
<tr>
<td>Non-current asset</td>
<td></td>
<td></td>
</tr>
<tr>
<td>National and local bonds</td>
<td>51,148,671</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>1,541,837,581</td>
<td>(262,421)</td>
</tr>
</tbody>
</table>

Significant national bonds are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Par value</th>
<th>Nominal interest rate</th>
<th>Effective interest rate</th>
<th>Purchase date</th>
<th>Maturity date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current asset</td>
<td>15 Jiangsu bonds 09</td>
<td>50,000,000</td>
<td>2.89%</td>
<td>3.11%</td>
<td>8 August 2017</td>
</tr>
<tr>
<td></td>
<td>15 interest-bearing bonds 10</td>
<td>50,000,000</td>
<td>3.14%</td>
<td>3.565%</td>
<td>18 October 2017</td>
</tr>
<tr>
<td>Non-current asset</td>
<td>12 interest-bearing bonds 06</td>
<td>50,000,000</td>
<td>3.25%</td>
<td>3.565%</td>
<td>17 October 2017</td>
</tr>
</tbody>
</table>

The changes in bad debt provision for debt instruments investment based on 12-month expected credit losses are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Accounting policies changes</th>
<th>Increase during the period</th>
<th>Reversal</th>
<th>Write-back</th>
<th>Write-off</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>12-month expected credit losses</td>
<td>–</td>
<td>(187,201)</td>
<td>(75,220)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>(262,421)</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. OTHER CURRENT ASSETS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Prepaid income tax</td>
<td>280,838,458</td>
<td>295,578,934</td>
</tr>
<tr>
<td>Deductible value added tax</td>
<td>600,840,471</td>
<td>620,091,558</td>
</tr>
<tr>
<td>Others</td>
<td>–</td>
<td>366,839</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>881,678,929</td>
<td>916,037,331</td>
</tr>
</tbody>
</table>

14. AVAILABLE-FOR-SALE FINANCIAL Assets

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book value</td>
</tr>
<tr>
<td>Available-for-sale debt instruments</td>
<td>984,446,000</td>
</tr>
<tr>
<td>Available-for-sale equity instruments measured at cost</td>
<td>126,722,160</td>
</tr>
<tr>
<td></td>
<td>1,111,168,160</td>
</tr>
</tbody>
</table>

Available-for-sale financial assets measured at fair value:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale debt instruments</td>
<td>991,581,802</td>
</tr>
<tr>
<td>Debt instruments’ amortised cost</td>
<td>984,446,000</td>
</tr>
<tr>
<td>Fair value</td>
<td></td>
</tr>
<tr>
<td>Accumulated fair value changes recognised in other comprehensive income</td>
<td>(7,135,802)</td>
</tr>
<tr>
<td>Provision</td>
<td>–</td>
</tr>
</tbody>
</table>

Note: Available-for-sale debt instruments held by the Group were mainly interbank deposits owned by Masteel Finance.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONTINUED)

Available-for-sale financial assets measured at cost:

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Book value</th>
<th>Provisions for impairment</th>
<th>Cash dividend received during the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>Addition</td>
<td>Decrease</td>
</tr>
<tr>
<td>Henan Longyu Energy Co., Ltd. (&quot; Henan Longyu&quot;)</td>
<td>10,000,000</td>
<td>-</td>
</tr>
<tr>
<td>China MCC17 Group Co., Ltd. (&quot;MCC17&quot;)</td>
<td>8,554,800</td>
<td>-</td>
</tr>
<tr>
<td>Shanghai Lingda Qingshui Co., Ltd. (&quot;Shanghai Lingda&quot;)</td>
<td>86,767,360</td>
<td>-</td>
</tr>
<tr>
<td>Beijing Zhongtian E-commerce Co., Ltd. (&quot;Beijing Zhongtian&quot;)</td>
<td>1,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Aminet Huatai CO Engineering Technology Co., Ltd. (&quot;Aminet Huatai&quot;)</td>
<td>400,000</td>
<td>-</td>
</tr>
<tr>
<td>CPHI (Group) Wuhan Heavy Industry Co., Ltd. (&quot;CPHI Wuhan&quot;)</td>
<td>15,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Guojil Industrial Lightweight of Automotive Technology Institute Co., Ltd. (&quot;Guojil Institute&quot;)</td>
<td>3,000,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>126,722,160</td>
<td>-</td>
</tr>
</tbody>
</table>

15. LONG-TERM EQUITY INVESTMENTS

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Movements during the period</th>
<th>Opening balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Investment income under the equity method</th>
<th>Other comprehensive income</th>
<th>Other equity movement</th>
<th>Cash dividend declared</th>
<th>Provisions for impairment</th>
<th>Closing balance</th>
<th>Impairment at the end of the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint ventures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ma'anshan BOC-Ma Steel Gases Company Limited (&quot;BOC-Ma Steel&quot;)</td>
<td>334,657,966</td>
<td>-</td>
<td>-</td>
<td>4,032,932</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(120,000,000)</td>
<td>258,089,898</td>
<td>-</td>
</tr>
<tr>
<td>Masteel-CMI International Training Center Co., Ltd. (&quot;Masteel-CMI&quot;)</td>
<td>546,163</td>
<td>-</td>
<td>-</td>
<td>(830)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>546,083</td>
<td>-</td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Henan JinMa Energy Co., Ltd. (&quot;Henan JinMa Energy&quot;)</td>
<td>441,194,749</td>
<td>-</td>
<td>-</td>
<td>67,236,864</td>
<td>-</td>
<td>-</td>
<td>573,382</td>
<td>(40,232,000)</td>
<td>489,169,785</td>
<td>-</td>
</tr>
<tr>
<td>Shenggong Chemical Co., Ltd. (&quot;Shenggong Chemical&quot;)</td>
<td>489,646,241</td>
<td>-</td>
<td>-</td>
<td>123,483,589</td>
<td>-</td>
<td>-</td>
<td>635,492</td>
<td>(32,030,000)</td>
<td>556,607,801</td>
<td>-</td>
</tr>
<tr>
<td>Shanghai Iron and Steel Electronic Co., Ltd. (&quot;Shanghai Iron and Steel Electronic&quot;)</td>
<td>23,738,705</td>
<td>-</td>
<td>-</td>
<td>3,090,070</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,648,632</td>
<td>-</td>
</tr>
<tr>
<td>Xinchuan Environmental Protection</td>
<td>46,894,524</td>
<td>-</td>
<td>-</td>
<td>4,972,083</td>
<td>-</td>
<td>-</td>
<td>196,564</td>
<td>(1,420,819)</td>
<td>52,319,333</td>
<td>-</td>
</tr>
<tr>
<td>Anhui Lianhua Chemical</td>
<td>90,234,261</td>
<td>-</td>
<td>-</td>
<td>13,722,085</td>
<td>-</td>
<td>-</td>
<td>80,514</td>
<td>-</td>
<td>94,557,303</td>
<td>-</td>
</tr>
<tr>
<td>Masteel-IOC Chemical Co., Ltd. (&quot;Masteel-IOC Chemical&quot;)</td>
<td>127,782,343</td>
<td>-</td>
<td>-</td>
<td>8,478,037</td>
<td>-</td>
<td>-</td>
<td>593,076</td>
<td>-</td>
<td>136,699,738</td>
<td>-</td>
</tr>
<tr>
<td>Masteel (Shanghai) Comercial Factoring Co., Ltd. (&quot;Masteel Commercial Factoring&quot;)</td>
<td>70,000,000</td>
<td>-</td>
<td>-</td>
<td>70,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>70,000,000</td>
<td>-</td>
</tr>
<tr>
<td>Masteel (Shanghai) Finance Leasing Co., Ltd. (&quot;Masteel Finance Leasing&quot;)</td>
<td>70,000,000</td>
<td>-</td>
<td>-</td>
<td>657,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>69,343,000</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>1,525,225,202</td>
<td>150,000,000</td>
<td>-</td>
<td>206,003,674</td>
<td>-</td>
<td>-</td>
<td>2,081,546</td>
<td>(193,748,658)</td>
<td>1,782,379,366</td>
<td>-</td>
</tr>
</tbody>
</table>

* Except Henan JinMa Energy and Xinchuan Environmental Protection, joint ventures and associates listed above, which are accounted for by the equity method, are unlisted investment.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

Note 1: On 17 April 2018, the Company jointly established Ma-Steel Commercial Factoring with registered capital amounting to RMB300,000,000 with Magang (Group) Investment Co., Ltd., Masteel International Trade and Economic Co., Ltd., Maanshan Iron & Steel Group Mining Co., Ltd. and Anhui Masteel Engineering Technology (Group) Co., Ltd. According to the "Articles of Association" of Ma-Steel Commercial Factoring, the Company invests in cash with a capital investment of RMB75,000,000, the capital investment ratio and shareholding ratio are 25%. On 2 May 2018, the Company invested RMB75,000,000 in cash.

According to the "Articles of Association" of Ma-Steel Commercial Factoring, the Company assign one out of five directors in the board and has the right to participate in decision-making on its financial and operating policies, but cannot control or jointly control with other parties. These policies were formulated so that the Company has significant influence on Ma-Steel Commercial Factoring and adopt the equity method to account for its long-term equity investments as an associate.

Note 2: On 10 April 2018, Ma Steel (HK), the subsidiary of the Company jointly established Ma-Steel Finance Leasing with registered capital amounting to RMB300,000,000 with Magang (Group) Investment Co., Ltd., Ma’anshan Jiangdong Finance Holding Co., Ltd. and Anhui Xincheng Investment Co., Ltd. According to the "Articles of Association" of Ma Steel Finance Leasing, Ma Steel (HK) invests in RMB cash amounting to RMB75,000,000, and the capital investment ratio and shareholding ratio are 25%.

According to the "Articles of Association" of Ma Steel Finance Leasing, Ma Steel (HK) assign one out of five directors in the board and has the right to participate in decision-making on its financial and operating policies, but cannot control or jointly control with other parties. These policies are formulated so that Ma Steel (HK) has significant influence on Ma Steel Finance Leasing and adopt equity method to account for its long-term equity investments as an associate.

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Investment income under the equity method</th>
<th>Other comprehensive income</th>
<th>Other equity movement</th>
<th>Cash dividend declared</th>
<th>Provision for impairment</th>
<th>Closing balance at the end of the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint ventures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ECO-Ma Steel</td>
<td>319,718,589</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(75,000,000)</td>
<td>234,718,589</td>
</tr>
<tr>
<td>MASTEEL-CMI</td>
<td>541,433</td>
<td>-</td>
<td>4,720</td>
<td>-</td>
<td></td>
<td>445,153</td>
</tr>
<tr>
<td>Macometal</td>
<td>53,284,037</td>
<td>79,431,997</td>
<td>(127,069,867)</td>
<td>-</td>
<td></td>
<td>7,644,166</td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Henan JinMa Energy</td>
<td>296,196,390</td>
<td>-</td>
<td>(22,335,060)</td>
<td>202,392,735</td>
<td>-</td>
<td>441,164,749</td>
</tr>
<tr>
<td>Shengxing Chemical</td>
<td>359,356,424</td>
<td>-</td>
<td>179,642,817</td>
<td>-</td>
<td>(79,194,000)</td>
<td>489,646,241</td>
</tr>
<tr>
<td>Shanghai Iron and Steel Electronic</td>
<td>27,125,582</td>
<td>-</td>
<td>1,636,113</td>
<td>-</td>
<td>(6,000,000)</td>
<td>22,760,755</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td>43,780,961</td>
<td>-</td>
<td>5,882,120</td>
<td>-</td>
<td>(1,306,391)</td>
<td>48,364,241</td>
</tr>
<tr>
<td>Anhui Lianhui Chemical</td>
<td>72,000,000</td>
<td>-</td>
<td>7,320,968</td>
<td>-</td>
<td>-</td>
<td>80,254,391</td>
</tr>
<tr>
<td>Ma-Steel OCI Chemical</td>
<td>118,438,408</td>
<td>-</td>
<td>8,154,347</td>
<td>-</td>
<td>-</td>
<td>127,792,243</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,239,776,313</strong></td>
<td><strong>78,431,997</strong></td>
<td><strong>(149,703,691)</strong></td>
<td><strong>490,410,552</strong></td>
<td><strong>(36,000,000)</strong></td>
<td><strong>1,525,225,202</strong></td>
</tr>
</tbody>
</table>
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. OTHER EQUITY INSTRUMENTS INVESTMENTS

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
<th>Changes in fair value cumulatively recognised in other comprehensive income</th>
<th>Fair value</th>
<th>Dividend</th>
<th>Equity instruments derecognized in the period</th>
<th>Equity instruments held</th>
</tr>
</thead>
<tbody>
<tr>
<td>Henan Longyu</td>
<td>10,000,000</td>
<td>24,238,826</td>
<td>34,238,826</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>MCC 17</td>
<td>8,554,800</td>
<td>40,497,871</td>
<td>49,052,671</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Shanghai Luojing</td>
<td>88,767,360</td>
<td>(44,406,212)</td>
<td>44,361,148</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Zhonglian Steel</td>
<td>1,000,000</td>
<td>(123,901)</td>
<td>876,099</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Anshan Huatai</td>
<td>400,000</td>
<td>(4,784)</td>
<td>395,216</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>CFHI Maanshan (Note)</td>
<td>16,030,500</td>
<td>(4,615,482)</td>
<td>11,415,018</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Guoqi Institute</td>
<td>3,000,000</td>
<td>(218,232)</td>
<td>2,781,768</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>127,752,660</td>
<td>15,368,086</td>
<td>143,120,746</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Note: In January 2018, the Group increased investment in CFHI Maanshan by RMB1,030,500.
### 17. INVESTMENT PROPERTIES

Investment properties measured using the cost method:

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost: At 1 January 2018</th>
<th>Addition</th>
<th>Cost: At 30 June 2018</th>
<th>Accumulated depreciation: At 1 January 2018</th>
<th>Provided</th>
<th>Accumulated depreciation: At 30 June 2018</th>
<th>Provision for impairment: At 1 January 2018 and 30 June 2018</th>
<th>Net carrying amount: At 1 January 2018</th>
<th>Net carrying amount: At 30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>65,075,379</td>
<td>7,566,695</td>
<td>874,650</td>
<td>8,441,345</td>
<td></td>
<td>56,634,034</td>
<td>57,508,684</td>
</tr>
<tr>
<td>Plant and buildings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. INVESTMENT PROPERTIES (CONTINUED)

Investment properties measured using the cost method: *(Continued)*

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Description</th>
<th>Plant and buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>65,075,379</td>
</tr>
<tr>
<td>Addition</td>
<td>–</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>65,075,379</td>
</tr>
<tr>
<td><strong>Accumulated depreciation:</strong></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>6,241,381</td>
</tr>
<tr>
<td>Provided</td>
<td>1,325,314</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>7,566,695</td>
</tr>
<tr>
<td><strong>Provision for impairment:</strong></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017 and 31 December 2017</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net carrying amount:</strong></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>57,508,684</td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>58,833,998</td>
</tr>
</tbody>
</table>

* The Group’s investment properties are located in Mainland China, and are held under medium term leases.*
### V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 18. PROPERTY, PLANT AND EQUIPMENT

**30 June 2018 (Unaudited)**

<table>
<thead>
<tr>
<th></th>
<th>Plant and buildings</th>
<th>Machinery and equipment</th>
<th>Motor vehicles</th>
<th>Office equipment</th>
<th>Land</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>28,312,424,263</td>
<td>54,588,753,466</td>
<td>385,442,567</td>
<td>267,883,872</td>
<td>10,961,956</td>
<td>83,565,446,124</td>
</tr>
<tr>
<td>Addition</td>
<td>4,943,010</td>
<td>43,013,894</td>
<td>2,320,906</td>
<td>2,478,180</td>
<td>-</td>
<td>52,755,990</td>
</tr>
<tr>
<td>Transferred from</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>construction progress</td>
<td>1,200,280</td>
<td>378,085,530</td>
<td>1,375,906</td>
<td>-</td>
<td>-</td>
<td>380,661,716</td>
</tr>
<tr>
<td>Classified as assets held for sale (Note V.19)</td>
<td>-</td>
<td>(1,117,628,405)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(1,117,628,405)</td>
</tr>
<tr>
<td>Disposal</td>
<td>(136,318,414)</td>
<td>(3,506,476)</td>
<td>(9,598,279)</td>
<td>-</td>
<td>-</td>
<td>(149,423,169)</td>
</tr>
<tr>
<td>Exchange realignment</td>
<td>(110,091)</td>
<td>(2,535,232)</td>
<td>(1,361,602)</td>
<td>(102,962)</td>
<td>(211,869)</td>
<td>(4,321,756)</td>
</tr>
<tr>
<td><strong>At 30 June 2018</strong></td>
<td>28,182,139,048</td>
<td>53,886,182,777</td>
<td>378,179,498</td>
<td>270,239,090</td>
<td>10,750,087</td>
<td>82,727,490,500</td>
</tr>
<tr>
<td><strong>Accumulated depreciation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>13,242,580,090</td>
<td>36,046,867,181</td>
<td>301,161,332</td>
<td>251,424,893</td>
<td>-</td>
<td>49,842,033,496</td>
</tr>
<tr>
<td>Provided</td>
<td>351,809,906</td>
<td>1,543,282,155</td>
<td>9,696,876</td>
<td>3,031,961</td>
<td>-</td>
<td>1,907,822,898</td>
</tr>
<tr>
<td>Classified as assets held for sale (Note V.10)</td>
<td>-</td>
<td>(775,206,717)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(775,206,717)</td>
</tr>
<tr>
<td>Disposal</td>
<td>(52,280,364)</td>
<td>(2,688,964)</td>
<td>(8,159,660)</td>
<td>-</td>
<td>-</td>
<td>(63,128,988)</td>
</tr>
<tr>
<td>Exchange realignment</td>
<td>(52,916)</td>
<td>(478,122)</td>
<td>(407,607)</td>
<td>(78,241)</td>
<td>-</td>
<td>(1,016,886)</td>
</tr>
<tr>
<td><strong>At 30 June 2018</strong></td>
<td>13,542,056,716</td>
<td>36,811,775,533</td>
<td>302,292,941</td>
<td>254,378,613</td>
<td>-</td>
<td>50,910,503,803</td>
</tr>
<tr>
<td><strong>Impairment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>104,408,146</td>
<td>487,885,152</td>
<td>619,468</td>
<td>-</td>
<td>-</td>
<td>592,912,766</td>
</tr>
<tr>
<td>Classified as assets held for sale (Note V.10)</td>
<td>-</td>
<td>(225,401,702)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(225,401,702)</td>
</tr>
<tr>
<td><strong>At 30 June 2018</strong></td>
<td>104,408,146</td>
<td>262,483,450</td>
<td>619,468</td>
<td>-</td>
<td>-</td>
<td>367,511,064</td>
</tr>
<tr>
<td><strong>Net carrying amount:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 30 June 2018</td>
<td>14,535,674,186</td>
<td>16,811,923,794</td>
<td>75,267,089</td>
<td>15,860,477</td>
<td>10,750,087</td>
<td>31,449,475,633</td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>14,965,436,027</td>
<td>18,054,001,133</td>
<td>83,661,767</td>
<td>16,438,979</td>
<td>10,961,956</td>
<td>33,130,499,862</td>
</tr>
</tbody>
</table>
### V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### 31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Plant and buildings</th>
<th>Machinery and equipment</th>
<th>Motor vehicles</th>
<th>Office equipment</th>
<th>Land (Note)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>28,321,868,263</td>
<td>54,592,830,136</td>
<td>387,602,293</td>
<td>266,400,805</td>
<td>10,265,796</td>
<td>83,578,967,293</td>
</tr>
<tr>
<td>Addition</td>
<td>6,054,144</td>
<td>85,124,002</td>
<td>7,273,995</td>
<td>1,716,586</td>
<td></td>
<td>100,168,727</td>
</tr>
<tr>
<td>Business combination</td>
<td>–</td>
<td>112,713</td>
<td>177,003</td>
<td>7,849</td>
<td>–</td>
<td>297,565</td>
</tr>
<tr>
<td>Transferred from construction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in progress</td>
<td>566,145,962</td>
<td>1,691,818,944</td>
<td>18,616,780</td>
<td>149,156</td>
<td></td>
<td>2,276,730,842</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>(104,782,703)</td>
<td>96,823,103</td>
<td>7,959,600</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Classified as assets held for sale</td>
<td>(40,142,003)</td>
<td>(222,179,917)</td>
<td>–</td>
<td>–</td>
<td></td>
<td>(262,321,920)</td>
</tr>
<tr>
<td>Disposal</td>
<td>(438,301,782)</td>
<td>(1,295,397,943)</td>
<td>(35,843,585)</td>
<td>(363,583)</td>
<td></td>
<td>(1,769,706,893)</td>
</tr>
<tr>
<td>Accrual adjustments</td>
<td>for construction</td>
<td>–</td>
<td>(363,572,672)</td>
<td>–</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of a subsidiary</td>
<td>– (5,705,913)</td>
<td>(805,624)</td>
<td>(365,472)</td>
<td>–</td>
<td></td>
<td>(6,877,009)</td>
</tr>
<tr>
<td>Exchange realignment</td>
<td>1,582,382</td>
<td>8,901,013</td>
<td>262,105</td>
<td>318,531</td>
<td>696,160</td>
<td>11,760,191</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>28,312,424,263</td>
<td>54,588,753,466</td>
<td>385,442,567</td>
<td>267,963,872</td>
<td>10,961,956</td>
<td>83,565,446,124</td>
</tr>
</tbody>
</table>

|                     |                     |                         |                |                  |             |             |
| **Accumulated depreciation:** |                     |                         |                |                  |             |             |
| At 1 January 2017   | 12,872,670,351      | 34,591,216,575          | 309,217,755    | 244,653,433      |             | 48,017,758,114 |
| Provided            | 790,935,731         | 2,741,866,074           | 20,062,209     | 7,007,485        |             | 3,559,891,499 |
| Reclassifications   | (9,890,291)         | 4,818,647               | 5,071,644      | –                |             |             |
| Classified as assets held for sale | (20,576,618) | (168,290,968)           | –              | –                |             | (188,867,586) |
| Disposal            | (390,655,903)       | (1,120,558,093)         | (32,635,145)   | (8,090)          |             | (1,543,857,231) |
| Disposal of a subsidiary | – (3,675,424) | (750,450)              | (338,975)      | –                |             | (4,764,849)  |
| Exchange realignment| 96,820              | 1,470,370               | 195,319        | 111,040          |             | 1,873,549    |
| **At 31 December 2017** | 13,242,580,090      | 36,046,867,181          | 301,161,332    | 251,424,893      |             | 49,842,033,496 |

|                     |                     |                         |                |                  |             |             |
| **Impairment:**     |                     |                         |                |                  |             |             |
| At 1 January 2017   | 6,514,174           | 32,093,290              | –              | –                |             | 38,607,464  |
| Provided            | 101,594,293         | 487,885,152             | 619,468        | –                |             | 590,089,913 |
| Disposal            | (3,700,321)         | (32,093,290)            | –              | –                |             | (35,793,611) |
| **At 31 December 2017** | 104,408,146         | 487,885,152             | 619,468        | –                |             | 592,912,786 |

|                     |                     |                         |                |                  |             |             |
| **Net carrying amount:** |                     |                         |                |                  |             |             |
| At 31 December 2017 | 14,965,436,027      | 18,054,001,133          | 83,661,767     | 16,438,979       | 10,961,956  | 33,130,499,882 |
| At 1 January 2017   | 15,442,683,738      | 19,969,520,271          | 78,284,538     | 21,747,372       | 10,265,796  | 35,522,601,715 |
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Note: Land in fixed assets is the land ownership purchased by MG-VALDUNES, a subsidiary of the Group, in France.

As of 30 June 2018, certificates of ownership in respect of 35 buildings of the Group in Mainland China, with an aggregate cost of RMB1,343,778,609 (31 December 2017: RMB1,343,778,609), have not been obtained from the relevant government authorities. The directors represented that the Group was in the process of obtaining the relevant certificates, and this will not have any significant adverse impact on the Group’s operations.

19. CONSTRUCTION IN PROGRESS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book value</td>
<td>Provision for impairment</td>
</tr>
<tr>
<td>Product quality projects</td>
<td>1,106,515,494</td>
<td>–</td>
</tr>
<tr>
<td>Energy-saving and environmental protection projects</td>
<td>463,840,964</td>
<td>–</td>
</tr>
<tr>
<td>Equipment advancement and other modification projects</td>
<td>422,918,881</td>
<td>–</td>
</tr>
<tr>
<td>Other projects</td>
<td>378,893,413</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>2,372,168,752</td>
<td>–</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. CONSTRUCTION IN PROGRESS (CONTINUED)

The movements of significant projects are as follows:

### 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Name of projects</th>
<th>Budget RMB’000</th>
<th>Opening balance RMB</th>
<th>Addition RMB</th>
<th>Transferred to fixed assets RMB</th>
<th>Transferred to intangible assets RMB</th>
<th>Other reduction RMB</th>
<th>Closing balance RMB</th>
<th>Source of fund</th>
<th>The proportion of projects investment account for budget (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality projects</td>
<td>6,633,515</td>
<td>575,866,740</td>
<td>708,148,095</td>
<td>(177,499,338)</td>
<td>–</td>
<td>–</td>
<td>1,106,515,497</td>
<td>Internally financed/loan</td>
<td>46</td>
</tr>
<tr>
<td>Equipment advancement and other modification projects</td>
<td>1,282,998</td>
<td>565,711,125</td>
<td>52,851,358</td>
<td>(94,513,601)</td>
<td>(131,130,000)</td>
<td>–</td>
<td>422,918,882</td>
<td>Internally financed/loan</td>
<td>33</td>
</tr>
<tr>
<td>Other projects</td>
<td>N/A</td>
<td>318,887,776</td>
<td>75,141,524</td>
<td>(307,692)</td>
<td>(14,828,200)</td>
<td>–</td>
<td>378,850,406</td>
<td>Internally financed/loan</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>1,805,955,609</td>
<td>1,092,833,059</td>
<td>(380,661,716)</td>
<td>(145,956,200)</td>
<td>–</td>
<td>–</td>
<td>2,372,168,752</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Less: impairment

<table>
<thead>
<tr>
<th>Name of projects</th>
<th>Budget RMB’000</th>
<th>Opening balance RMB</th>
<th>Addition RMB</th>
<th>Transferred to fixed assets RMB</th>
<th>Transferred to intangible assets RMB</th>
<th>Other reduction RMB</th>
<th>Closing balance RMB</th>
<th>Source of fund</th>
<th>The proportion of projects investment account for budget (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality projects</td>
<td>11,023,853</td>
<td>387,560,165</td>
<td>702,524,220</td>
<td>57,634,890</td>
<td>(571,852,535)</td>
<td>575,866,740</td>
<td>2,276,730,776</td>
<td>Internally financed/loan</td>
<td>51</td>
</tr>
<tr>
<td>Energy-saving and environmental protection projects</td>
<td>2,842,715</td>
<td>448,789,128</td>
<td>347,431,816</td>
<td>–</td>
<td>(450,730,776)</td>
<td>345,459,968</td>
<td>1,805,955,609</td>
<td>Internally financed/loan</td>
<td>69</td>
</tr>
<tr>
<td>Equipment advancement and other modification projects</td>
<td>1,626,014</td>
<td>856,966,507</td>
<td>249,998,243</td>
<td>–</td>
<td>(540,353,823)</td>
<td>565,711,125</td>
<td>2,276,730,776</td>
<td>Internally financed/loan</td>
<td>79</td>
</tr>
<tr>
<td>Other projects</td>
<td>N/A</td>
<td>565,775,598</td>
<td>466,906,084</td>
<td>–</td>
<td>(713,793,906)</td>
<td>–</td>
<td>318,857,778</td>
<td>Internally financed/loan</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>2,258,191,398</td>
<td>1,768,860,163</td>
<td>57,634,890</td>
<td>(2,276,730,842)</td>
<td>(2,276,730,842)</td>
<td>–</td>
<td>1,805,955,609</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

### 31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Name of projects</th>
<th>Budget RMB’000</th>
<th>Opening balance RMB</th>
<th>Addition RMB</th>
<th>Business combination RMB</th>
<th>Transferred to fixed assets RMB</th>
<th>Transferred to intangible assets RMB</th>
<th>Other reduction RMB</th>
<th>Closing balance RMB</th>
<th>Source of fund</th>
<th>The proportion of projects investment account for budget (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality projects</td>
<td>11,023,853</td>
<td>387,560,165</td>
<td>702,524,220</td>
<td>57,634,890</td>
<td>(571,852,535)</td>
<td>575,866,740</td>
<td>2,276,730,776</td>
<td>Internally financed/loan</td>
<td>51</td>
<td></td>
</tr>
<tr>
<td>Energy-saving and environmental protection projects</td>
<td>2,842,715</td>
<td>448,789,128</td>
<td>347,431,816</td>
<td>–</td>
<td>(450,730,776)</td>
<td>345,459,968</td>
<td>1,805,955,609</td>
<td>Internally financed/loan</td>
<td>69</td>
<td></td>
</tr>
<tr>
<td>Equipment advancement and other modification projects</td>
<td>1,626,014</td>
<td>856,966,507</td>
<td>249,998,243</td>
<td>–</td>
<td>(540,353,823)</td>
<td>565,711,125</td>
<td>2,276,730,776</td>
<td>Internally financed/loan</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>Other projects</td>
<td>N/A</td>
<td>565,775,598</td>
<td>466,906,084</td>
<td>–</td>
<td>(713,793,906)</td>
<td>–</td>
<td>318,857,778</td>
<td>Internally financed/loan</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2,258,191,398</td>
<td>1,768,860,163</td>
<td>57,634,890</td>
<td>(2,276,730,842)</td>
<td>(2,276,730,842)</td>
<td>–</td>
<td>1,805,955,609</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
19. CONSTRUCTION IN PROGRESS (CONTINUED)

The movements of significant interest capitalisation are as follows:

### 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Name of projects</th>
<th>Percentage of completion (%)</th>
<th>Accumulative interest capitalisation</th>
<th>Including: interest capitalised during the period</th>
<th>Interest capitalisation rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality projects</td>
<td>46</td>
<td>11,446,953</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Energy-saving and environmental protection projects</td>
<td>65</td>
<td>4,816,770</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Equipment advancement and other modification projects</td>
<td>33</td>
<td>7,597,740</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other projects</td>
<td>N/A</td>
<td>3,005,256</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Total: 26,866,719

### 31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Name of projects</th>
<th>Percentage of completion (%)</th>
<th>Accumulative interest capitalisation</th>
<th>Including: interest capitalised during the year</th>
<th>Interest capitalisation rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product quality projects</td>
<td>51</td>
<td>11,446,953</td>
<td>1,775,312</td>
<td>4.75</td>
</tr>
<tr>
<td>Energy-saving and environmental protection projects</td>
<td>69</td>
<td>4,816,770</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Equipment advancement and other modification projects</td>
<td>79</td>
<td>7,597,740</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other projects</td>
<td>N/A</td>
<td>3,005,256</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Total: 26,866,719, 1,775,312
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. INTANGIBLE ASSETS

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Concession rights (Note)</th>
<th>Land use rights</th>
<th>Mining rights</th>
<th>Patent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2018</td>
<td>136,979,410</td>
<td>2,398,079,120</td>
<td>141,167,372</td>
<td>880,589</td>
<td>2,677,106,491</td>
</tr>
<tr>
<td>Addition</td>
<td>–</td>
<td>689,200</td>
<td>16,158,226</td>
<td>–</td>
<td>16,847,426</td>
</tr>
<tr>
<td>Transferred from construction in progress</td>
<td>14,828,200</td>
<td>131,130,000</td>
<td>–</td>
<td>–</td>
<td>145,958,200</td>
</tr>
<tr>
<td>Disposals</td>
<td>–</td>
<td>(8,717,562)</td>
<td>–</td>
<td>–</td>
<td>(8,717,562)</td>
</tr>
<tr>
<td>Exchange realignment</td>
<td>–</td>
<td>–</td>
<td>(6,361,513)</td>
<td>(17,020)</td>
<td>(6,378,533)</td>
</tr>
<tr>
<td><strong>At 30 June 2018</strong></td>
<td>151,807,610</td>
<td>2,521,180,758</td>
<td>150,964,085</td>
<td>863,569</td>
<td>2,824,816,022</td>
</tr>
</tbody>
</table>

|                      |                          |                 |               |        |                     |
| **Accumulated amortisation:** |                          |                 |               |        |                     |
| At 1 January 2018    | 36,132,066               | 700,021,465     | 56,734,535    | 614,252| 793,502,318         |
| Provided             | 2,956,721                | 28,087,950      | 98,986,634    | –      | 130,031,305         |
| Disposals            | –                        | (1,628,041)     | –            | –      | (1,628,041)         |
| Exchange realignment | –                        | –               | (4,838,424)   | (11,872)| (4,850,296)         |
| **At 30 June 2018**  | 39,088,787               | 726,481,374     | 150,882,745   | 602,380| 917,055,286         |

|                      |                          |                 |               |        |                     |
| **Impairment:**      |                          |                 |               |        |                     |
| At 1 January 2018 and |                          |                 |               |        |                     |
| at 30 June 2018      | –                        | –               | –            | –      | –                   |

|                      |                          |                 |               |        |                     |
| **Net carrying amount:** |                          |                 |               |        |                     |
| At 30 June 2018      | 112,718,823             | 1,794,699,384   | 81,340        | 261,189| 1,907,760,736       |
| At 1 January 2018    | 100,847,344             | 1,698,057,655   | 84,432,837    | 266,337| 1,883,604,173       |
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. INTANGIBLE ASSETS (CONTINUED)

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Concession rights (Note)</th>
<th>Land use rights</th>
<th>Mining rights</th>
<th>Patent</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cost:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>136,979,410</td>
<td>2,288,788,651</td>
<td>139,904,847</td>
<td>692,411</td>
<td>2,566,365,319</td>
</tr>
<tr>
<td>Addition</td>
<td>–</td>
<td>109,290,469</td>
<td>–</td>
<td>141,222</td>
<td>109,431,691</td>
</tr>
<tr>
<td>Exchange realignment</td>
<td>–</td>
<td>–</td>
<td>1,262,525</td>
<td>46,956</td>
<td>1,309,481</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>136,979,410</td>
<td>2,398,079,120</td>
<td>141,167,372</td>
<td>880,589</td>
<td>2,677,106,491</td>
</tr>
<tr>
<td><strong>Accumulated amortisation:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>30,218,625</td>
<td>664,229,102</td>
<td>49,837,103</td>
<td>311,562</td>
<td>744,596,392</td>
</tr>
<tr>
<td>Provided</td>
<td>5,913,441</td>
<td>35,792,363</td>
<td>6,084,938</td>
<td>281,562</td>
<td>48,072,304</td>
</tr>
<tr>
<td>Exchange realignment</td>
<td>–</td>
<td>–</td>
<td>812,494</td>
<td>21,128</td>
<td>833,622</td>
</tr>
<tr>
<td><strong>At 31 December 2017</strong></td>
<td>36,132,066</td>
<td>700,021,465</td>
<td>56,734,535</td>
<td>614,252</td>
<td>793,502,318</td>
</tr>
<tr>
<td><strong>Impairment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 1 January 2017 and at 31 December 2017</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td><strong>Net carrying amount:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2017</td>
<td>100,847,344</td>
<td>1,698,057,655</td>
<td>84,432,837</td>
<td>266,337</td>
<td>1,883,604,173</td>
</tr>
<tr>
<td>At 1 January 2017</td>
<td>106,760,785</td>
<td>1,624,559,549</td>
<td>90,067,744</td>
<td>380,849</td>
<td>1,821,768,927</td>
</tr>
</tbody>
</table>

Note: The concession right is owned by a subsidiary of the Company, Maanshan Iron & Steel (Hefei) Industrial Water Supply Co., Ltd. ("Hefei Water Supply"). On 18 May 2011, Hefei Water Supply obtained a concession right by signing the "Concession Arrangement for Hefei Circle Economy Park Industrial Water Supply" (the "Arrangement") with the Administrative Committee of Hefei Circle Economic Park (the "Park") through open tender. According to the Arrangement, Hefei Water Supply has the right to receive fees from water users in the Park by providing principal services including: industrial water supply, and designing, constructing, occupying, operating and maintaining the industrial water treatment plant, water abstraction and pipe networks. The infrastructure construction contract was applied, and no construction service revenue was recognised. According to the agreement, the payment for the project during the construction was recognised as intangible assets. The specified concession service period is 25 years. Hefei Water Supply is obliged to transfer all infrastructures to the grantor, the Administrative Committee of Hefei Circle Economy Park, at the end of the period of the Arrangement with smooth operation guaranteed.

* The Group’s land use rights are located in Mainland China and are held under medium term leases.
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets and deferred liabilities before offset:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deductible</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset impairment provision</td>
<td>467,797,456</td>
<td>445,798,480</td>
</tr>
<tr>
<td>Sales incentive</td>
<td>547,684,628</td>
<td>411,343,608</td>
</tr>
<tr>
<td>Payroll payable</td>
<td>231,117,672</td>
<td>195,634,400</td>
</tr>
<tr>
<td>Government grants</td>
<td>585,770,380</td>
<td>589,766,912</td>
</tr>
<tr>
<td>Deductible tax loss</td>
<td>–</td>
<td>157,786,860</td>
</tr>
<tr>
<td>Others</td>
<td>184,756,096</td>
<td>156,066,216</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,017,126,232</td>
<td>1,956,416,476</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value adjustments related to business combination not under common control</td>
<td>101,397,216</td>
<td>107,366,660</td>
</tr>
<tr>
<td>Changes in fair value of financial products and funds</td>
<td>2,513,232</td>
<td>3,111,908</td>
</tr>
<tr>
<td>Changes in fair value of derivatives financial instruments</td>
<td>2,723,248</td>
<td>23,203,200</td>
</tr>
<tr>
<td>Changes in fair value of other equity instruments investment</td>
<td>15,368,086</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>99,560</td>
<td>17,160,248</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>122,101,342</td>
<td>150,842,016</td>
</tr>
</tbody>
</table>

### Deferred tax assets

**Deductible temporary differences**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asset impairment provision</td>
<td>116,949,364</td>
<td>111,449,620</td>
</tr>
<tr>
<td>Sales incentive</td>
<td>136,921,157</td>
<td>102,835,902</td>
</tr>
<tr>
<td>Payroll payable</td>
<td>57,779,418</td>
<td>48,908,600</td>
</tr>
<tr>
<td>Government grants</td>
<td>146,442,595</td>
<td>147,441,728</td>
</tr>
<tr>
<td>Deductible tax loss</td>
<td>–</td>
<td>39,446,715</td>
</tr>
<tr>
<td>Others</td>
<td>46,189,024</td>
<td>39,021,554</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>504,281,558</td>
<td>489,104,119</td>
</tr>
</tbody>
</table>

### Deferred tax liabilities

**Taxable temporary differences**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value adjustments related to business combination not under common control</td>
<td>25,349,304</td>
<td>26,841,665</td>
</tr>
<tr>
<td>Changes in fair value of financial products and funds</td>
<td>628,308</td>
<td>777,977</td>
</tr>
<tr>
<td>Changes in fair value of derivatives financial instruments</td>
<td>680,812</td>
<td>5,800,800</td>
</tr>
<tr>
<td>Changes in fair value of other equity instruments investment</td>
<td>3,842,022</td>
<td>–</td>
</tr>
<tr>
<td>Others</td>
<td>24,890</td>
<td>4,290,062</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30,525,336</td>
<td>37,710,504</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Net amount of deferred tax assets/liabilities after offset:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Offset amount</td>
<td>Net amount</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>5,176,032</td>
<td>499,105,526</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>5,176,032</td>
<td>25,349,304</td>
</tr>
</tbody>
</table>

The Group’s unrecognised deferred tax assets arising from deductible temporary differences and deductible tax losses were as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductible temporary differences</td>
<td>1,131,748,860</td>
<td>1,373,832,413</td>
</tr>
<tr>
<td>Deductible tax losses</td>
<td>3,540,002,735</td>
<td>6,712,659,253</td>
</tr>
<tr>
<td></td>
<td><strong>4,671,751,595</strong></td>
<td><strong>8,086,491,666</strong></td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

Unrecognised deferred tax assets arising from deductible tax losses will expire in the following years:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>To expire in 2018</td>
<td>–</td>
<td>483,216,836</td>
</tr>
<tr>
<td>To expire in 2019</td>
<td>89,222,479</td>
<td>781,213,612</td>
</tr>
<tr>
<td>To expire in 2020</td>
<td>2,466,653,416</td>
<td>4,555,266,671</td>
</tr>
<tr>
<td>To expire in 2021</td>
<td>610,751,778</td>
<td>614,738,784</td>
</tr>
<tr>
<td>To expire in 2022</td>
<td>255,890,463</td>
<td>278,223,350</td>
</tr>
<tr>
<td>To expire in 2023 and future years (Note)</td>
<td>117,484,599</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,540,002,735</strong></td>
<td><strong>6,712,659,253</strong></td>
</tr>
</tbody>
</table>

Note: Oversea subsidiaries of the Company have deductible tax losses amounting to RMB107,024,833 without expiration date.

The Group has not recognised the deferred tax assets related to the above deductible temporary differences and unused tax losses, because it is highly probable that future taxable profit will not be available to be utilised.

Based on the current rules and regulations of taxation and preferential tax policy committed by local tax authorities or the Group deserved to have, the Group estimated the amount of income tax and deferred tax. In business activities, there were uncertainties of tax treatments for several transactions and issues. Therefore, if the final recognised results of issues in tax treatments are different from the initial amount, the differences will pose influences on the amount of income tax and deferred tax, which were recognised in the above time periods accordingly.

Uncovered deficit and other temporary deductible differences, such as non-deductible provision for trade receivables before tax, inventories, fixed assets, construction in progress and so on, the deferred tax assets are recognised to the extent that the deficit covered by taxable profit which would probably arise in future or the deductible temporary differences that could be reversed. The deferred tax assets are recognised based on the significant judgement by management after considering when and how much taxable profit would arise and its tax planning.
## 22. ASSETS IMPAIRMENT PROVISIONS

**30 June 2018 (Unaudited)**

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Accounting policies changes</th>
<th>Increase during the period</th>
<th>Decrease during the period</th>
<th>Reversal</th>
<th>Write-back/write-off</th>
<th>Other changes</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Provisions for bad debts</strong></td>
<td>675,514,489</td>
<td>20,290,111</td>
<td>25,062,891</td>
<td>(2,310,968)</td>
<td>–</td>
<td>(169,649,534)</td>
<td>556,906,989</td>
<td></td>
</tr>
<tr>
<td>Including: Trade receivables</td>
<td>47,673,210</td>
<td>9,861,282</td>
<td>487,578</td>
<td>–</td>
<td>(24,809)</td>
<td>71,828,927</td>
<td>437,080,458</td>
<td></td>
</tr>
<tr>
<td>Other receivables</td>
<td>593,692,160</td>
<td>15,693,007</td>
<td>43,316</td>
<td>(1,823,390)</td>
<td>–</td>
<td>(169,624,775)</td>
<td>437,080,458</td>
<td></td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>34,149,119</td>
<td>2,735,732</td>
<td>10,212,753</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>47,097,604</td>
<td></td>
</tr>
<tr>
<td><strong>Financial assets purchased under agreements to resell</strong></td>
<td>–</td>
<td>6,523</td>
<td>(2,124)</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,399</td>
<td></td>
</tr>
<tr>
<td><strong>Debt instruments investment</strong></td>
<td>–</td>
<td>187,201</td>
<td>75,220</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>282,421</td>
<td></td>
</tr>
<tr>
<td><strong>Inventory impairment provision (i)</strong></td>
<td>199,103,925</td>
<td>–</td>
<td>57,950,358</td>
<td>(34,690,674)</td>
<td>(623,842)</td>
<td>221,739,567</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Finished goods</td>
<td>57,103,281</td>
<td>–</td>
<td>35,046,808</td>
<td>(13,192,638)</td>
<td>(154,786)</td>
<td>78,081,665</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Spare parts</td>
<td>81,796,976</td>
<td>–</td>
<td>–</td>
<td>(23,770)</td>
<td>–</td>
<td>81,773,206</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td><strong>Property, plant and equipment impairment provision</strong></td>
<td>592,812,766</td>
<td>–</td>
<td>–</td>
<td>(225,401,702)</td>
<td>–</td>
<td>307,411,064</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Including: Buildings and plant</td>
<td>104,408,146</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>104,408,146</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>487,885,152</td>
<td>–</td>
<td>–</td>
<td>(225,401,702)</td>
<td>–</td>
<td>262,483,450</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Transportation vehicle and tools</td>
<td>619,468</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>619,468</td>
<td>–</td>
<td></td>
</tr>
</tbody>
</table>

| Total                      | 1,467,531,180 | 28,483,835                  | 83,086,469               | (2,313,092)                | (260,092,576) | (170,273,376) | 1,146,424,440 |

(i) The inventory impairment provision includes the write-off of inventory in the amount of RMB 180,830,000 in the year ended 30 June 2018.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. ASSETS IMPAIRMENT PROVISIONS (CONTINUED)

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the year</th>
<th>Decrease during the year</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions for bad debts</td>
<td>662,500,880</td>
<td>31,636,265</td>
<td>(17,008,821)</td>
<td>675,514,489</td>
</tr>
<tr>
<td>Including: Trade receivables</td>
<td>20,729,808</td>
<td>30,468,944</td>
<td>(3,632,383)</td>
<td>47,673,210</td>
</tr>
<tr>
<td>Other receivables</td>
<td>594,245,515</td>
<td>1,167,321</td>
<td>–</td>
<td>593,692,160</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>47,525,557</td>
<td>–</td>
<td>(13,376,438)</td>
<td>34,149,119</td>
</tr>
<tr>
<td>Inventory impairment provision</td>
<td>292,506,001</td>
<td>154,044,086</td>
<td>(12,395,449)</td>
<td>199,103,925</td>
</tr>
<tr>
<td>Including: Raw materials</td>
<td>83,746,075</td>
<td>90,248,757</td>
<td>(149,188,032)</td>
<td>25,064,421</td>
</tr>
<tr>
<td>Work in progress</td>
<td>17,659,670</td>
<td>28,815,862</td>
<td>(11,697,458)</td>
<td>35,139,247</td>
</tr>
<tr>
<td>Finished goods</td>
<td>64,188,089</td>
<td>23,880,267</td>
<td>(131,387)</td>
<td>57,139,281</td>
</tr>
<tr>
<td>Spare parts</td>
<td>125,912,167</td>
<td>11,099,200</td>
<td>(44,791,068)</td>
<td>81,796,976</td>
</tr>
<tr>
<td>Property, plant and equipment impairment provision</td>
<td>38,607,464</td>
<td>590,098,913</td>
<td>(35,793,611)</td>
<td>592,912,766</td>
</tr>
<tr>
<td>Including: Buildings and plant</td>
<td>6,514,174</td>
<td>101,594,293</td>
<td>(3,700,321)</td>
<td>104,408,146</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>32,093,290</td>
<td>487,885,152</td>
<td>(32,093,290)</td>
<td>487,885,152</td>
</tr>
<tr>
<td>Transportation vehicle and tools</td>
<td>–</td>
<td>619,468</td>
<td>–</td>
<td>619,468</td>
</tr>
</tbody>
</table>

(i) Generally, the provision for inventories is assessed and made at the end of every half year. The provision for inventories will be written back and credited to the cost of sales upon the sale of corresponding inventories.

23. DEPOSITS AND BALANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic bank deposits</td>
<td>200,000,000</td>
<td>200,000,000</td>
</tr>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
</tbody>
</table>
24. CUSTOMER DEPOSITS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>1,733,469,412</td>
<td>2,365,945,211</td>
</tr>
<tr>
<td>Notice deposits</td>
<td>30,500,000</td>
<td>186,300,000</td>
</tr>
<tr>
<td>Time deposits</td>
<td>337,090,699</td>
<td>395,394,399</td>
</tr>
<tr>
<td></td>
<td><strong>2,101,060,111</strong></td>
<td><strong>2,947,639,610</strong></td>
</tr>
</tbody>
</table>

Details of customer deposits of Masteel Finance related to the related parties at 30 June 2018 and 31 December 2017 are disclosed in Note X.6.

25. REPURCHASE AGREEMENTS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Bonds</td>
<td>795,000,000</td>
<td>99,000,000</td>
</tr>
<tr>
<td>Notes</td>
<td>218,146,250</td>
<td>209,100,956</td>
</tr>
<tr>
<td></td>
<td><strong>1,013,146,250</strong></td>
<td><strong>308,100,956</strong></td>
</tr>
</tbody>
</table>

Repurchase agreements is the money arising from notes and bonds discounted by Masteel Finance to other financial institutions according to the repurchase agreements.

26. SHORT-TERM LOANS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Pledged loans (Note 1)</td>
<td>700,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>3,978,213,750</td>
<td>4,062,713,077</td>
</tr>
<tr>
<td>Inward documentary notes and letters of credit (Note 2)</td>
<td>2,165,266,287</td>
<td>567,590,617</td>
</tr>
<tr>
<td></td>
<td><strong>6,843,480,037</strong></td>
<td><strong>4,630,303,694</strong></td>
</tr>
</tbody>
</table>

Details of customer deposits of Masteel Finance related to the related parties at 30 June 2018 and 31 December 2017 are disclosed in Note X.6.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. SHORT-TERM LOANS (CONTINUED)

Note 1: As of 30 June 2018, the Group used bank acceptance notes with a book value of RMB774,389,336 (31 December 2017: Nil) as pledge to obtain bank loans of RMB700,000,000 (31 December 2017: Nil).

Note 2: As of 30 June 2018, the outstanding letters of credit of the Group amounted to RMB2,165,266,287 (31 December 2017: RMB567,590,617).

As of 30 June 2018, the interest rates of the above short-term loans ranged from 1.00%-6.00% (31 December 2017: 0.67%-6.00%).

27. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

<table>
<thead>
<tr>
<th>31 December</th>
<th>2017</th>
<th>Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derivative financial liabilities – Forward foreign exchange contracts</td>
<td>10,498,810</td>
<td></td>
</tr>
</tbody>
</table>

As of 31 December 2017, the fair value of forward foreign exchange contracts held by the Company was determined by the forward foreign exchange rate on the last trading day in 2017.

28. NOTES AND TRADE PAYABLES

<table>
<thead>
<tr>
<th>30 June</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Unaudited</td>
<td>Audited</td>
</tr>
</tbody>
</table>

Notes payable

<table>
<thead>
<tr>
<th></th>
<th>Bank acceptance notes</th>
<th>Commercial acceptance notes</th>
<th>Trade payables</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>RMB2,296,258,193</td>
<td>RMB29,500,000</td>
<td>RMB6,364,696,847</td>
</tr>
<tr>
<td>2017</td>
<td>RMB4,724,648,470</td>
<td>RMB85,200,000</td>
<td>RMB6,968,534,360</td>
</tr>
</tbody>
</table>

As of 30 June 2018 and 31 December 2017, the aging of the Group’s notes payable was all within six months, and there were no overdue notes.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. NOTES AND TRADE PAYABLES (CONTINUED)

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

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Within one year</td>
<td>6,125,863,149</td>
<td>6,681,492,997</td>
</tr>
<tr>
<td>One to two years</td>
<td>105,115,317</td>
<td>167,589,414</td>
</tr>
<tr>
<td>Two to three years</td>
<td>32,416,960</td>
<td>32,970,687</td>
</tr>
<tr>
<td>Over three years</td>
<td>101,301,421</td>
<td>86,481,262</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,364,696,847</strong></td>
<td><strong>6,968,534,360</strong></td>
</tr>
</tbody>
</table>

The trade payable is interest-free and is normally settled within three months.

The amounts due to related parties among the balances of notes and trade payables as of 30 June 2018 and 31 December 2017 are stated in Note X.6 to the financial statements.

As of 30 June 2018, the material trade payables aged over one year were as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount due</th>
<th>Reason for non-settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>178,012,081</td>
<td>Note</td>
</tr>
<tr>
<td>Company 2</td>
<td>19,000,000</td>
<td>Note</td>
</tr>
<tr>
<td>Company 3</td>
<td>16,614,066</td>
<td>Note</td>
</tr>
<tr>
<td>Company 4</td>
<td>11,541,401</td>
<td>Note</td>
</tr>
<tr>
<td>Company 5</td>
<td>5,241,160</td>
<td>Note</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>230,408,708</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note: The Group’s trade payables aged over one year are mainly related to equipment and construction proceeds pending for settlement.
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29. ADVANCES FROM CUSTOMERS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Advances from customers</td>
<td>3,949,852,811</td>
<td>3,842,903,332</td>
</tr>
</tbody>
</table>

As of 30 June 2018, the material advance received aged over one year were as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount of advance received</th>
<th>Reason for outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>20,908,895</td>
<td>Note</td>
</tr>
<tr>
<td>Company 2</td>
<td>6,340,000</td>
<td>Note</td>
</tr>
<tr>
<td>Company 3</td>
<td>6,250,000</td>
<td>Note</td>
</tr>
<tr>
<td>Company 4</td>
<td>5,560,000</td>
<td>Note</td>
</tr>
<tr>
<td>Company 5</td>
<td>5,240,000</td>
<td>Note</td>
</tr>
</tbody>
</table>

44,298,895

Note: the Group’s advances from customers aged over one year were mainly advances from customers related to the contracts not fully executed.
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. PAYROLL AND EMPLOYEE BENEFITS PAYABLE

#### 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the period</th>
<th>Decrease during the period</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>565,738,070</td>
<td>2,100,635,275</td>
<td>2,013,924,460</td>
<td>652,448,885</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(defined contribution plans)</td>
<td>7,132,446</td>
<td>370,850,654</td>
<td>272,133,236</td>
<td>105,849,864</td>
</tr>
<tr>
<td>Supplementary retirement benefits due within one year (i) (Note V.39)</td>
<td>1,161,421</td>
<td>789,958</td>
<td>1,161,421</td>
<td>789,958</td>
</tr>
<tr>
<td>One-off termination compensation (ii)</td>
<td>–</td>
<td>23,263,712</td>
<td>23,263,712</td>
<td>–</td>
</tr>
<tr>
<td>Early retirement benefits due within one year (Note V.39)</td>
<td>80,790,568</td>
<td>30,003,872</td>
<td>42,806,493</td>
<td>67,987,947</td>
</tr>
<tr>
<td></td>
<td>654,822,505</td>
<td>2,525,543,471</td>
<td>2,353,289,322</td>
<td>827,076,654</td>
</tr>
</tbody>
</table>

#### 31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the year</th>
<th>Decrease during the year</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term employee benefits</td>
<td>516,403,174</td>
<td>3,467,001,129</td>
<td>3,417,666,233</td>
<td>565,738,070</td>
</tr>
<tr>
<td>Post-employment benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(defined contribution plans)</td>
<td>471,321</td>
<td>673,267,980</td>
<td>666,606,855</td>
<td>7,132,446</td>
</tr>
<tr>
<td>Supplementary retirement benefits due within one year</td>
<td>1,127,023</td>
<td>1,161,421</td>
<td>1,127,023</td>
<td>1,161,421</td>
</tr>
<tr>
<td>One-off termination compensation</td>
<td>–</td>
<td>107,286,887</td>
<td>107,286,887</td>
<td>–</td>
</tr>
<tr>
<td>Early retirement benefits due within one year</td>
<td>32,443,165</td>
<td>80,790,568</td>
<td>32,443,165</td>
<td>80,790,568</td>
</tr>
<tr>
<td></td>
<td>550,444,683</td>
<td>4,329,507,985</td>
<td>4,225,130,163</td>
<td>654,822,505</td>
</tr>
</tbody>
</table>

(i) MG-VALDUNES provides retired workers with supplementary benefits, including supplementary pension allowance, medical expenses and supplementary medical insurance, which are regarded as defined benefit plans. The present value of the defined benefit plans is equal to the discounted value of the estimated future cash outflow. The discounted rate is determined by the interest rate of government bonds of which maturity is close to the payment date of the defined benefit plans. The payroll and employee benefits payable with maturity of more than one year are recognised in long-term compensation.

(ii) One-off termination compensation is the termination compensation paid by the Company to its employees due to human resource optimisation.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. PAYROLL AND EMPLOYEE BENEFITS PAYABLE (CONTINUED)

Short-term employee benefits:

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the period</th>
<th>Decrease during the period</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, bonuses and subsidies</td>
<td>506,914,156</td>
<td>1,622,619,708</td>
<td>1,666,198,091</td>
<td>463,335,773</td>
</tr>
<tr>
<td>Welfare</td>
<td>33,507,007</td>
<td>135,340,490</td>
<td>76,592,327</td>
<td>92,255,170</td>
</tr>
<tr>
<td>Social insurance</td>
<td>10,262</td>
<td>140,162,582</td>
<td>98,035,914</td>
<td>42,136,930</td>
</tr>
<tr>
<td>Including: Medical insurance</td>
<td>5,279</td>
<td>117,120,068</td>
<td>82,084,813</td>
<td>35,040,534</td>
</tr>
<tr>
<td>Work-related injury insurance</td>
<td>4,983</td>
<td>18,077,104</td>
<td>12,131,132</td>
<td>5,950,955</td>
</tr>
<tr>
<td>Maternity insurance</td>
<td>–</td>
<td>4,965,410</td>
<td>3,819,969</td>
<td>1,145,441</td>
</tr>
<tr>
<td>Housing fund</td>
<td>19,797,170</td>
<td>150,984,778</td>
<td>148,406,611</td>
<td>22,375,337</td>
</tr>
<tr>
<td>Labour union fee and employee education fee</td>
<td>5,509,475</td>
<td>51,527,717</td>
<td>24,691,517</td>
<td>32,345,675</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>565,738,070</strong></td>
<td><strong>2,100,635,275</strong></td>
<td><strong>2,013,924,460</strong></td>
<td><strong>652,448,885</strong></td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the year</th>
<th>Decrease during the year</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, bonuses and subsidies</td>
<td>469,991,142</td>
<td>2,784,341,875</td>
<td>2,747,418,861</td>
<td>506,914,156</td>
</tr>
<tr>
<td>Welfare</td>
<td>19,192,058</td>
<td>147,716,422</td>
<td>133,401,473</td>
<td>33,507,007</td>
</tr>
<tr>
<td>Social insurance</td>
<td>–</td>
<td>192,845,639</td>
<td>192,835,377</td>
<td>10,262</td>
</tr>
<tr>
<td>Including: Medical insurance</td>
<td>–</td>
<td>161,571,149</td>
<td>161,565,870</td>
<td>5,279</td>
</tr>
<tr>
<td>Work-related injury insurance</td>
<td>–</td>
<td>25,622,179</td>
<td>25,617,196</td>
<td>4,983</td>
</tr>
<tr>
<td>Maternity insurance</td>
<td>–</td>
<td>5,652,311</td>
<td>5,652,311</td>
<td>–</td>
</tr>
<tr>
<td>Housing fund</td>
<td>20,309,142</td>
<td>263,549,318</td>
<td>264,061,290</td>
<td>19,797,170</td>
</tr>
<tr>
<td>Labour union fee and employee education fee</td>
<td>6,910,832</td>
<td>78,547,875</td>
<td>79,949,232</td>
<td>5,509,475</td>
</tr>
</tbody>
</table>

| **Total**                                   | **516,403,174**  | **3,467,001,129**         | **3,417,666,233**         | **565,738,070** |
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. PAYROLL AND EMPLOYEE BENEFITS PAYABLE (CONTINUED)

Defined contribution plans:

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the period</th>
<th>Decrease during the period</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension insurance</td>
<td>6,144</td>
<td>278,332,670</td>
<td>217,830,902</td>
<td>60,507,912</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td>604</td>
<td>10,476,437</td>
<td>1,612,125</td>
<td>8,864,916</td>
</tr>
<tr>
<td>Supplementary pension scheme</td>
<td>7,125,698</td>
<td>82,041,547</td>
<td>52,690,209</td>
<td>36,477,036</td>
</tr>
<tr>
<td></td>
<td>7,132,446</td>
<td>370,850,654</td>
<td>272,133,236</td>
<td>105,849,864</td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the year</th>
<th>Decrease during the year</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension insurance</td>
<td>–</td>
<td>499,715,846</td>
<td>499,709,702</td>
<td>6,144</td>
</tr>
<tr>
<td>Unemployment insurance</td>
<td>–</td>
<td>10,175,588</td>
<td>10,174,984</td>
<td>604</td>
</tr>
<tr>
<td>Supplementary pension scheme</td>
<td>471,321</td>
<td>163,376,546</td>
<td>156,722,169</td>
<td>7,125,698</td>
</tr>
<tr>
<td></td>
<td>471,321</td>
<td>673,267,980</td>
<td>666,606,855</td>
<td>7,132,446</td>
</tr>
</tbody>
</table>

As of 30 June 2018 and 31 December 2017, the balance of payroll and employee benefits payable had not included performance-based wages.

In addition to the basic social endowment insurance, employees (including employees of the Company and some wholly-owned subsidiaries) participated in the established retirement benefit contribution plans (hereinafter referred to as the “Annuity Plan”) established by the Group. The employees who participated in the Annuity Plan used the bases of social insurance premiums as their deposit base. The deposit rates of the Group and employees were 5% and 1%, respectively.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. TAXES PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Value-added tax</td>
<td>267,754,114</td>
<td>863,764,937</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>112,751,725</td>
<td>282,828,579</td>
</tr>
<tr>
<td>City construction and maintenance tax</td>
<td>24,894,156</td>
<td>54,922,631</td>
</tr>
<tr>
<td>Environment protection tax</td>
<td>15,264,550</td>
<td>–</td>
</tr>
<tr>
<td>Other taxes</td>
<td>165,707,282</td>
<td>141,320,450</td>
</tr>
<tr>
<td></td>
<td><strong>586,371,827</strong></td>
<td><strong>1,342,836,597</strong></td>
</tr>
</tbody>
</table>

The basis of calculation and the applicable tax rates are disclosed in Note IV to the financial statements.

32. OTHER PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Interest payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest payables for short-term loans</td>
<td>39,472,577</td>
<td>24,498,349</td>
</tr>
<tr>
<td>Installment interest payables for long-term loans repayable on due date</td>
<td>7,741,947</td>
<td>8,789,429</td>
</tr>
<tr>
<td>Interest payables for medium-term notes</td>
<td>185,709,041</td>
<td>87,820,274</td>
</tr>
<tr>
<td>Dividends payable</td>
<td>1,715,025,129</td>
<td>9,050,620</td>
</tr>
<tr>
<td>Payable for construction, maintenance and inspection fees</td>
<td>440,634,214</td>
<td>294,339,562</td>
</tr>
<tr>
<td>Sales incentives</td>
<td>265,660,644</td>
<td>323,548,997</td>
</tr>
<tr>
<td>Service fees payable</td>
<td>42,831,767</td>
<td>36,033,091</td>
</tr>
<tr>
<td>Withholding social welfare and housing fund payable</td>
<td>40,056,209</td>
<td>36,507,942</td>
</tr>
<tr>
<td>Accrued interest for letters of credit</td>
<td>37,169,703</td>
<td>7,158,738</td>
</tr>
<tr>
<td>Payable for forfeiting</td>
<td>1,274,284,676</td>
<td>503,388,810</td>
</tr>
<tr>
<td>Special funds</td>
<td>502,822,019</td>
<td>459,310,193</td>
</tr>
<tr>
<td>Others</td>
<td>509,517,680</td>
<td>563,881,861</td>
</tr>
<tr>
<td></td>
<td><strong>5,060,925,606</strong></td>
<td><strong>2,354,327,866</strong></td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. OTHER PAYABLES (CONTINUED)

As of 30 June 2018, there was no overdue interest payable and no dividends payable for more than one year.

At of 30 June 2018, except for interest payable and dividends payable, significant other payables aged over one year were as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Amount payable</th>
<th>Reason for non-settlement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>152,568,484</td>
<td>Note</td>
</tr>
<tr>
<td>Company 2</td>
<td>2,709,539</td>
<td>Note</td>
</tr>
<tr>
<td>Company 3</td>
<td>2,000,000</td>
<td>Note</td>
</tr>
<tr>
<td>Company 4</td>
<td>1,371,600</td>
<td>Note</td>
</tr>
<tr>
<td>Company 5</td>
<td>1,000,000</td>
<td>Note</td>
</tr>
</tbody>
</table>

**159,649,623**

Note: The Group’s other payables aged over one year were mainly advance for the settlement of employees, the performance guarantee received for the construction and purchase of materials. Since the contracts were not completed, the payments were not settled.

33. NON-CURRENT LIABILITIES DUE WITHIN ONE YEAR

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited</td>
<td></td>
<td>Audited</td>
</tr>
<tr>
<td>Long-term loans due within one year (Note V.36)</td>
<td>3,675,917,725</td>
<td>933,091,711</td>
</tr>
<tr>
<td>Bonds payable due within one year (Note V.37)</td>
<td>3,999,666,667</td>
<td>3,995,666,667</td>
</tr>
<tr>
<td>Long-term payables due within one year (Note V.38)</td>
<td>210,000,000</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>7,885,584,392</strong></td>
<td><strong>4,928,758,378</strong></td>
</tr>
</tbody>
</table>
### V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 34. PROVISION

**30 June 2018 (Unaudited)**

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Changes in accounting policies</th>
<th>Increase during the period</th>
<th>Decrease during the period</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pending litigation or arbitration</td>
<td>14,663,809</td>
<td>–</td>
<td>1,607,978</td>
<td>3,965,747</td>
<td>12,306,040</td>
</tr>
<tr>
<td>Pending onerous contract (Note)</td>
<td>20,963,088</td>
<td>–</td>
<td>–</td>
<td>405,167</td>
<td>20,557,921</td>
</tr>
<tr>
<td>Loan commitment</td>
<td>–</td>
<td>203,555</td>
<td>–</td>
<td>166,625</td>
<td>36,930</td>
</tr>
<tr>
<td>Others</td>
<td>2,910,472</td>
<td>–</td>
<td>34,757</td>
<td>17,800</td>
<td>2,927,429</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>38,537,369</strong></td>
<td><strong>203,555</strong></td>
<td><strong>1,642,735</strong></td>
<td><strong>4,555,339</strong></td>
<td><strong>35,828,320</strong></td>
</tr>
</tbody>
</table>

**31 December 2017 (Audited)**

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the year</th>
<th>Decrease during the year</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pending litigation or arbitration</td>
<td>10,867,075</td>
<td>7,780,695</td>
<td>3,983,961</td>
<td>14,663,809</td>
</tr>
<tr>
<td>Pending onerous contract (Note)</td>
<td>14,284,847</td>
<td>21,931,794</td>
<td>15,253,553</td>
<td>20,963,088</td>
</tr>
<tr>
<td>Others</td>
<td>4,428,513</td>
<td>937,896</td>
<td>2,455,937</td>
<td>2,910,472</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29,580,435</strong></td>
<td><strong>30,650,385</strong></td>
<td><strong>21,693,451</strong></td>
<td><strong>38,537,369</strong></td>
</tr>
</tbody>
</table>

Note: As of 30 June 2018, the provision of the pending onerous contract represented expected loss from executing some sales orders entered into by the Group’s subsidiary, MG-VALDUNES. Management estimated that the cost of executing those orders would exceed the agreed price.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. OTHER CURRENT LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Short-term financing bonds (Note)</td>
<td>2,038,424,932</td>
<td>3,081,026,301</td>
</tr>
</tbody>
</table>

Note: The Group issued short-term financing bonds amounting to RMB2,000,000,000 of which RMB1,000,000,000 was issued on 19 September 2017 and RMB1,000,000,000 on 26 June 2018, respectively. The ending balance of outstanding short-term financing bonds includes interest amounting to RMB38,424,932.

36. LONG-TERM LOANS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Guaranteed loans (Note)</td>
<td>744,547,264</td>
<td>1,178,983,424</td>
</tr>
<tr>
<td>Unsecured loans</td>
<td>2,188,939,700</td>
<td>5,796,975,210</td>
</tr>
<tr>
<td></td>
<td>2,933,486,964</td>
<td>6,975,958,634</td>
</tr>
</tbody>
</table>

Note: The guaranteed loans were provided by the Holding as disclosed in Note X.5(14).

As of 30 June 2018, the interest rates of the above long-term loans ranged from 1.20% to 4.75% (31 December 2017: from 1.20% to 4.75%).

* Analysis on the due date of long-term loans is as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td><strong>Within one year or on demand (Note V.33)</strong></td>
<td>3,675,917,725</td>
<td>933,091,711</td>
</tr>
<tr>
<td>One to two years (inclusive)</td>
<td>1,700,155,676</td>
<td>5,670,785,522</td>
</tr>
<tr>
<td>Two to three years (inclusive)</td>
<td>1,086,831,288</td>
<td>1,109,173,112</td>
</tr>
<tr>
<td>Three to five years (inclusive)</td>
<td>75,000,000</td>
<td>100,000,000</td>
</tr>
<tr>
<td>Over five years</td>
<td>71,500,000</td>
<td>96,000,000</td>
</tr>
<tr>
<td></td>
<td>6,609,404,689</td>
<td>7,909,050,345</td>
</tr>
</tbody>
</table>
### 37. BONDS PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Medium-term note payable</td>
<td>3,999,666,667</td>
<td>3,995,666,667</td>
</tr>
<tr>
<td>Less: Bonds payable due within one year (Note V.33)</td>
<td>3,999,666,667</td>
<td>3,995,666,667</td>
</tr>
</tbody>
</table>

As of 30 June 2018, the bonds payable balances were as follows:

<table>
<thead>
<tr>
<th>Issue date</th>
<th>Term to maturity</th>
<th>Amount on issuance</th>
<th>Opening balance</th>
<th>Current period issuance</th>
<th>Amortisation of discount</th>
<th>Current period repayment</th>
<th>Closing balance</th>
<th>Current year accrued interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 first issue</td>
<td>2015/07</td>
<td>3 years</td>
<td>2,000,000,000</td>
<td>1,994,000,000</td>
<td>-</td>
<td>2,000,000</td>
<td>1,998,000,000</td>
<td>101,400,000</td>
</tr>
<tr>
<td>2015 second issue</td>
<td>2015/08</td>
<td>3 years</td>
<td>2,000,000,000</td>
<td>1,993,666,667</td>
<td>-</td>
<td>4,000,000</td>
<td>1,997,666,667</td>
<td>96,000,000</td>
</tr>
</tbody>
</table>

As of 31 December 2017, the bonds payable balances were as follows:

<table>
<thead>
<tr>
<th>Issue date</th>
<th>Term to maturity</th>
<th>Amount on issuance</th>
<th>Opening balance</th>
<th>Current year issuance</th>
<th>Amortisation of discount</th>
<th>Current year repayment</th>
<th>Closing balance</th>
<th>Current year accrued interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 first issue</td>
<td>2015/07</td>
<td>3 years</td>
<td>2,000,000,000</td>
<td>1,994,000,000</td>
<td>-</td>
<td>4,000,000</td>
<td>1,998,000,000</td>
<td>101,400,000</td>
</tr>
<tr>
<td>2015 second issue</td>
<td>2015/08</td>
<td>3 years</td>
<td>2,000,000,000</td>
<td>1,993,666,667</td>
<td>-</td>
<td>8,000,000</td>
<td>1,995,666,667</td>
<td>197,400,000</td>
</tr>
</tbody>
</table>

### Medium-term note payable

On 9 July 2015, the Company issued the first batch of the medium-term note of RMB2 billion (abbreviated as 15 Magang MTN001). The issuance price was RMB100/Note with a fixed rate of interest at 5.07% per annum. On 6 August 2015, the Company issued the second batch of the medium-term note of RMB2 billion (abbreviated as 15 Magang MTN002). The issuance price is RMB100/Note with a fixed rate of interest at 4.80% per annum.

The interest for the year of the above bonds with the medium-term note was included in other payables as interest payable.
## 38. LONG-TERM PAYABLES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Payables to a non-controlling interests of a subsidiary</td>
<td>210,000,000</td>
<td>210,000,000</td>
</tr>
<tr>
<td>Less: non-current liability due within one year (Note V.33)</td>
<td>210,000,000</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>210,000,000</td>
</tr>
</tbody>
</table>

## 39. LONG-TERM PAYROLL AND EMPLOYEE BENEFITS PAYABLE

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>1. Post-employment benefits – net liability of defined benefit plans (Note 1)</td>
<td>204,042,772</td>
<td>213,432,260</td>
</tr>
<tr>
<td>Less: Early retirement benefits due within one year</td>
<td>67,987,947</td>
<td>80,790,568</td>
</tr>
<tr>
<td>2. Supplementary retirement benefit (Note 2)</td>
<td>28,498,750</td>
<td>29,416,315</td>
</tr>
<tr>
<td>Less: Supplementary retirement benefit due within one year</td>
<td>789,958</td>
<td>1,161,421</td>
</tr>
<tr>
<td></td>
<td>163,763,617</td>
<td>160,896,586</td>
</tr>
</tbody>
</table>

### Note 1: Post-employment benefits – net defined benefit liability

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>Increase</th>
<th>Unrecognized</th>
<th>Decrease</th>
<th>Less: Due within one year</th>
<th>Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplementry retirement benefit</td>
<td>213,432,260</td>
<td>30,588,707</td>
<td>2,828,298</td>
<td>(42,806,493)</td>
<td>204,042,772</td>
<td>67,987,947</td>
</tr>
</tbody>
</table>

### Note 2: Supplementary retirement benefit

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>Increase</th>
<th>Decrease</th>
<th>Less: Due within one year</th>
<th>Closing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplementry retirement benefit</td>
<td>29,416,315</td>
<td>789,958</td>
<td>(1,707,523)</td>
<td>28,498,750</td>
<td>789,958</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. LONG-TERM PAYROLL AND EMPLOYEE BENEFITS PAYABLE (CONTINUED)

Early retirement benefits expected to be paid by the Group:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Undiscounted value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Within one year</td>
<td>67,987,947</td>
<td>80,790,568</td>
</tr>
<tr>
<td>One to two years</td>
<td>44,839,993</td>
<td>43,752,545</td>
</tr>
<tr>
<td>Two to three years</td>
<td>32,450,714</td>
<td>31,489,509</td>
</tr>
<tr>
<td>Over three years</td>
<td>87,766,122</td>
<td>84,114,801</td>
</tr>
<tr>
<td></td>
<td>233,044,776</td>
<td>240,147,423</td>
</tr>
<tr>
<td>Financing expense unrecognised</td>
<td>(29,002,004)</td>
<td>(26,715,163)</td>
</tr>
<tr>
<td></td>
<td>204,042,772</td>
<td>213,432,260</td>
</tr>
<tr>
<td>Less: Due within one year</td>
<td>67,987,947</td>
<td>80,790,568</td>
</tr>
<tr>
<td></td>
<td>136,054,825</td>
<td>132,641,692</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. LONG-TERM PAYROLL AND EMPLOYEE BENEFITS PAYABLE (CONTINUED)

Early retirement benefit scheme was implemented by the Company due to the implementation of the human resource optimisation policy, which allowed qualified employees to early retire on a voluntary basis. The Company undertakes obligation to pay the early retirement employees’ living expenses for one to ten years in the future. The Company calculated the amounts of monthly payments to employees participating in the early retirement plan based on an internally decided standard, and the Company is also responsible for social insurance and housing fund in accordance with local social security requirement. The Company forecasted the amount of early retirement benefits needed to be paid in the future years using a growth rate of 2.01% which is based on the average growth rate of CPI. When deciding the payment responsibility in the future for the employees participating in the early retirement plan, the Company adjusted the payment responsibility based on average mortality of Chinese people from “China Life Insurance Mortality Table (2010 to 2013)”. The adjusted payment responsibility was discounted by the treasure bond rate of 30 June 2018 and accounted in general and administrative expenses. As of 30 June 2018, the current portion of the payment responsibility was accounted for in short-term employee benefits.

40. DEFERRED REVENUE

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the current period</th>
<th>Decrease during the current period</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government grant</td>
<td>1,462,490,533</td>
<td>52,315,377</td>
<td>146,529,152</td>
<td>1,368,276,758</td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the year</th>
<th>Decrease during the year</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government grant</td>
<td>1,269,496,538</td>
<td>251,905,601</td>
<td>58,911,606</td>
<td>1,462,490,533</td>
</tr>
</tbody>
</table>
40. DEFERRED REVENUE (CONTINUED)

As of 30 June 2018, liabilities related to government grants were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Opening balance</th>
<th>Increase during the current period</th>
<th>Included in other income</th>
<th>Other changes</th>
<th>Closing balance</th>
<th>Related to assets/income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation of land purchasing and storage (Note)</td>
<td>652,138,319</td>
<td></td>
<td></td>
<td>(116,388,109)</td>
<td>535,750,210</td>
<td>income</td>
</tr>
<tr>
<td>Technological transformation fund for Phase II silicon steel</td>
<td>81,841,669</td>
<td>(2,200,000)</td>
<td></td>
<td></td>
<td>79,641,669</td>
<td>assets</td>
</tr>
<tr>
<td>Subsidy for hot-rolled 1580 project</td>
<td>36,828,750</td>
<td>(990,000)</td>
<td></td>
<td></td>
<td>35,838,750</td>
<td>assets</td>
</tr>
<tr>
<td>New-zone Thermal Power Plant CCPP system engineering</td>
<td>26,753,972</td>
<td>(2,156,000)</td>
<td></td>
<td></td>
<td>24,597,972</td>
<td>assets</td>
</tr>
<tr>
<td>EMU steel wheel production line project</td>
<td>32,774,990</td>
<td>(1,100,000)</td>
<td></td>
<td></td>
<td>31,674,990</td>
<td>assets</td>
</tr>
<tr>
<td>Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power</td>
<td>12,379,700</td>
<td>(283,800)</td>
<td></td>
<td></td>
<td>12,095,900</td>
<td>assets</td>
</tr>
<tr>
<td>Fixed assets subsidy for thin plate project</td>
<td>25,174,766</td>
<td>25,000,000</td>
<td>(2,691,480)</td>
<td></td>
<td>51,483,286</td>
<td>assets</td>
</tr>
<tr>
<td>Environmental funds for desulfurisation project of 3rd iron plant’s flue gas (BOT)</td>
<td>12,878,727</td>
<td>(295,240)</td>
<td></td>
<td></td>
<td>12,583,487</td>
<td>assets</td>
</tr>
<tr>
<td>Subsidy for material modification of high speed wheel and axle</td>
<td>33,349,080</td>
<td>(741,840)</td>
<td></td>
<td></td>
<td>32,607,240</td>
<td>assets</td>
</tr>
<tr>
<td>Subsidy for Maanshan railway industry (Maanshan)</td>
<td>12,152,100</td>
<td>(504,000)</td>
<td></td>
<td></td>
<td>11,648,100</td>
<td>assets</td>
</tr>
<tr>
<td>Comprehensive utilisation of gas for power generation of a thermal power plant</td>
<td>23,608,343</td>
<td>(545,380)</td>
<td></td>
<td></td>
<td>23,062,963</td>
<td>assets</td>
</tr>
<tr>
<td>Subsidy funds for 4th blast furnace project</td>
<td>184,496,667</td>
<td>(4,312,000)</td>
<td></td>
<td></td>
<td>180,184,667</td>
<td>assets</td>
</tr>
<tr>
<td>Others</td>
<td>324,123,450</td>
<td>27,315,377</td>
<td>(14,321,303)</td>
<td></td>
<td>337,117,524</td>
<td>assets</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,462,490,533</td>
<td>52,315,377</td>
<td>(30,141,043)</td>
<td>(116,388,109)</td>
<td>1,368,276,758</td>
<td></td>
</tr>
</tbody>
</table>
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. DEFERRED INCOME (CONTINUED)

As of 31 December 2017, liabilities related to government grants were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Opening Balance</th>
<th>Increase during the year</th>
<th>Included in other income</th>
<th>Closing Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation of land purchasing and storage (Note)</td>
<td>652,138,319</td>
<td></td>
<td></td>
<td>652,138,319</td>
</tr>
<tr>
<td>Technological transformation fund for Phase II silicon steel</td>
<td>86,241,669</td>
<td></td>
<td>(4,400,000)</td>
<td>81,841,669</td>
</tr>
<tr>
<td>Subsidy for hot-rolled 1580 project</td>
<td>38,808,750</td>
<td></td>
<td>(1,980,000)</td>
<td>36,828,750</td>
</tr>
<tr>
<td>New-zone Thermal Power Plant CCPP system engineering</td>
<td>31,065,972</td>
<td></td>
<td>(4,312,000)</td>
<td>26,753,972</td>
</tr>
<tr>
<td>EMU steel wheel production line project</td>
<td>34,974,990</td>
<td></td>
<td>(2,200,000)</td>
<td>32,774,990</td>
</tr>
<tr>
<td>Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power</td>
<td>12,900,000</td>
<td></td>
<td>(520,300)</td>
<td>12,379,700</td>
</tr>
<tr>
<td>Fixed assets subsidy for thin plate project</td>
<td>31,448,673</td>
<td></td>
<td>(2,273,907)</td>
<td>29,174,766</td>
</tr>
<tr>
<td>Environmental funds for desulfurisation project of 3rd iron plant’s flue gas (BOT)</td>
<td>13,420,000</td>
<td></td>
<td>(370,920)</td>
<td>13,049,080</td>
</tr>
<tr>
<td>Subsidy for material modification of high speed wheel and axle</td>
<td>33,720,000</td>
<td></td>
<td>(1,008,000)</td>
<td>32,712,000</td>
</tr>
<tr>
<td>Subsidy for Maanshan railway industry (Maanshan)</td>
<td>13,160,100</td>
<td></td>
<td>(10,800,000)</td>
<td>12,360,100</td>
</tr>
<tr>
<td>Comprehensive utilisation of gas for power generation of a thermal power plant</td>
<td>24,699,103</td>
<td></td>
<td>(1,090,760)</td>
<td>23,608,343</td>
</tr>
<tr>
<td>Subsidy for 4th blast furnace project</td>
<td>196,000,000</td>
<td></td>
<td>(11,513,333)</td>
<td>184,486,667</td>
</tr>
<tr>
<td>Others</td>
<td>236,918,962</td>
<td>55,905,601</td>
<td>(28,701,113)</td>
<td>324,123,450</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,269,496,538</strong></td>
<td><strong>251,905,601</strong></td>
<td><strong>(58,911,606)</strong></td>
<td><strong>1,462,490,533</strong></td>
</tr>
</tbody>
</table>

Note: The government grant related to income was mainly attributed to the compensation for disposal of land use rights received from Hefei Land Reserve Center by Ma Steel (Hefei).
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. SHARE CAPITAL

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Registered, issued and fully paid</th>
<th>At 1 January 2018</th>
<th>Increase/(decrease) during the period</th>
<th>At 30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>Shares issued</td>
<td>Others</td>
</tr>
<tr>
<td>A. Shares with selling restriction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. State-owned shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2. State-owned legal person shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>3. Other domestically owned shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

| B. Shares without selling restriction| | | | | | |
| 1. A shares | 5,967,751,186 | 77.5 | – | – | – | 5,967,751,186 | 77.5 |
| 2. H shares | 1,732,930,000 | 22.5 | – | – | – | 1,732,930,000 | 22.5 |

| Sub-total | 7,700,681,186 | 100.0 | – | – | – | 7,700,681,186 | 100.0 |

| C. Total | 7,700,681,186 | 100.0 | – | – | – | 7,700,681,186 | 100.0 |

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Registered, issued and fully paid</th>
<th>At 1 January 2017</th>
<th>Increase/(decrease) during the year</th>
<th>At 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>Shares issued</td>
<td>Others</td>
</tr>
<tr>
<td>A. Shares with selling restriction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. State-owned shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>2. State-owned legal person shares</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>3. Other domestically owned shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

| B. Shares without selling restriction| | | | | | |
| 1. A shares | 5,967,751,186 | 77.5 | – | – | – | 5,967,751,186 | 77.5 |
| 2. H shares | 1,732,930,000 | 22.5 | – | – | – | 1,732,930,000 | 22.5 |

| Sub-total | 7,700,681,186 | 100.0 | – | – | – | 7,700,681,186 | 100.0 |

| C. Total | 7,700,681,186 | 100.0 | – | – | – | 7,700,681,186 | 100.0 |

* Other than H share dividends, which are paid in Hong Kong dollars, all shares, including A shares and H shares, have the same right to the Company’s operating results and voting rights. The per value for each A share or H share is RMB1.00.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. CAPITAL RESERVE

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the period</th>
<th>Decrease during the period</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share premium</td>
<td>8,332,628,114</td>
<td>-</td>
<td>-</td>
<td>8,332,628,114</td>
</tr>
<tr>
<td>Others</td>
<td>19,659,078</td>
<td>-</td>
<td>-</td>
<td>19,659,078</td>
</tr>
<tr>
<td>Total</td>
<td>8,352,287,192</td>
<td>-</td>
<td>-</td>
<td>8,352,287,192</td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the year</th>
<th>Decrease during the year</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share premium</td>
<td>8,329,067,663</td>
<td>3,560,451</td>
<td>-</td>
<td>8,332,628,114</td>
</tr>
<tr>
<td>Others</td>
<td>19,659,078</td>
<td>-</td>
<td>-</td>
<td>19,659,078</td>
</tr>
<tr>
<td>Total</td>
<td>8,348,726,741</td>
<td>3,560,451</td>
<td>-</td>
<td>8,352,287,192</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. OTHER COMPREHENSIVE INCOME

Accumulated balance of other comprehensive income attributable to owners of the parent in the statement of financial position:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017 Audited</th>
<th>Changes in accounting policies</th>
<th>Increase/ (decrease)</th>
<th>30 June 2018 Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in fair value of other equity instruments investments</td>
<td>–</td>
<td>27,490,314</td>
<td>(15,964,250)</td>
<td>11,526,064</td>
</tr>
<tr>
<td>Change in fair value of available-for-sale financial assets</td>
<td>(4,870,184)</td>
<td>4,870,184</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange differences arising from foreign currency translation</td>
<td>(119,285,876)</td>
<td>–</td>
<td>(13,094,936)</td>
<td>(132,380,812)</td>
</tr>
<tr>
<td></td>
<td>(124,156,060)</td>
<td>32,360,498</td>
<td>(29,059,186)</td>
<td>(120,854,748)</td>
</tr>
</tbody>
</table>

1 January 2017 Audited

| Change in fair value of available-for-sale financial assets   | (803,607)                 | (4,066,577)                    | (4,870,184)          |
| Exchange differences arising from foreign currency translation | (118,459,847)             | (826,029)                      | (119,285,876)        |
|                                                               | (119,263,454)             | (4,892,606)                    | (124,156,060)        |
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. OTHER COMPREHENSIVE INCOME (CONTINUED)

Amount of other comprehensive income attributable to owners of the parent in the income statement:

For the six months ended 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Amount before tax</th>
<th>Less: charged to other comprehensive income before and reclassified to profit and earnings in current period</th>
<th>Attritable to owners of the parent</th>
<th>Attritable to non-controlling interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other comprehensive income that could not be reclassified to profit or loss</td>
<td>(21,285,666)</td>
<td>-</td>
<td>5,321,416</td>
<td>(15,964,250)</td>
</tr>
<tr>
<td>Fair value changes of other equity instruments investments</td>
<td>(21,285,666)</td>
<td>-</td>
<td>5,321,416</td>
<td>(15,964,250)</td>
</tr>
<tr>
<td>Other comprehensive income to be reclassified to profit or loss under the equity method</td>
<td>(13,094,936)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exchange differences arising from foreign currency translation</td>
<td>(13,094,936)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income to be reclassified to profit or loss under the equity method</td>
<td>(13,094,936)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>(34,380,602)</td>
<td>-</td>
<td>5,321,416</td>
<td>(29,059,186)</td>
</tr>
</tbody>
</table>

For the six months ended 30 June 2017 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Amount before tax</th>
<th>Less: charged to other comprehensive income before and reclassified to profit or loss in current period</th>
<th>Attritable to owners of the parent</th>
<th>Attritable to non-controlling interests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in fair value of available-for-sale financial assets</td>
<td>(1,143,987)</td>
<td>-</td>
<td>285,997</td>
<td>(770,777)</td>
</tr>
<tr>
<td>Exchange differences arising from foreign currency translation</td>
<td>9,392,026</td>
<td>-</td>
<td>-</td>
<td>9,821,211</td>
</tr>
<tr>
<td></td>
<td>8,248,039</td>
<td>-</td>
<td>285,997</td>
<td>9,040,441</td>
</tr>
</tbody>
</table>
44. SPECIAL RESERVE

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the period</th>
<th>Decrease during the period</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety fund</td>
<td>31,929,722</td>
<td>42,743,942</td>
<td>(40,110,027)</td>
<td>34,563,637</td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the year</th>
<th>Decrease during the year</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safety fund</td>
<td>27,969,571</td>
<td>104,685,476</td>
<td>(100,725,325)</td>
<td>31,929,722</td>
</tr>
</tbody>
</table>

Special reserve is the safety fund accrued according to the article of No.16 “The regulation on the accrual and usage of enterprise’s safety production fee”, carried out by the Ministry of Finance and State Administration of Work Safety on 14 February 2012. The fees are mainly related to the industries of mining, gas, communication and transportation, metallurgy, manufacturing, and construction services.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. SURPLUS RESERVES

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the period</th>
<th>Decrease during the period</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory reserve (i)</td>
<td>3,409,656,105</td>
<td>348,856,984</td>
<td>-</td>
<td>3,758,513,089</td>
</tr>
<tr>
<td>Discretionary surplus reserve (ii)</td>
<td>529,154,989</td>
<td>-</td>
<td>-</td>
<td>529,154,989</td>
</tr>
<tr>
<td>Reserve fund (iii)</td>
<td>95,685,328</td>
<td>-</td>
<td>-</td>
<td>95,685,328</td>
</tr>
<tr>
<td>Enterprise expansion fund (iii)</td>
<td>65,510,919</td>
<td>-</td>
<td>-</td>
<td>65,510,919</td>
</tr>
<tr>
<td></td>
<td>4,100,007,341</td>
<td>348,856,984</td>
<td>-</td>
<td>4,448,864,325</td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Opening balance</th>
<th>Increase during the year</th>
<th>Decrease during the year</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory reserve (i)</td>
<td>3,152,880,381</td>
<td>256,775,724</td>
<td>-</td>
<td>3,409,656,105</td>
</tr>
<tr>
<td>Discretionary surplus reserve (ii)</td>
<td>529,154,989</td>
<td>-</td>
<td>-</td>
<td>529,154,989</td>
</tr>
<tr>
<td>Reserve fund (iii)</td>
<td>95,685,328</td>
<td>-</td>
<td>-</td>
<td>95,685,328</td>
</tr>
<tr>
<td>Enterprise expansion fund (iii)</td>
<td>65,510,919</td>
<td>-</td>
<td>-</td>
<td>65,510,919</td>
</tr>
<tr>
<td></td>
<td>3,843,231,617</td>
<td>256,775,724</td>
<td>-</td>
<td>4,100,007,341</td>
</tr>
</tbody>
</table>

(i) In accordance with the Company Law of the PRC and the Articles of association of the Company, the Company is required to allocate 10% of its profit after tax, as determined in accordance with the CAS and related regulations applicable to these companies, to the statutory reserve (the “SR”) until such reserve reaches 50% of the registered capital of these companies. Part of the SR may be capitalised as these companies’ share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of these companies.

For the six months ended 30 June 2018, the Company accrued statutory reserve of RMB348,856,984 (For the six months ended 30 June 2017: Nil).

(ii) The Company is authorised to allocate the discretionary surplus reserve from profit after tax after the allocation of the statutory reserve. Upon the approval of the board, the discretionary surplus reserve can be used to cover losses or increase capital.

(iii) Upon the approval of the board, these subsidiaries are required to allocate certain of their profit after tax as determined in accordance with the CAS and related regulations to the enterprise expansion fund and the reserve fund. The allocation rates are determined by their respective boards of directors.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. GENERAL RESERVE

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>General reserve (Note)</td>
<td>191,546,668</td>
<td>191,546,668</td>
</tr>
</tbody>
</table>

Note: According to the relevant policy of the MOF, Masteel Finance accrues the general reserve from net profit as profit distribution. The balance of the general reserve should not be less than 1.5% of the balance of the risk assets.

47. RETAINED EARNINGS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Retained earnings/(accumulated losses)</td>
<td>3,643,443,763</td>
<td>(190,568,622)</td>
</tr>
<tr>
<td>at end of last year</td>
<td>(20,317,968)</td>
<td>–</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</td>
<td>3,428,518,933</td>
<td>4,128,939,861</td>
</tr>
<tr>
<td>Less: Transfer to surplus reserve</td>
<td>348,856,984</td>
<td>256,775,724</td>
</tr>
<tr>
<td>Transfer to general reserve</td>
<td>–</td>
<td>38,151,752</td>
</tr>
<tr>
<td>Attribute to shareholders (Note)</td>
<td>1,270,612,396</td>
<td>–</td>
</tr>
<tr>
<td>Retained earnings at the end of the period/year</td>
<td>5,432,175,348</td>
<td>3,643,443,763</td>
</tr>
</tbody>
</table>

Note: According to the "2017 Annual Profit Distribution Plan" approved by the Company’s 2017 Annual General Meeting on 28 June 2018, the Company will distribute cash dividends to all shareholders of RMB0.165 (including tax) per share, for 7,780,681,186 shares amounting to RMB1,270,612,396.
## V. Major Notes to Consolidated Financial Statements (Continued)

### 48. Revenue and Cost of Sales

For the six months ended 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>2018 (Unaudited)</th>
<th>2017 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue</td>
<td>Cost of sales</td>
</tr>
<tr>
<td>Principal operation</td>
<td>39,496,862,420</td>
<td>33,340,407,278</td>
</tr>
<tr>
<td>Other operation</td>
<td>566,179,023</td>
<td>661,943,449</td>
</tr>
</tbody>
</table>

Revenue is stated as follows:

For the six months ended 30 June 2018

<table>
<thead>
<tr>
<th></th>
<th>2018 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of products</td>
<td>39,924,210,183</td>
</tr>
<tr>
<td>Rendering of services</td>
<td>73,179,076</td>
</tr>
<tr>
<td>Others</td>
<td>65,652,184</td>
</tr>
<tr>
<td></td>
<td>40,063,041,443</td>
</tr>
</tbody>
</table>

For the six months ended 30 June 2017

<table>
<thead>
<tr>
<th></th>
<th>2017 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of products</td>
<td>35,065,320,571</td>
</tr>
<tr>
<td>Rendering of services</td>
<td>73,047,146</td>
</tr>
<tr>
<td>Others</td>
<td>49,211,923</td>
</tr>
<tr>
<td></td>
<td>35,187,579,640</td>
</tr>
</tbody>
</table>
### 48. REVENUE AND COST OF SALES (CONTINUED)

For the six months ended 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Reporting segment</th>
<th>Steel products and by-products</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Major operating region</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainland China</td>
<td>36,868,881,304</td>
<td>566,179,023</td>
<td>37,435,060,327</td>
</tr>
<tr>
<td>Overseas</td>
<td>2,627,981,116</td>
<td>–</td>
<td>2,627,981,116</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>39,496,862,420</td>
<td>566,179,023</td>
<td>40,063,041,443</td>
</tr>
</tbody>
</table>

| **Type of major products** | | | |
| Sale of steel products  | 36,551,400,095               | –     | 36,551,400,095 |
| Sale of steel and billets pig iron | 1,028,012,810               | –     | 1,028,012,810 |
| Sale of coke by-products | 210,461,744                  | –     | 210,461,744 |
| Other                 | 1,706,987,771                | 566,179,023 | 2,273,166,794 |
| **Total**             | 39,496,862,420              | 566,179,023 | 40,063,041,443 |

| **Timing of revenue recognition** | | | |
| At the date when goods are transferred | 39,496,862,420 | 427,347,763 | 39,924,210,183 |
| Service provided over time | – | 138,831,260 | 138,831,260 |
| **Total** | 39,496,862,420 | 566,179,023 | 40,063,041,443 |
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. TAXES AND SURCHARGES

<table>
<thead>
<tr>
<th>Tax</th>
<th>2018 Unaudited</th>
<th>2017 Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>City construction and maintenance tax</td>
<td>100,318,895</td>
<td>79,933,019</td>
</tr>
<tr>
<td>Education surcharge</td>
<td>76,195,659</td>
<td>60,692,904</td>
</tr>
<tr>
<td>Land usage tax</td>
<td>103,261,094</td>
<td>94,928,023</td>
</tr>
<tr>
<td>Vehicle and vessel usage tax</td>
<td>121,593</td>
<td>178,588</td>
</tr>
<tr>
<td>Property tax</td>
<td>52,205,172</td>
<td>54,546,306</td>
</tr>
<tr>
<td>Stamp duty</td>
<td>22,638,893</td>
<td>19,840,324</td>
</tr>
<tr>
<td>Environment protection tax</td>
<td>32,570,175</td>
<td>–</td>
</tr>
<tr>
<td>Others taxes</td>
<td>12,506,815</td>
<td>12,481,355</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>399,818,296</td>
<td>322,600,519</td>
</tr>
</tbody>
</table>

50. SELLING EXPENSES

<table>
<thead>
<tr>
<th>Expense</th>
<th>2018 Unaudited</th>
<th>2017 Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits</td>
<td>41,301,151</td>
<td>33,458,015</td>
</tr>
<tr>
<td>Transportation fees</td>
<td>376,320,917</td>
<td>342,297,910</td>
</tr>
<tr>
<td>Insurance premium</td>
<td>7,646,864</td>
<td>7,827,608</td>
</tr>
<tr>
<td>Others</td>
<td>39,826,394</td>
<td>28,572,604</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>465,095,326</td>
<td>412,156,137</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. GENERAL AND ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>Expense</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee benefits</td>
<td>282,562,849</td>
<td>247,212,300</td>
</tr>
<tr>
<td>Employee termination benefits</td>
<td>53,852,419</td>
<td>46,825,916</td>
</tr>
<tr>
<td>Office expenses</td>
<td>124,020,523</td>
<td>111,970,467</td>
</tr>
<tr>
<td>Rental fees</td>
<td>35,243,439</td>
<td>16,275,924</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>22,437,478</td>
<td>21,305,312</td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>25,356,918</td>
<td>77,120,668</td>
</tr>
<tr>
<td>Travel and entertainment expenses</td>
<td>14,536,892</td>
<td>12,763,838</td>
</tr>
<tr>
<td>Maintenance expenses</td>
<td>12,988,620</td>
<td>13,692,577</td>
</tr>
<tr>
<td>Auditors’ remuneration</td>
<td>4,614,827</td>
<td>4,088,065</td>
</tr>
<tr>
<td>Others</td>
<td>122,972,028</td>
<td>102,170,493</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>698,585,993</strong></td>
<td><strong>653,425,560</strong></td>
</tr>
</tbody>
</table>

52. FINANCIAL EXPENSES

<table>
<thead>
<tr>
<th>Expense</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expenses (Note)</td>
<td>476,375,706</td>
<td>475,699,142</td>
</tr>
<tr>
<td>Less: Interest income</td>
<td>17,490,196</td>
<td>17,007,814</td>
</tr>
<tr>
<td>Less: Capitalised interest</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Exchange loss</td>
<td>93,720,882</td>
<td>53,884,246</td>
</tr>
<tr>
<td>Others</td>
<td>22,178,935</td>
<td>15,631,808</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>574,785,327</strong></td>
<td><strong>528,207,382</strong></td>
</tr>
</tbody>
</table>

Note: The Group’s interest expenses included interest on bank loans, other loans, corporate bonds, MTN (medium-term note) and short-term financing bonds. The capitalised amount of borrowing costs had been recorded in construction in progress.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. FINANCIAL EXPENSES (CONTINUED)

The breakdown of interest revenue is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>17,490,196</td>
<td>17,007,814</td>
</tr>
</tbody>
</table>

53. IMPAIRMENT LOSSES

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Bad debts/(reversal)</td>
<td>–</td>
<td>(4,299,294)</td>
</tr>
<tr>
<td>Provision for inventories</td>
<td>57,950,358</td>
<td>111,966,551</td>
</tr>
</tbody>
</table>

57,950,358 107,667,257

54. LOSS OF CREDIT IMPAIRMENT

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Bad debts impairment</td>
<td>22,751,923</td>
<td>–</td>
</tr>
<tr>
<td>Debt instruments investment impairment</td>
<td>75,220</td>
<td>–</td>
</tr>
<tr>
<td>Provision – loan commitment</td>
<td>(166,625)</td>
<td>–</td>
</tr>
<tr>
<td>Impairment losses for financial assets purchased under agreements to resell</td>
<td>(2,124)</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>22,658,394</td>
<td>–</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. OTHER INCOME

The government subsidies related to daily operating activities are as follows:

<table>
<thead>
<tr>
<th>For the six months ended 30 June</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Government subsidies related to assets (Note V.40)</td>
<td>30,141,043</td>
<td>24,351,242</td>
</tr>
<tr>
<td>Government subsidies related to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax refund</td>
<td>4,191,303</td>
<td>42,610,000</td>
</tr>
<tr>
<td>Others</td>
<td>9,819,763</td>
<td>16,602,134</td>
</tr>
<tr>
<td></td>
<td>44,152,109</td>
<td>83,563,376</td>
</tr>
</tbody>
</table>

56. INVESTMENT INCOME

<table>
<thead>
<tr>
<th>For the six months ended 30 June</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Investment income from long-term equity investments under the equity method</td>
<td>298,820,874</td>
<td>241,096,593</td>
</tr>
<tr>
<td>Investment income from disposal of a subsidiary (Note VI.2)</td>
<td>173,624,062</td>
<td>736,943</td>
</tr>
<tr>
<td>Investment income from available-for-sale financial assets in duration</td>
<td>–</td>
<td>1,540,000</td>
</tr>
<tr>
<td>Investment income from disposal of available-for-sale financial assets</td>
<td>–</td>
<td>26,066,785</td>
</tr>
<tr>
<td>Investment income from disposal of financial assets held for trading measured at fair value through profit or loss</td>
<td>61,809,574</td>
<td>17,187,696</td>
</tr>
<tr>
<td>Investment income from disposal of debt instruments investments</td>
<td>26,523,097</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>560,777,607</td>
<td>286,628,017</td>
</tr>
</tbody>
</table>
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. GAIN/(LOSS) FROM DISPOSAL OF ASSETS

For the six months ended 30 June

2018 2017
Unaudited Unaudited

Gain on disposal of non-current assets 53,182,354 808,004
Including: Gain on disposal of fixed assets 33,945,622 808,004
Gain on disposal of intangible assets 19,236,732 –
Loss on disposal of non-current assets (578,928) (43,715,116)
Including: Loss on disposal of fixed assets (578,928) (43,715,116)

52,603,426 (42,907,112)

58. NON-OPERATING INCOME

Included in non-recurring gains or losses for the six months ended

For the six months ended 30 June

2018 2017 30 June 2018
Unaudited Unaudited Unaudited

Government grants 93,314,943 68,914,690 93,314,943
Others 3,307,319 984,426 3,307,319

96,622,262 69,899,116 96,622,262
Notes to the Interim Financial Statements (Continued)
30 June 2018
Renminbi Yuan

V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. NON-OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>For the six months ended 30 June</th>
<th>2018</th>
<th>2017</th>
<th>30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td></td>
<td></td>
<td>Unaudited</td>
</tr>
<tr>
<td>Charity donation</td>
<td>245,350</td>
<td>173,950</td>
<td>245,350</td>
<td></td>
</tr>
<tr>
<td>Penalty</td>
<td>1,409,769</td>
<td>13,610</td>
<td>1,409,769</td>
<td></td>
</tr>
<tr>
<td>Compensation for trade</td>
<td>–</td>
<td>6,811,267</td>
<td>–</td>
<td></td>
</tr>
<tr>
<td>Others</td>
<td>1,259,915</td>
<td>589,178</td>
<td>1,259,915</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,915,034</td>
<td>7,588,005</td>
<td>2,915,034</td>
</tr>
</tbody>
</table>

60. INCOME TAX EXPENSE

<table>
<thead>
<tr>
<th></th>
<th>For the six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018 Unaudited</td>
</tr>
<tr>
<td>Mainland China:</td>
<td></td>
</tr>
<tr>
<td>Current income tax expense</td>
<td>352,431,459</td>
</tr>
<tr>
<td>Hong Kong current income tax expense</td>
<td>173,230</td>
</tr>
<tr>
<td>Overseas current income tax expense</td>
<td>21,423,667</td>
</tr>
<tr>
<td>Deferred income tax expense/(benefit)</td>
<td>(27,988,580)</td>
</tr>
<tr>
<td></td>
<td>346,039,776</td>
</tr>
<tr>
<td></td>
<td>2017 Unaudited</td>
</tr>
<tr>
<td></td>
<td>337,919,171</td>
</tr>
<tr>
<td>Description</td>
<td>2018</td>
</tr>
<tr>
<td>-----------------------------------------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>4,202,285,059</td>
</tr>
<tr>
<td>Tax at the applicable tax rate of 25% (Note)</td>
<td>1,050,571,265</td>
</tr>
<tr>
<td>Effect of different tax rates of subsidiaries</td>
<td>(9,203,354)</td>
</tr>
<tr>
<td>Non-deductible expenses</td>
<td>45,610,738</td>
</tr>
<tr>
<td>Adjustment of current income tax of previous period</td>
<td>1,256,455</td>
</tr>
<tr>
<td>Other tax preference</td>
<td>(46,971,739)</td>
</tr>
<tr>
<td>Income not subject to tax</td>
<td>(5,469,750)</td>
</tr>
<tr>
<td>Unrecognised deductible temporary difference and tax losses</td>
<td>40,044,092</td>
</tr>
<tr>
<td>Tax losses utilized</td>
<td>(655,092,712)</td>
</tr>
<tr>
<td>Share of profits or losses of joint ventures and associates</td>
<td>(74,705,219)</td>
</tr>
<tr>
<td>Income tax expense at the Group’s effective rate</td>
<td>346,039,776</td>
</tr>
<tr>
<td>The Group’s effective tax rate</td>
<td>8.23%</td>
</tr>
</tbody>
</table>

**Note:** The Group’s income tax has been provided at the rate on the estimated taxable profits arising in the PRC during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. EARNINGS PER SHARE

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

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

For the six months ended 30 June

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit attributable to owners of the parent, as used in the basic earnings per share calculation</td>
<td>3,428,518,933</td>
<td>1,643,396,514</td>
</tr>
<tr>
<td>Number of shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weighted average number of ordinary shares in issue during the period, as used in the basic diluted earnings per share calculation</td>
<td>7,700,681,186</td>
<td>7,700,681,186</td>
</tr>
<tr>
<td>Earnings per share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic and diluted</td>
<td>44.52 cents</td>
<td>21.34 cents</td>
</tr>
</tbody>
</table>

For the six months ended 30 June 2018 and 2017, there was no diluted item to adjust the Company’s basic earnings per share.
V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. NOTES TO THE STATEMENT OF CASH FLOWS

<table>
<thead>
<tr>
<th>Activity</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash received relating to other operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government grants</td>
<td>9,819,763</td>
<td>16,902,134</td>
</tr>
<tr>
<td>Interest income</td>
<td>17,490,196</td>
<td>17,007,814</td>
</tr>
<tr>
<td>Employee relocation compensation received from government</td>
<td>93,681,782</td>
<td>68,914,690</td>
</tr>
<tr>
<td>Others</td>
<td>3,307,319</td>
<td>24,638,839</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>124,299,060</td>
<td>127,463,477</td>
</tr>
<tr>
<td><strong>Cash paid relating to other operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in deposit for notes, credit and guarantee</td>
<td>84,852,593</td>
<td>–</td>
</tr>
<tr>
<td>Office expenses</td>
<td>124,020,523</td>
<td>138,626,914</td>
</tr>
<tr>
<td>Bank charges</td>
<td>22,178,935</td>
<td>15,631,808</td>
</tr>
<tr>
<td>Safety production fees</td>
<td>46,396,857</td>
<td>26,028,589</td>
</tr>
<tr>
<td>Travel and entertainment expenses</td>
<td>38,504,901</td>
<td>28,225,593</td>
</tr>
<tr>
<td>Insurance expenses</td>
<td>19,639,808</td>
<td>17,799,684</td>
</tr>
<tr>
<td>Environmental improvement fee</td>
<td>12,812,685</td>
<td>9,140,610</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>39,605,563</td>
<td>21,362,660</td>
</tr>
<tr>
<td>Others</td>
<td>161,756,971</td>
<td>149,537,069</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>549,768,836</td>
<td>406,352,927</td>
</tr>
<tr>
<td><strong>Cash received relating to other investing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government funding for particular projects</td>
<td>52,315,377</td>
<td>14,908,915</td>
</tr>
<tr>
<td>Steel futures deposits</td>
<td>5,020,164</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>57,335,541</td>
<td>14,908,915</td>
</tr>
</tbody>
</table>
### 63. SUPPLEMENTS TO THE STATEMENT OF CASH FLOWS

#### (1) Reconciliation of net profit to cash flows from operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit</td>
<td>3,856,245,283</td>
<td>1,904,133,798</td>
</tr>
<tr>
<td>Add: Credit impairment loss</td>
<td>22,658,394</td>
<td></td>
</tr>
<tr>
<td>Provision for asset impairment loss</td>
<td>57,950,358</td>
<td>107,667,257</td>
</tr>
<tr>
<td>Depreciation of fixed assets</td>
<td>1,907,822,898</td>
<td>1,882,522,481</td>
</tr>
<tr>
<td>Amortisation of intangible assets</td>
<td>130,031,305</td>
<td>32,472,055</td>
</tr>
<tr>
<td>Depreciation of investment properties</td>
<td>874,650</td>
<td>513,531</td>
</tr>
<tr>
<td>Disposal of (gain)/loss of fixed assets, intangible assets and other long-term assets</td>
<td>(52,603,426)</td>
<td>42,907,112</td>
</tr>
<tr>
<td>Amortisation of deferred revenue</td>
<td>(30,141,043)</td>
<td>(24,351,242)</td>
</tr>
<tr>
<td>Increase in special reserves</td>
<td>2,633,915</td>
<td>10,146,526</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>451,648,499</td>
<td>529,583,388</td>
</tr>
<tr>
<td>Investment income</td>
<td>(560,777,607)</td>
<td>(286,628,017)</td>
</tr>
<tr>
<td>Loss/(gain) on fair value changes</td>
<td>8,960,465</td>
<td>(14,148,342)</td>
</tr>
<tr>
<td>(Increase)/decrease in deferred tax assets</td>
<td>(22,654,197)</td>
<td>60,412,478</td>
</tr>
<tr>
<td>(Decrease)/increase in deferred tax liabilities</td>
<td>(5,334,383)</td>
<td>1,541,979</td>
</tr>
<tr>
<td>Decrease in inventories</td>
<td>54,881,355</td>
<td>400,275,543</td>
</tr>
<tr>
<td>Decrease/(increase) in receivables from operating activities</td>
<td>1,291,096,920</td>
<td>(3,877,218,037)</td>
</tr>
<tr>
<td>(Decrease)/increase in payables from operating activities</td>
<td>(2,932,898,412)</td>
<td>689,761,546</td>
</tr>
</tbody>
</table>

Net cash flows from operating activities                                    | 4,180,394,974   | 1,459,592,056   |
## 63. SUPPLEMENTS TO THE STATEMENT OF CASH FLOWS (CONTINUED)

### (2) Disposal of subsidiaries and other business units

<table>
<thead>
<tr>
<th>For the six months ended 30 June</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Cash and cash equivalents received from disposal of a subsidiary and other units: – –
- Less: Cash and cash equivalents held by a subsidiary and other operation units disposed: 37,688 –

Net cash impact of disposal of a subsidiary and other operating units: (37,688) –

### (3) Cash and cash equivalents

**Net changes of cash and cash equivalents:**

<table>
<thead>
<tr>
<th>For the six months ended 30 June</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Closing balance of cash: 4,918,646,810 3,446,085,741
- Less: Opening balance of cash: 2,940,502,015 4,324,131,687
- Add: Closing balance of cash equivalents: – –
- Less: Opening balance of cash equivalents: – –

Net increase/(decrease) in cash and cash equivalents: 1,978,144,795 (878,045,946)

<table>
<thead>
<tr>
<th>For the six months ended 30 June</th>
<th>2018</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Cash: 5,126 73,655
  - Including: Cash on hand: 5,126 73,655
  - Balances in banks without restriction: 4,918,641,684 3,446,012,086

Ending balance of cash and cash equivalents: 4,918,646,810 3,446,085,741
64. RESTRICTED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Cash and bank balances (Note V.1)</td>
<td>1,759,377,003</td>
<td>1,660,989,926</td>
</tr>
<tr>
<td>Notes receivable (Note V.4)</td>
<td>774,389,336</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,533,766,339</td>
<td>1,660,989,926</td>
</tr>
</tbody>
</table>

(i) As of 30 June 2018, the Group’s restricted cash and bank balances amounting to RMB1,759,377,003 (31 December 2017: RMB1,660,989,926) had been pledged to banks, including cash deposits as collateral amounting to RMB1,035,019,064 (31 December 2017: RMB950,166,471) pledged as security for trade facilities and performance, and mandatory reserves with the central bank of RMB724,357,939 (31 December 2017: RMB710,823,455).

(ii) As of 30 June 2018, the Group obtained bank borrowings with a bank acceptance notes of RMB774,389,336 (31 December 2017: Nil) as a pledge.

65. MONETARY ITEMS DENOMINATED IN FOREIGN CURRENCIES

<table>
<thead>
<tr>
<th></th>
<th>Original Exchange currency</th>
<th>Exchange rate</th>
<th>Original Exchange currency</th>
<th>Exchange rate</th>
<th>RMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances</td>
<td>HKD</td>
<td>6,770,367</td>
<td>0.8431</td>
<td>5,708,096</td>
<td>2,603,128</td>
</tr>
<tr>
<td></td>
<td>USD</td>
<td>445,361,148</td>
<td>6.6166</td>
<td>2,946,776,572</td>
<td>198,986,821</td>
</tr>
<tr>
<td></td>
<td>EUR</td>
<td>5,726,710</td>
<td>7.6515</td>
<td>43,817,922</td>
<td>9,252,617</td>
</tr>
<tr>
<td></td>
<td>JPY</td>
<td>5,819</td>
<td>0.0599</td>
<td>349</td>
<td>12,735</td>
</tr>
<tr>
<td></td>
<td>AUD</td>
<td>29,701,627</td>
<td>4.8633</td>
<td>144,447,923</td>
<td>22,040,249</td>
</tr>
<tr>
<td></td>
<td>CAD</td>
<td>869,885</td>
<td>4.9947</td>
<td>4,344,815</td>
<td>24,470</td>
</tr>
<tr>
<td></td>
<td>GBP</td>
<td>571</td>
<td>8.6551</td>
<td>4,942</td>
<td>573</td>
</tr>
<tr>
<td></td>
<td>ZAR</td>
<td>7,329,236</td>
<td>0.4824</td>
<td>3,535,623</td>
<td>34,445</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3,148,636,242</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>HKD</td>
<td>32,156,474</td>
<td>6.6166</td>
<td>212,766,526</td>
<td>27,250,591</td>
</tr>
<tr>
<td></td>
<td>EUR</td>
<td>13,601,616</td>
<td>7.6515</td>
<td>104,072,765</td>
<td>12,705,085</td>
</tr>
<tr>
<td></td>
<td>CAD</td>
<td>591,500</td>
<td>4.9947</td>
<td>2,954,365</td>
<td>375,360</td>
</tr>
<tr>
<td></td>
<td>AUD</td>
<td>2,371,669</td>
<td>4.8633</td>
<td>11,534,138</td>
<td>4,670,512</td>
</tr>
<tr>
<td></td>
<td>HKD</td>
<td>–</td>
<td>0.8431</td>
<td>–</td>
<td>2,736,720</td>
</tr>
<tr>
<td></td>
<td>ZAR</td>
<td>1,253,750</td>
<td>0.4824</td>
<td>604,899</td>
<td>62,466,250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>331,932,603</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances (Note V.1)</td>
<td>1,660,989,926</td>
</tr>
<tr>
<td>Notes receivable (Note V.4)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,660,989,926</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Original Exchange currency</th>
<th>Exchange rate</th>
<th>Original Exchange currency</th>
<th>Exchange rate</th>
<th>RMB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>HKD</td>
<td>32,156,474</td>
<td>6.6166</td>
<td>212,766,526</td>
<td>27,250,591</td>
</tr>
<tr>
<td></td>
<td>EUR</td>
<td>13,601,616</td>
<td>7.6515</td>
<td>104,072,765</td>
<td>12,705,085</td>
</tr>
<tr>
<td></td>
<td>CAD</td>
<td>591,500</td>
<td>4.9947</td>
<td>2,954,365</td>
<td>375,360</td>
</tr>
<tr>
<td></td>
<td>AUD</td>
<td>2,371,669</td>
<td>4.8633</td>
<td>11,534,138</td>
<td>4,670,512</td>
</tr>
<tr>
<td></td>
<td>HKD</td>
<td>–</td>
<td>0.8431</td>
<td>–</td>
<td>2,736,720</td>
</tr>
<tr>
<td></td>
<td>ZAR</td>
<td>1,253,750</td>
<td>0.4824</td>
<td>604,899</td>
<td>62,466,250</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>331,932,603</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances (Note V.1)</td>
<td>1,660,989,926</td>
</tr>
<tr>
<td>Notes receivable (Note V.4)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,660,989,926</td>
</tr>
</tbody>
</table>

3,148,636,242

1,486,986,125

331,932,603

338,178,955
## V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 65. MONETARY ITEMS DENOMINATED IN FOREIGN CURRENCIES (CONTINUED)

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th></th>
<th>31 December 2017 (Audited)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Original currency rate</td>
<td>RMB</td>
<td>Original currency rate</td>
<td>RMB</td>
</tr>
<tr>
<td>Other receivables</td>
<td>HKD 8,289,336 0.8431</td>
<td>6,988,739</td>
<td>8,449,639 0.8359</td>
<td>7,063,053</td>
</tr>
<tr>
<td></td>
<td>EUR 1,641,251 7.6515</td>
<td>12,558,032</td>
<td>1,610,104 7.8023</td>
<td>12,562,514</td>
</tr>
<tr>
<td></td>
<td>AUD – 4.8633</td>
<td>–</td>
<td>38 5.0928</td>
<td>194</td>
</tr>
<tr>
<td></td>
<td>USD 4,151 6.6166</td>
<td>27,466</td>
<td>6,761 6.5342</td>
<td>44,178</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>19,574,237</strong></td>
<td></td>
<td><strong>19,669,939</strong></td>
</tr>
<tr>
<td>Trade payables</td>
<td>AUD 33,770 4.8633</td>
<td>164,234</td>
<td>49,103 5.0928</td>
<td>250,072</td>
</tr>
<tr>
<td></td>
<td>USD 400,000 6.6166</td>
<td>2,646,640</td>
<td>393,840 6.5342</td>
<td>2,573,429</td>
</tr>
<tr>
<td></td>
<td>EUR 9,567,503 7.6515</td>
<td>73,205,749</td>
<td>14,518,502 7.8023</td>
<td>113,277,708</td>
</tr>
<tr>
<td></td>
<td>HKD 1,629,694 0.8431</td>
<td>1,374,164</td>
<td>1,273,231 0.8359</td>
<td>1,064,294</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>77,390,787</strong></td>
<td></td>
<td><strong>117,165,503</strong></td>
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<tr>
<td>Other payables</td>
<td>AUD 599,995 4.8633</td>
<td>2,917,956</td>
<td>969,070 5.0928</td>
<td>4,935,280</td>
</tr>
<tr>
<td></td>
<td>HKD 44,089,945 0.8431</td>
<td>37,169,703</td>
<td>8,564,108 0.8359</td>
<td>7,158,738</td>
</tr>
<tr>
<td></td>
<td>EUR 2,006,301 7.6515</td>
<td>15,351,212</td>
<td>1,693,432 7.8023</td>
<td>13,212,684</td>
</tr>
<tr>
<td></td>
<td>USD 192,589,845 6.6166</td>
<td>1,274,889,968</td>
<td>924 6.5342</td>
<td>6,036</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>1,329,728,639</strong></td>
<td></td>
<td><strong>25,312,720</strong></td>
</tr>
<tr>
<td>Short-term loan</td>
<td>USD 363,323,240 6.6166</td>
<td>2,403,964,550</td>
<td>285,496,405 6.5342</td>
<td>1,865,490,610</td>
</tr>
<tr>
<td></td>
<td>EUR 9,500,000 7.6515</td>
<td>72,689,250</td>
<td>10,000,000 7.8023</td>
<td>78,023,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>2,476,653,800</strong></td>
<td></td>
<td><strong>1,943,513,610</strong></td>
</tr>
<tr>
<td>Long-term loan</td>
<td>USD 7,360,000 6.6166</td>
<td>48,698,176</td>
<td>7,360,000 6.5342</td>
<td>48,091,712</td>
</tr>
<tr>
<td></td>
<td>EUR 9,700,000 7.6515</td>
<td>74,219,550</td>
<td>– 7.6515</td>
<td>–</td>
</tr>
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<td></td>
<td></td>
<td><strong>122,917,726</strong></td>
<td></td>
<td><strong>48,091,712</strong></td>
</tr>
<tr>
<td>Long-term loan due within 1 year</td>
<td>USD 31,720,000 6.5342</td>
<td>207,264,824</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EUR 14,700,000 7.8023</td>
<td>114,693,810</td>
<td></td>
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<td></td>
<td></td>
<td><strong>323,566,035</strong></td>
<td></td>
<td><strong>321,958,634</strong></td>
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</tbody>
</table>

Maanshan Iron & Steel Company Limited

Notes to the Interim Financial Statements (Continued)

30 June 2018
Renminbi Yuan

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2018 Interim Report
VI. CHANGE IN THE SCOPE OF CONSOLIDATION

1. NEWLY ESTABLISHED SUBSIDIARY

For the six months ended 30 June 2018, the Company established the following subsidiary, and has included it in the scope of consolidation since then.

<table>
<thead>
<tr>
<th>Date of establishment</th>
<th>Registered capital</th>
<th>Percentage of equity</th>
<th>Investment form</th>
<th>Capital paid as of the period end</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maanshan Mete Metallurgical Power Technology Co., Ltd. (<em>&quot;Meite Metallurgical Power&quot;</em>) (Note 1)</td>
<td>March 2018</td>
<td>RMB500,000</td>
<td>100%</td>
<td>Cash</td>
</tr>
<tr>
<td>Anhui Magang Chemicals &amp; Energy Technology Co., Ltd. (<em>&quot;Magang Chemicals &amp; Energy&quot;</em>) (Note 2)</td>
<td>March 2018</td>
<td>RMB 600,000,000</td>
<td>100%</td>
<td>Cash &amp; non-cash assets</td>
</tr>
</tbody>
</table>

Note 1: The Company invested RMB500,000 in cash to establish wholly-owned subsidiary, Meite Metallurgical Power.

Note 2: The Company invested RMB260,514,040 in cash, and plant and buildings with net carrying amount of RMB122,478,300 and land use rights with net carrying amount of RMB36,568,401 to Magang Chemicals & Energy. According to evaluation result provided by the third party evaluation agency, the plant and buildings was valued at RMB175,608,500 with an evaluation appreciation amounting to RMB53,130,200 at the evaluation date of 15 May 2018 and VAT amounting to RMB17,560,850; the land use rights were valued at RMB133,015,000 with an evaluation appreciation amounting to RMB96,446,699 and VAT amounting to RMB13,301,510 at the evaluation date of 26 June 2018. The total investment in cash and non-cash assets amounted to RMB600 million.
VI. CHANGE IN THE SCOPE OF CONSOLIDATION (CONTINUED)

2. DISPOSAL OF A SUBSIDIARY

<table>
<thead>
<tr>
<th>Place of registration</th>
<th>Business nature</th>
<th>Total equity interests ratio that the Group holds</th>
<th>Total voting right ratio that the Group holds</th>
<th>Reason for not being a subsidiary any longer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masteel Shanghai Trading Co., Ltd. (“Masteel Shanghai Trading”)</td>
<td>Shanghai, PRC</td>
<td>Trading</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note: On 7 September 2017, Shanghai Baoan District People’s Court issued civil ruling ([2017] No. Hu 0113 Po 2-1) accepted the bankruptcy application of Masteel Shanghai Trading, a subsidiary of the Group, and designated Beijing Yingke (Shanghai) Law Firm as the bankruptcy liquidation manager. On 27 February 2018, the Group received the takeover notice of Masteel Shanghai Trading issued by the bankruptcy liquidation manager ([2017] Masteel Bankruptcy Takeover No.1), indicating that Masteel Shanghai Trading was properly handed over in relevant materials such as property books, documents and files, seals and certificates of the enterprise in accordance with the requirements of the liquidation manager. Therefore, the Group lost control of Masteel Shanghai Trading since 27 February 2018 and no longer included it into the consolidation scope thereafter.
VI. CHANGE IN THE SCOPE OF CONSOLIDATION (CONTINUED)

2. DISPOSAL OF A SUBSIDIARY (CONTINUED)

The financial information of Masteel Shanghai Trading at the disposal date is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount as at 27 February 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>521,926</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>–</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(174,145,988)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>(173,624,062)</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
</tr>
<tr>
<td>Disposal gain or loss</td>
<td>173,624,062</td>
</tr>
<tr>
<td>Disposal consideration</td>
<td>–</td>
</tr>
</tbody>
</table>

From 1 January 2018 to 27 February 2018

<table>
<thead>
<tr>
<th></th>
<th>–</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>–</td>
</tr>
</tbody>
</table>
## VII. INTERESTS IN OTHER ENTITIES

### 1. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

<table>
<thead>
<tr>
<th>Subsidiaries acquired by establishment or investment</th>
<th>Place of operation</th>
<th>Place of registration</th>
<th>Business nature</th>
<th>Paid-in capital</th>
<th>Percentage of equity (%)</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anhui Masteel K.Wah New Building Materials Co., Ltd. (&quot;New Building Masteel K. Wah&quot;)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>USD8,389,000</td>
<td>70</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma Steel (Wuhu)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB35,000,000</td>
<td>70</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Ma Steel (Chu) Processing and Distribution Co., Ltd. (&quot;Ma Steel (Chu)&quot;)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB300,000,000</td>
<td>92</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma Steel (Guangzhou) Processing and Distribution Co., Ltd. (&quot;Ma Steel (Guangzhou)&quot;)</td>
<td>Guangdong, PRC</td>
<td>Guangdong, PRC</td>
<td>Manufacturing</td>
<td>RMB120,000,000</td>
<td>66.67</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Holly Industrial</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB300,000,000</td>
<td>71</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>Ma Steel (Jinhua) Processing and Distribution Co., Ltd. (&quot;Ma Steel (Jinhua)&quot;)</td>
<td>Zhejiang, PRC</td>
<td>Zhejiang, PRC</td>
<td>Manufacturing</td>
<td>RMB120,000,000</td>
<td>75</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>MG Trading</td>
<td>Germany</td>
<td>Germany</td>
<td>Trading</td>
<td>EUR1,053,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma Steel (Australia)</td>
<td>Australia</td>
<td>Australia</td>
<td>Trading and mining</td>
<td>AUD21,737,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma Steel (Hefei) Processing and Distribution Co., Ltd. (&quot;Ma Steel (Hefei) Processing&quot;)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB2,500,000,000</td>
<td>71</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma Steel (Wuhu) Material Technique Co. Ltd. (&quot;Wuhu Technique&quot;)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB120,000,000</td>
<td>67</td>
<td>28</td>
<td></td>
</tr>
<tr>
<td>Maanshan Masteel Scrap Steel Co., Ltd. (&quot;Masteel Scrap&quot;)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Trading</td>
<td>RMB100,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Shanghai Trading</td>
<td>Shanghai, PRC</td>
<td>Shanghai, PRC</td>
<td>Trading</td>
<td>RMB80,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Maanshan (Chongqing) Material Technology Co., Ltd. (&quot;Chongqing Material&quot;)</td>
<td>Chongqing, PRC</td>
<td>Chongqing, PRC</td>
<td>Trading</td>
<td>RMB250,000,000</td>
<td>70</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Hefei Water Supply</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB2,000,000,000</td>
<td>-</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Ma Steel (Hefei) Steel Plates Co., Ltd. (&quot;Hefei Steel Plates&quot;)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB2,000,000,000</td>
<td>-</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Ma Steel (Hefei) Materials Technology Co., Ltd. (&quot;Hefei Materials&quot;)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB2,000,000,000</td>
<td>70</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Maanshan (Guangzhou) Iron and Steel Sales Co., Ltd. (&quot;Ma Steel Guangzhou Sales&quot;)</td>
<td>Guangdong, PRC</td>
<td>Guangdong, PRC</td>
<td>Trading</td>
<td>RMB10,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma’Anshan (Hangzhou) Iron and Steel Sales Co., Ltd. (&quot;Ma Steel Hangzhou Sales&quot;)</td>
<td>Zhejiang, PRC</td>
<td>Zhejiang, PRC</td>
<td>Trading</td>
<td>RMB10,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma’Anshan (Wuxi) Iron and Steel Sales Co., Ltd. (&quot;Ma Steel Wuxi Sales&quot;)</td>
<td>Jiangsu, PRC</td>
<td>Jiangsu, PRC</td>
<td>Trading</td>
<td>RMB10,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma’Anshan (Chongqing) Iron and Steel Sales Co., Ltd. (&quot;Ma Steel Chongqing Sales&quot;)</td>
<td>Chongqing, PRC</td>
<td>Chongqing, PRC</td>
<td>Trading</td>
<td>RMB10,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma’Anshan (Nanjing) Iron and Steel Sales Co., Ltd. (&quot;Ma Steel Nanjing Sales&quot;)</td>
<td>Jiangsu, PRC</td>
<td>Jiangsu, PRC</td>
<td>Trading</td>
<td>RMB10,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma’Anshan (Wuhan) Iron and Steel Sales Co., Ltd. (&quot;Ma Steel Wuhan Sales&quot;)</td>
<td>Hubei, PRC</td>
<td>Hubei, PRC</td>
<td>Trading</td>
<td>RMB10,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma’Anshan (Shanghai) Iron and Steel Sales Co., Ltd. (&quot;Ma Steel Shanghai Sales&quot;)</td>
<td>Shanghai, PRC</td>
<td>Shanghai, PRC</td>
<td>Trading</td>
<td>RMB10,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 1. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (Continued)

<table>
<thead>
<tr>
<th>Subsidiaries acquired by establishment or investment</th>
<th>Place of operation</th>
<th>Place of registration</th>
<th>Business nature</th>
<th>Paid-in capital</th>
<th>Percentage of equity (%)</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anhui Changjiang Iron and Steel Trading Co., Ltd., Hefei (“Chang Jiang Iron and Steel, Hefei”)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Trading</td>
<td>RMB30,000,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Anhui Changjiang Iron and Steel Trading Co., Ltd., Nanjing (“Chang Jiang Iron and Steel, Nanjing”)</td>
<td>Jiangsu, PRC</td>
<td>Jiangsu, PRC</td>
<td>Trading</td>
<td>RMB30,000,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma’anshan Changjiang Iron and Steel Trading Co., Ltd. (“Chang Jiang Iron and Steel Trading”)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Trading</td>
<td>RMB30,000,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>MG-VALDUNES</td>
<td>France</td>
<td>France</td>
<td>Manufacturing</td>
<td>EUR80,200,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma’anshan Oubang Color-coated Technology Co., Ltd. (“Masteel Oubang Color-coated”)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB50,000,000,000</td>
<td>67</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Masteel America</td>
<td>USA</td>
<td>USA</td>
<td>Service industry</td>
<td>USD80,200,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma Steel Antirust</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB10,000,000,000</td>
<td>51</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Masteel Metallurgical Power (Note 1)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Service industry</td>
<td>RMB50,000,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Magang Chemicals &amp; Energy (Note 1)</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB600,000,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Subsidiaries acquired through business combination not under common control

<table>
<thead>
<tr>
<th>Subsidiaries acquired through business combination not under common control</th>
<th>Place of operation</th>
<th>Place of registration</th>
<th>Business nature</th>
<th>Paid-in capital</th>
<th>Percentage of equity (%)</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma Steel (Yangzhou) Processing and Distribution Co., Ltd. (“Ma steel (Yangzhou) Processing”)</td>
<td>Jiangsu, PRC</td>
<td>Jiangsu, PRC</td>
<td>Manufacturing</td>
<td>USD20,000,000,000</td>
<td>71</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Anhui Changjiang Iron and Steel</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB1,200,000,000,000</td>
<td>66</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Ma-Steel Rail Transportation</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB80,000,000,000</td>
<td>100</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Mascometal</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>EUR20,000,000,000</td>
<td>66</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Subsidiary acquired through business combination under common control

<table>
<thead>
<tr>
<th>Subsidiary acquired through business combination under common control</th>
<th>Place of operation</th>
<th>Place of registration</th>
<th>Business nature</th>
<th>Paid-in capital</th>
<th>Percentage of equity (%)</th>
<th>Direct</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masteel Finance</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Financial services</td>
<td>RMB2,000,000,000,000</td>
<td>91</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

Note 1: For the information of the newly established subsidiary, please refer to Note VI.1.
## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. INTERESTS IN SUBSIDIARIES (CONTINUED)

Subsidiaries which had material non-controlling interests are as follows:

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma Steel (Hefei)</td>
<td>15,800,671</td>
<td>(15,896,512)</td>
</tr>
<tr>
<td>Anhui Chang Jiang Iron and Steel</td>
<td>382,789,275</td>
<td>245,873,784</td>
</tr>
<tr>
<td>Masteel Finance</td>
<td>12,182,769</td>
<td>7,608,153</td>
</tr>
</tbody>
</table>

The proportion of equity held by non-controlling interests:

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma Steel (Hefei)</td>
<td>29%</td>
</tr>
<tr>
<td>Anhui Chang Jiang Iron and Steel</td>
<td>45%</td>
</tr>
<tr>
<td>Masteel Finance</td>
<td>9%</td>
</tr>
</tbody>
</table>

Profit or loss attributable to non-controlling interests:

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma Steel (Hefei)</td>
<td>15,800,671</td>
</tr>
<tr>
<td>Anhui Chang Jiang Iron and Steel</td>
<td>382,789,275</td>
</tr>
<tr>
<td>Masteel Finance</td>
<td>12,182,769</td>
</tr>
</tbody>
</table>

Dividends paid to non-controlling interests:

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma Steel (Hefei)</td>
<td>–</td>
</tr>
<tr>
<td>Anhui Chang Jiang Iron and Steel</td>
<td>432,000,000</td>
</tr>
<tr>
<td>Masteel Finance</td>
<td>6,266,572</td>
</tr>
</tbody>
</table>

Cumulative balances of non-controlling interests at the balance sheet date:

<table>
<thead>
<tr>
<th>Subsidiary</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma Steel (Hefei)</td>
<td>599,846,108</td>
</tr>
<tr>
<td>Anhui Chang Jiang Iron and Steel</td>
<td>1,960,754,281</td>
</tr>
<tr>
<td>Masteel Finance</td>
<td>255,348,034</td>
</tr>
</tbody>
</table>
VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. INTERESTS IN SUBSIDIARIES (CONTINUED)

The summarised financial information of the above subsidiaries is as follows. The amounts listed below are the amounts before the group intra-elimination.

<table>
<thead>
<tr>
<th></th>
<th>Anhui Ma Steel (Hefei)</th>
<th>Anhui Chang Jiang Iron and Steel</th>
<th>Masteel Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2018 or for the six months ended 30 June 2018 (Unaudited)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>1,162,224,111</td>
<td>5,658,550,592</td>
<td>10,963,711,616</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>3,217,486,434</td>
<td>4,292,259,339</td>
<td>1,569,984,079</td>
</tr>
<tr>
<td>Total assets</td>
<td>4,379,710,545</td>
<td>9,950,809,931</td>
<td>12,533,695,695</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(1,501,066,881)</td>
<td>(5,449,291,669)</td>
<td>(9,695,777,345)</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>(810,208,810)</td>
<td>(144,286,528)</td>
<td>(628,308)</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>(2,311,275,691)</td>
<td>(5,593,578,197)</td>
<td>(9,696,405,653)</td>
</tr>
<tr>
<td>Revenue</td>
<td>2,724,528,391</td>
<td>7,113,010,984</td>
<td>131,312,175</td>
</tr>
<tr>
<td>Net profit</td>
<td>54,485,074</td>
<td>850,642,833</td>
<td>135,364,095</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>54,485,074</td>
<td>850,642,833</td>
<td>135,364,095</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>21,935,881</td>
<td>964,413,456</td>
<td>213,528,340</td>
</tr>
</tbody>
</table>
## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. INTERESTS IN SUBSIDIARIES (CONTINUED)

<table>
<thead>
<tr>
<th>Anhui</th>
<th>Ma Steel (Hefei)</th>
<th>Chang Jiang Iron and Steel</th>
<th>Masteel Finance</th>
</tr>
</thead>
</table>

31 December 2017 (Audited) or for the six months ended 30 June 2017 (Unaudited)

| Current assets | 1,116,606,101 | 4,556,775,162 | 5,265,573,414 |
| Non-current assets | 3,567,650,505 | 4,340,023,298 | 7,032,740,451 |
| Total assets | 4,684,256,606 | 8,896,798,460 | 12,298,313,865 |

| Current liabilities | (1,775,526,986) | (4,286,186,339) | (9,528,658,823) |
| Non-current liabilities | (893,709,661) | (145,569,521) | (853,875) |
| Total liabilities | (2,669,236,647) | (4,431,755,860) | (9,529,512,698) |

| Revenue | 1,801,517,243 | 6,608,923,730 | 110,324,959 |
| Net profit | (54,815,557) | 546,386,187 | 84,535,032 |
| Total comprehensive income | (54,815,557) | 546,386,187 | 85,393,022 |

| Net cash flows from operating activities | 8,850,474 | 845,222,575 | (617,918,883) |
### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 2. INTERESTS IN JOINT VENTURES AND ASSOCIATES

<table>
<thead>
<tr>
<th>Joint ventures</th>
<th>Place of operation</th>
<th>Place of registration</th>
<th>Business nature</th>
<th>Registered capital</th>
<th>Percentage of equity (%)</th>
<th>Accounting method</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BOC-Ma Steel</strong></td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB468,000,000</td>
<td>50</td>
<td>Equity method</td>
</tr>
<tr>
<td><strong>MASTEEL-CMI</strong></td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Service industry</td>
<td>RMB1,000,000</td>
<td>50</td>
<td>Equity method</td>
</tr>
<tr>
<td><strong>Associates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Henan JinMa Energy</td>
<td>Henan, PRC</td>
<td>Henan, PRC</td>
<td>Manufacturing</td>
<td>RMB35,421,000</td>
<td>26.89</td>
<td>Equity method</td>
</tr>
<tr>
<td>Shanghai Iron and Steel Electronic</td>
<td>Shanghai, PRC</td>
<td>Shanghai, PRC</td>
<td>Manufacturing</td>
<td>RMB68,800,000</td>
<td>31.99</td>
<td>Equity method</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Service industry</td>
<td>RMB122,381,890</td>
<td>16.34</td>
<td>Equity method</td>
</tr>
<tr>
<td>Anhui Linhuan Chemical</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>RMB600,000,000</td>
<td>12</td>
<td>Equity method</td>
</tr>
<tr>
<td>Ma-Steel OCI Chemical</td>
<td>Anhui, PRC</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>USD47,125,000</td>
<td>40</td>
<td>Equity method</td>
</tr>
<tr>
<td>Ma-Steel Commercial Factoring (Note)</td>
<td>Shanghai, PRC</td>
<td>Shanghai, PRC</td>
<td>Service industry</td>
<td>RMB300,000,000</td>
<td>25</td>
<td>Equity method</td>
</tr>
<tr>
<td>Ma-Steel Finance Leasing (Note)</td>
<td>Shanghai, PRC</td>
<td>Shanghai, PRC</td>
<td>Manufacturing</td>
<td>RMB300,000,000</td>
<td>25</td>
<td>Equity method</td>
</tr>
</tbody>
</table>

Note: for the information of the newly established associates, please refer to Note V.15.
BOC-Ma Steel, one of the Group’s material joint ventures, was accounted by using the equity method.

The financial information of BOC-Ma Steel is as follows, which has been adjusted for all the accounting policy differences and reconciled to the carrying amount of the financial statements.

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>or for the six months ended</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>342,243,332</td>
<td>497,193,002</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>228,682,785</td>
<td>254,130,647</td>
</tr>
<tr>
<td>Total assets</td>
<td>570,926,117</td>
<td>751,323,649</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>54,746,322</td>
<td>82,408,257</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>54,746,322</td>
<td>82,408,257</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>516,179,795</td>
<td>668,915,392</td>
</tr>
<tr>
<td>The Group’s share of net assets</td>
<td>258,089,898</td>
<td>334,457,696</td>
</tr>
<tr>
<td>Adjustment</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>The carrying value of the investment</td>
<td>258,089,898</td>
<td>334,457,696</td>
</tr>
<tr>
<td>Revenue</td>
<td>276,145,030</td>
<td>277,742,567</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>30,232,045</td>
<td>29,159,911</td>
</tr>
<tr>
<td>Net profit</td>
<td>87,264,404</td>
<td>88,428,211</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>87,264,404</td>
<td>88,428,211</td>
</tr>
<tr>
<td>Dividends received</td>
<td>120,000,000</td>
<td>75,000,000</td>
</tr>
</tbody>
</table>
VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Henan JinMa Energy and Shenglong Chemical are the Group’s material associates and are accounted by using the equity method.

The financial information of individually material associates is as follows, which has been adjusted to all the accounting policy differences and reconciled to the carrying amount of the financial statements:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>or for the six months ended</td>
<td>or for the six months ended</td>
</tr>
<tr>
<td>Henan JinMa Energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>2,167,695,000</td>
<td>1,557,276,000</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,540,794,000</td>
<td>1,405,050,000</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,708,489,000</td>
<td>2,962,326,000</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,408,670,000</td>
<td>894,491,000</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>376,810,000</td>
<td>339,509,000</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,785,480,000</td>
<td>1,234,000,000</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>86,933,000</td>
<td>94,210,000</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>1,836,076,000</td>
<td>1,634,116,000</td>
</tr>
<tr>
<td>The Group’s share of net assets</td>
<td>499,166,795</td>
<td>441,184,749</td>
</tr>
<tr>
<td>Adjustment</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>The carrying value of the investment</td>
<td>499,166,795</td>
<td>441,184,749</td>
</tr>
<tr>
<td>Revenue</td>
<td>3,293,855,000</td>
<td>2,556,554,820</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>128,974,000</td>
<td>83,102,443</td>
</tr>
<tr>
<td>Net profit</td>
<td>371,406,000</td>
<td>249,241,268</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>371,406,000</td>
<td>249,241,268</td>
</tr>
<tr>
<td>Dividends received</td>
<td>40,320,000</td>
<td>36,000,000</td>
</tr>
</tbody>
</table>
VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>or for the six months ended</td>
<td>or for the six months ended</td>
</tr>
<tr>
<td>Shenglong Chemical</td>
<td>30 June 2018</td>
<td>30 June 2017</td>
</tr>
<tr>
<td>Current assets</td>
<td>2,038,940,101</td>
<td>1,565,609,058</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>1,468,694,031</td>
<td>1,500,566,720</td>
</tr>
<tr>
<td>Total assets</td>
<td>3,507,634,132</td>
<td>3,066,175,778</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>1,729,929,225</td>
<td>1,598,531,277</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>1,729,929,225</td>
<td>1,598,531,277</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td>1,777,704,907</td>
<td>1,467,644,501</td>
</tr>
<tr>
<td>The Group’s share of net assets</td>
<td>568,687,801</td>
<td>469,646,241</td>
</tr>
<tr>
<td>Adjustment</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>The carrying value of the investment</td>
<td>568,687,801</td>
<td>469,646,241</td>
</tr>
<tr>
<td>Revenue</td>
<td>2,325,144,510</td>
<td>2,629,480,948</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>125,291,248</td>
<td>88,393,691</td>
</tr>
<tr>
<td>Net profit</td>
<td>407,646,350</td>
<td>264,233,722</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>407,646,350</td>
<td>264,233,722</td>
</tr>
<tr>
<td>Dividends received</td>
<td>32,000,000</td>
<td>–</td>
</tr>
</tbody>
</table>
### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 2. INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The summarized financial information of the joint ventures and the associates that are not individually material to the Group are as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Joint ventures</td>
<td>545,618</td>
<td>546,153</td>
</tr>
<tr>
<td>The carrying value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of the Group’s investments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**For the six months ended**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>30 June 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Total shown as below (calculated according to the respective equity holding percentage)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td>(535)</td>
<td>(4,347,403)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>(535)</td>
<td>(4,347,403)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Associates</td>
<td>455,889,254</td>
<td>279,390,363</td>
</tr>
<tr>
<td>The carrying value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of the Group’s investments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**For the six months ended**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>30 June 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>Total shown as below (calculated according to the respective equity holding percentage)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net profit</td>
<td>27,054,475</td>
<td>6,577,202</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>27,054,475</td>
<td>6,577,202</td>
</tr>
</tbody>
</table>
### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

#### 1. CLASSIFICATION OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

**30 June 2018 (Unaudited)**

**Financial assets**

<table>
<thead>
<tr>
<th>Financial assets at fair value through profit or loss</th>
<th>Financial assets measured at amortized cost</th>
<th>Financial assets at fair value through other comprehensive income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>According to Standard Designated</strong></td>
<td><strong>According to Standard Designated</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>–</td>
<td>7,538,181,813</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets held for trading</td>
<td>1,928,207,037</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Notes and trade receivables</td>
<td>–</td>
<td>7,917,108,224</td>
<td>–</td>
</tr>
<tr>
<td>Other receivables</td>
<td>–</td>
<td>330,496,890</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets purchased under agreements to resell</td>
<td>–</td>
<td>884,886,602</td>
<td>–</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>–</td>
<td>1,766,370,623</td>
<td>–</td>
</tr>
<tr>
<td>Debt instruments investment</td>
<td>–</td>
<td>1,541,575,160</td>
<td>–</td>
</tr>
<tr>
<td>Other equity instruments investment</td>
<td>–</td>
<td>143,120,746</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,928,207,037</strong></td>
<td><strong>19,978,619,312</strong></td>
<td><strong>143,120,746</strong></td>
</tr>
</tbody>
</table>

**Financial liabilities**

<table>
<thead>
<tr>
<th>Financial liabilities at amortized cost</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans</td>
<td>6,843,480,037</td>
</tr>
<tr>
<td>Deposits and balances from banks and other financial institutions</td>
<td>200,000,000</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>2,101,060,111</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>1,013,146,250</td>
</tr>
<tr>
<td>Notes and trade payables</td>
<td>8,690,455,040</td>
</tr>
<tr>
<td>Other payables</td>
<td>4,935,090,253</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>2,038,424,932</td>
</tr>
<tr>
<td>Non-current liabilities due within one year</td>
<td>7,885,584,392</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>2,933,486,964</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>36,640,727,979</strong></td>
</tr>
</tbody>
</table>
### VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: *(Continued)*

#### 31 December 2017 (Audited)

**Financial assets**

<table>
<thead>
<tr>
<th></th>
<th>Financial assets at fair value through profit or loss</th>
<th>Loans and receivables</th>
<th>Available-for-sale financial assets</th>
<th>Held-to-maturity investment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,978,352,093</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>1,546,139,404</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,546,139,404</td>
</tr>
<tr>
<td>Notes and trade receivables</td>
<td>–</td>
<td>–</td>
<td>9,341,614.257</td>
<td>–</td>
<td>9,341,614.257</td>
</tr>
<tr>
<td>Other receivables</td>
<td>–</td>
<td>–</td>
<td>247,325.199</td>
<td>–</td>
<td>247,325.199</td>
</tr>
<tr>
<td>Financial assets purchased under agreements to resell</td>
<td>–</td>
<td>–</td>
<td>1,204,603,000</td>
<td>–</td>
<td>1,204,603,000</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>–</td>
<td>–</td>
<td>1,251,315.253</td>
<td>–</td>
<td>1,251,315.253</td>
</tr>
<tr>
<td>Held-to-maturity investment</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>406,082,606</td>
<td>406,082,606</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,111,168,160</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,111,168,160</td>
</tr>
<tr>
<td></td>
<td><strong>1,546,139,404</strong></td>
<td><strong>–</strong></td>
<td><strong>17,023,209,820</strong></td>
<td><strong>406,082,606</strong></td>
<td><strong>20,086,599,990</strong></td>
</tr>
</tbody>
</table>

**Financial liabilities**

<table>
<thead>
<tr>
<th></th>
<th>Financial liabilities at fair value through profit or loss</th>
<th>Other financial liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans</td>
<td>–</td>
<td>–</td>
<td>4,630,303,694</td>
</tr>
<tr>
<td>Deposits and balances from banks and other financial institutions</td>
<td>–</td>
<td>–</td>
<td>200,000,000</td>
</tr>
<tr>
<td>Financial liabilities measured at fair value through profit or loss</td>
<td>10,498,810</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>–</td>
<td>–</td>
<td>2,947,639,610</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>–</td>
<td>–</td>
<td>308,100,956</td>
</tr>
<tr>
<td>Notes and trade payables</td>
<td>–</td>
<td>–</td>
<td>11,778,382,830</td>
</tr>
<tr>
<td>Other payables</td>
<td>–</td>
<td>–</td>
<td>1,811,478,016</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>–</td>
<td>–</td>
<td>3,081,026,301</td>
</tr>
<tr>
<td>Non-current liabilities due within one year</td>
<td>–</td>
<td>–</td>
<td>4,928,758,378</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>–</td>
<td>–</td>
<td>6,975,958,634</td>
</tr>
<tr>
<td>Long-term payables</td>
<td>–</td>
<td>–</td>
<td>210,000,000</td>
</tr>
<tr>
<td></td>
<td><strong>10,498,810</strong></td>
<td><strong>–</strong></td>
<td><strong>36,871,648,419</strong></td>
</tr>
</tbody>
</table>
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. OFFSETTING OF FINANCIAL INSTRUMENTS

For the six months ended 30 June 2018, there were no offsetting arrangements for receivables (2017: Nil).

3. TRANSFER OF FINANCIAL ASSETS

Financial assets transferred but not yet fully derecognised

As of 30 June 2018, the Group endorsed (but not yet fully derecognised) bank acceptance notes to its suppliers with a carrying amount of RMB222,902,072 for settlement of trade payables (31 December 2017: RMB53,676,353), and there was no bank acceptance notes discounted to banks which was not derecognised. As of 30 June 2018, their maturity period ranged from 1 to 12 months. Pursuant to the relevant provisions of “Law of Negotiable Instruments”, the holders of commercial instruments shall have the right of recourse against the Group (“Continuing Involvement”) if the relevant acceptance bank defaults. As the Group was of the opinion that the Group had retained substantially all their risks and rewards, including the default risk associated, the Group continued to recognise them and the settled accounts payable or short-term borrowings associated therewith. After the endorsement or discount, the Group no longer reserved the rights to use them, including the rights to sell, transfer or pledge to any other third party. As of 30 June 2018, the carrying amount of trade payables settled by the Group through them amounted to RMB222,902,072 (31 December 2017: RMB53,676,353). As of 30 June 2018, the book value of short term loans obtained from the pledge of receivables amounted to RMB700,000,000 (31 December 2017: Nil).

Transferred financial assets fully derecognised but with continuing involvement

As of 30 June 2018, the Group endorsed (and fully derecognised) bank acceptance notes to its suppliers with a carrying amount of RMB7,491,140,954 (31 December 2017: RMB4,778,024,515) for settlement of trade payables, and the bank acceptance notes discounted to banks which was fully derecognised has a carting amount of RMB100,000,000 (31 December 2017: Nil). As of 30 June 2018, their maturity period ranged from 1 to 12 months. Pursuant to the relevant provisions of “Law of Negotiable Instruments”, the holders of commercial instruments shall have the right of recourse against the Group (“Continuing Involvement”) if the relevant acceptance bank defaults. As the Group was of the opinion that the Group had transferred substantially all their risks and rewards, the Group had derecognised them and then settled account payables associated therewith.

For the six months ended 30 June 2018, no gain or loss was recognised in the date of transfer. No income or expense was recognised for the current year or on an accumulative basis as a result of the Group’s Continuing Involvement in derecognised financial assets. Endorsements were incurred basically evenly during the period.
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK

The Group faced several kinds of financial instruments risk in its daily operation, mainly including credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Group’s principal financial instruments are comprised of cash and bank balances, interest-bearing bank borrowings, other interest-bearing borrowings, notes and trade receivables, notes and trade payables, etc. The Group’s risk management strategies to lower such risks are outlined below.

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade receivables balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Since the trading counterparties of cash and bank balances and financial assets held for trading are banks with good reputation and high credit rank, these financial instruments face lower credit risk.

The Group’s other financial assets comprise debt instruments investments, other equity instruments investment, notes and trade receivables, other receivables, financial assets purchased under agreements to resell and loans and advances to customers, and the credit risk of these financial assets arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy parties, there is no requirement for collateral. Credit risk is managed in accordance with customer, counterparty, geographical region and industry intensively. At the end of the reporting period, the Group had a certain concentration of credit risk as 5% (2017: 7%) and 21% (2017: 23%) of the Group’s trade receivables were due from the Group’s largest customer and five largest customers in terms of trade receivables respectively. The Group did not hold any collateral or credit enhancements for the balance of trade receivables.
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Credit risk (Continued)

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

Based on the credit risk changes since financial instruments’ initial recognition, the Group calculates expected credit losses in three different phases:

Phase 1: Financial instruments whose credit risk have not increased significantly will be included in phase 1, and the Group measures the loss provision for those instruments at an amount equal to 12-month expected credit losses.

Phase 2: Financial instruments whose credit risk have increased significantly but without objective evidence for impairment will be included in phase 2, and the Group measures the loss provision of those instruments at an amount equal to lifetime expected credit losses.

Phase 3: Financial instruments that is evidently credit-impaired at the financial position date will be included in phase 3, and the Group measures the loss provision of those financial instruments at an amount equal to lifetime expected credit losses.

For a financial instruments, whose loss allowance had been measured at an amount equal to lifetime expected credit losses in previous accounting period, if its credit risk does not increase significantly at the end of current period, the Group should measure the loss allowance of that financial instrument at an amount equal to 12-month expected credit losses.

Criteria for significant increase in credit risk

At each financial position date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. To make the assessment, the Group shall consider reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis of the Group’s historical statistics, external credit risk rate and forecasting information. On an individual basis or a collective basis for financial instruments with shared credit risk characteristics, the Group compares the default risks of financial instruments at financial position date and the default risks at initial recognition to determine the change of default risk of financial instruments in expected lifetime.
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Credit risk (Continued)

Criteria for significant increase in credit risk (Continued)

One or several of the following quantitative, qualitative or maxim criteria are triggered, the Group determines the credit risk of a financial instruments has increased significantly:

Quantitative criteria:

• As of the financial position date, the default risk in the rest of expected lifetime has increased over specific percentage.

Qualitative criteria:

• Material adverse change occurs in the operation or financial position of main debtors or receiving warning customer lists.

Maximum criteria:

• The overdue of debtors’ contract payment (including principle and interest) has reached specific period.

Definition of credit-impaired financial assets

When considering whether credit impairment has incurred under the new financial instruments standards, the Group will consider both quantitative and qualitative factors, which agrees with the goal of the Group’s credit risk management.

Evidence that a financial asset is credit-impaired include observable data about the following events:

• significant financial difficulty of the issuer or the borrower;

• a breach of contract, such as a default or past due event;
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Credit risk (Continued)

Definition of credit-impaired financial assets (Continued)

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

- the disappearance of an active market for that financial asset because of financial difficulties; or

- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

- Any principle, advances, interest or corporate bond investment of a debtor has been overdue for certain period of time.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired.

Parameters of expected credit losses measurement

Depending on whether credit risk has increased significantly or whether impairment has occurred, the Group measures loss allowance for different instruments at an amount equal to 12-month expected credit losses or equal to lifetime expected credit losses. The key parameters for measuring expected credit losses include default probability, default loss rate and default risk exposure. Based on the external credit rate applied in credit risk management and according to the requirements of the new financial instrument standards under CAS, the Group will consider the quantitative analysis of historical statistics (such as the credit rate of the counter party, the guarantee method, the nature of collateral and the repayment style) as well as forecasted information to establish a model for default probability, default loss rate and default risk exposure.
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Credit risk (Continued)

Parameters of expected credit losses measurement (Continued)

Definitions:

- Default probability is probability that a debtor fails to fulfil its repayment duty in 12 months or in the rest of expected lifetime. The Group’s default probability is based on external credit rate and adjusted by carefully chosen forecasting information, to reflect debtors’ probability of default under current Marco-economy condition;

- Default loss rate is the Group’s expectation on the level of loss if default risk exposed and caused losses. Default loss rate varies with the types of trading counterparty, the ways of recourse and priority and the nature of collaterals. Default loss rate is the loss percentage of exposure when default incurs and is calculated basing on 12-month expected credit losses or lifetime expected credit losses;

- Default risk exposure is the amount to be recovered by the Group when default incurs during 12 months or the rest of expected lifetime.

Forecasting information

Forecasting information are used in both assessment of whether the credit risk has been increased significantly and calculation of expected credit losses. The Group identifies key economic indicators that will influence the credit risk of different business and expected credit losses by analysing historical statistics.

These indicators will have different impact on default probability and default loss rate for different types of business. In the process, the Group will apply management judgement. Based on the result of judgement, the Group will forecast those indicators every half a year and apply regression analysis to determine the impact of the indicators on default probability and loss rate.

The credit risk level of the Group has not changed compared with last year. The quantitative information of credit risk exposure generated by trade receivables and other receivables are disclosed in Note V.4 and 6.
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Credit risk (Continued)

31 December 2017 (Audited)

As of 31 December 2017, the aging analysis of the Group’s financial assets not impaired either individually or aggregately is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Neither overdue nor impaired</th>
<th>Less than six months</th>
<th>Over six months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances</td>
<td>4,978,352,093</td>
<td>4,978,352,093</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Notes and trade receivables</td>
<td>9,287,106,231</td>
<td>9,165,453,090</td>
<td>91,185,153</td>
<td>30,467,988</td>
</tr>
<tr>
<td>Other receivables</td>
<td>213,071,211</td>
<td>203,015,186</td>
<td>3,679,964</td>
<td>6,376,061</td>
</tr>
<tr>
<td>Available-for-sale financial assets</td>
<td>1,111,168,160</td>
<td>1,111,168,160</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Loans and advances to customers</td>
<td>1,251,315,253</td>
<td>1,251,315,253</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Financial assets purchased under agreements to resell</td>
<td>1,204,603,000</td>
<td>1,204,603,000</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Held-to-maturity investment</td>
<td>406,082,606</td>
<td>406,082,606</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

As of 31 December 2017, the Group’s trade receivables that were not considered to be impaired mainly relate to a number of independent customers that had a good track record with the Group.

Based on past experience, the directors of the Group were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable as of 31 December 2017.

Liquidity risk

The Group applies a liquidity planning tool to manage liquidity risk of funding shortfalls, which takes both maturity of financial instruments and estimated operating cash flows of the Group into consideration.

The Group’s aim is to balance the sustainability and flexibility of the financing through interest-bearing loans and other instruments. As of 30 June 2018, 90% of the Group’s debts were due within 1 year (31 December 2017: 80%).
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Liquidity risk (Continued)

A liquidity analysis of the undiscounted contractual cash flows of the financial liabilities is as shown in below table:

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans</td>
<td>6,843,480,037</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>6,843,480,037</td>
</tr>
<tr>
<td>Deposits and balances from banks and other financial institutions</td>
<td>200,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>200,000,000</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>2,101,060,111</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,101,060,111</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>1,013,146,250</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,013,146,250</td>
</tr>
<tr>
<td>Notes and trade payables</td>
<td>8,690,455,040</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>8,690,455,040</td>
</tr>
<tr>
<td>Other payables</td>
<td>4,702,166,688</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,702,166,688</td>
</tr>
<tr>
<td>Non-current liabilities due within one year</td>
<td>7,885,584,392</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>7,885,584,392</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>383,104,342</td>
<td>1,803,292,904</td>
<td>1,124,107,512</td>
<td>78,459,326</td>
<td>74,739,703</td>
<td>3,463,703,787</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>2,038,424,932</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,038,424,932</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33,857,421,792</td>
<td>1,803,292,904</td>
<td>1,124,107,512</td>
<td>78,459,326</td>
<td>74,739,703</td>
<td>36,938,021,237</td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th></th>
<th>Within 1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>3-5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans</td>
<td>4,630,303,694</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,630,303,694</td>
</tr>
<tr>
<td>Deposits and balances from banks and other financial institutions</td>
<td>200,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>200,000,000</td>
</tr>
<tr>
<td>Financial liabilities measured at fair value through profit or loss</td>
<td>10,498,810</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>10,498,810</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>2,947,639,610</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2,947,639,610</td>
</tr>
<tr>
<td>Repurchase agreements</td>
<td>308,100,956</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>308,100,956</td>
</tr>
<tr>
<td>Notes and trade payables</td>
<td>11,491,341,467</td>
<td>167,589,414</td>
<td>32,970,687</td>
<td>86,481,262</td>
<td>–</td>
<td>11,778,822,830</td>
</tr>
<tr>
<td>Other payables</td>
<td>1,690,369,964</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,690,369,964</td>
</tr>
<tr>
<td>Non-current liabilities due within one year</td>
<td>4,928,758,378</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4,928,758,378</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>384,083,855</td>
<td>5,737,564,935</td>
<td>1,132,822,485</td>
<td>104,790,907</td>
<td>101,169,444</td>
<td>7,460,431,626</td>
</tr>
<tr>
<td>Long-term payables</td>
<td>–</td>
<td>210,000,000</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>210,000,000</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>3,081,026,301</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>3,081,026,301</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>29,672,123,035</td>
<td>6,115,154,349</td>
<td>1,165,793,172</td>
<td>191,272,169</td>
<td>101,169,444</td>
<td>37,245,512,169</td>
</tr>
</tbody>
</table>
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Market risk

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in market interest rates for assets and liabilities denominated in foreign currency as at 30 June 2018, with all other variables held constant, of the Group’s net profit/(loss) (through the impact on floating rate borrowings).

<table>
<thead>
<tr>
<th>Currency</th>
<th>Increase/ (decrease) in basis points</th>
<th>Increase/ (decrease) in net profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB</td>
<td>50</td>
<td>(9,152,169)</td>
</tr>
<tr>
<td>USD</td>
<td>50</td>
<td>(136,009)</td>
</tr>
<tr>
<td>EUR</td>
<td>50</td>
<td>-</td>
</tr>
<tr>
<td>RMB</td>
<td>(50)</td>
<td>9,152,169</td>
</tr>
<tr>
<td>USD</td>
<td>(50)</td>
<td>136,009</td>
</tr>
<tr>
<td>EUR</td>
<td>(50)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For the six months ended 30 June 2017 (Unaudited)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RMB</td>
<td>50</td>
<td>(12,540,867)</td>
</tr>
<tr>
<td>USD</td>
<td>50</td>
<td>(336,919)</td>
</tr>
<tr>
<td>EUR</td>
<td>50</td>
<td>(73,762)</td>
</tr>
<tr>
<td>RMB</td>
<td>(50)</td>
<td>12,540,867</td>
</tr>
<tr>
<td>USD</td>
<td>(50)</td>
<td>336,919</td>
</tr>
<tr>
<td>EUR</td>
<td>(50)</td>
<td>73,762</td>
</tr>
</tbody>
</table>
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Market risk (Continued)

Exchange rate risk

The Group faces transactional foreign currency risk. This risk arises from the sales and purchases carried out by operating units which were denominated in currencies other than its functional currencies.

The business of the Group are principally located in the PRC. While most of the transactions are conducted in Renminbi, certain of its sales, purchases and borrowings are denominated in United States dollars, Euros and Australian dollars. Fluctuations of the exchange rates of Renminbi against these foreign currencies can affect the Group’s results of operations.

The carrying amounts and related maximum exposure to foreign currency risk of Group’s cash, note and trade receivables, other receivables, short term loans, notes and trade payables, other payables and long-term loans are stated in Notes V.1, 4, 6, 26, 28, 32, 33 and 36 to the financial statements, respectively.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the USD, EUR, AUD and HKD with all other variables held constant, of the Group’s net profit and equity (due to changes in the fair values of monetary assets and liabilities).

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th></th>
<th>Increase/ (decrease) in exchange rate</th>
<th>Increase/ (decrease) in net profit</th>
<th>Increase/ (decrease) in equity (Note)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation of RMB to USD</td>
<td>1%</td>
<td>(7,128,343)</td>
<td>(26,368)</td>
</tr>
<tr>
<td>Depreciation of RMB to EUR</td>
<td>1%</td>
<td>73,194</td>
<td>(2,159,236)</td>
</tr>
<tr>
<td>Depreciation of RMB to AUD</td>
<td>1%</td>
<td>–</td>
<td>(1,471,092)</td>
</tr>
<tr>
<td>Depreciation of RMB to HKD</td>
<td>1%</td>
<td>(198)</td>
<td>(3,451,122)</td>
</tr>
<tr>
<td>Appreciation of RMB to USD</td>
<td>(1%)</td>
<td>7,128,343</td>
<td>26,368</td>
</tr>
<tr>
<td>Appreciation of RMB to EUR</td>
<td>(1%)</td>
<td>(73,194)</td>
<td>2,159,236</td>
</tr>
<tr>
<td>Appreciation of RMB to AUD</td>
<td>(1%)</td>
<td>–</td>
<td>1,471,092</td>
</tr>
<tr>
<td>Appreciation of RMB to HKD</td>
<td>(1%)</td>
<td>198</td>
<td>3,451,122</td>
</tr>
</tbody>
</table>
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. FINANCIAL INSTRUMENTS RISK (CONTINUED)

Market risk (Continued)

Exchange rate risk (Continued)

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Exchange Rate</th>
<th>Depreciation/ Appreciation</th>
<th>Increase/ (decrease)</th>
<th>Increase/ (decrease)</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>RMB USD</td>
<td>1%</td>
<td>(4,888,660)</td>
<td>(26,383)</td>
<td></td>
</tr>
<tr>
<td>RMB EUR</td>
<td>1%</td>
<td>132,297</td>
<td>(3,784,268)</td>
<td></td>
</tr>
<tr>
<td>RMB AUD</td>
<td>1%</td>
<td>(76,466)</td>
<td>(2,108,277)</td>
<td></td>
</tr>
<tr>
<td>RMB HKD</td>
<td>1%</td>
<td>402</td>
<td>(1,802,170)</td>
<td></td>
</tr>
<tr>
<td>USD RMB</td>
<td>(1%)</td>
<td>4,888,660</td>
<td>26,383</td>
<td></td>
</tr>
<tr>
<td>EUR RMB</td>
<td>(1%)</td>
<td>(132,297)</td>
<td>3,784,268</td>
<td></td>
</tr>
<tr>
<td>AUD RMB</td>
<td>(1%)</td>
<td>76,466</td>
<td>2,108,277</td>
<td></td>
</tr>
<tr>
<td>HKD RMB</td>
<td>(1%)</td>
<td>(402)</td>
<td>1,802,170</td>
<td></td>
</tr>
</tbody>
</table>

Note: Not include retained earnings.

5. CAPITAL MANAGEMENT

The main objective of the Group’s capital management is to ensure the Group’s ability to continue operations and to maintain healthy capital ratios in order to support business growth and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to externally imposed capital requirements constraints. For the six months ended 30 June 2018, the capital management objectives, policies or procedures of the Group did not change.
VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

5. CAPITAL MANAGEMENT (CONTINUED)

The Group uses a gearing ratio to manage its capital. The gearing ratio refers to the percentage of net debt versus the amount of adjusted capital plus net debt, and the target gearing ratio for the Group is between 50% and 70%. Net debt includes deposits, bank loans, notes and trade payables, bonds payable, payroll and employee benefits payable, and other payables, minus cash. Capital refers to total capital attributable to owners of the parent. The Group’s gearing ratio at the end of the reporting period was as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits and balances from banks and other institutions</td>
<td>200,000,000</td>
<td>200,000,000</td>
</tr>
<tr>
<td>Customer deposits</td>
<td>2,101,060,111</td>
<td>2,947,639,610</td>
</tr>
<tr>
<td>Repurchase agreements of financial assets</td>
<td>1,013,146,250</td>
<td>308,100,956</td>
</tr>
<tr>
<td>Short-term loans</td>
<td>6,843,480,037</td>
<td>4,630,303,694</td>
</tr>
<tr>
<td>Financial liabilities at fair value through profit and loss</td>
<td>–</td>
<td>10,498,810</td>
</tr>
<tr>
<td>Notes and trade payables</td>
<td>8,690,455,040</td>
<td>11,778,382,830</td>
</tr>
<tr>
<td>Payroll and employee benefits payable</td>
<td>827,076,654</td>
<td>654,822,505</td>
</tr>
<tr>
<td>Other payables</td>
<td>5,060,925,606</td>
<td>2,354,327,866</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>2,038,424,932</td>
<td>3,081,026,301</td>
</tr>
<tr>
<td>Non-current liabilities due within one year</td>
<td>7,885,584,392</td>
<td>4,928,758,378</td>
</tr>
<tr>
<td>Long-term loans</td>
<td>2,933,486,964</td>
<td>6,975,958,634</td>
</tr>
<tr>
<td>Long-term payable</td>
<td>–</td>
<td>210,000,000</td>
</tr>
<tr>
<td>Long-term employee benefits payable</td>
<td>163,763,617</td>
<td>160,896,586</td>
</tr>
<tr>
<td>Less: Cash and bank balances</td>
<td>7,538,181,813</td>
<td>4,978,352,093</td>
</tr>
<tr>
<td>Net liabilities</td>
<td>30,219,221,790</td>
<td>33,262,364,077</td>
</tr>
<tr>
<td>Capital attributable to owners of the parent</td>
<td>26,039,263,608</td>
<td>23,895,739,812</td>
</tr>
<tr>
<td>Adjusted capital</td>
<td>26,039,263,608</td>
<td>23,895,739,812</td>
</tr>
<tr>
<td>Capital and net liabilities</td>
<td>56,258,485,398</td>
<td>57,158,103,889</td>
</tr>
<tr>
<td>Gearing ratio</td>
<td>54%</td>
<td>58%</td>
</tr>
</tbody>
</table>
IX. DISCLOSURE OF FAIR VALUE

1. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Inputs used by fair value measurement</th>
<th>Quoted prices in active markets</th>
<th>Significant observable inputs</th>
<th>Significant unobservable inputs</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets held for trading</td>
<td>19,789,892</td>
<td>3,800,950</td>
<td>1,904,616,195</td>
<td>1,928,207,037</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other equity instruments investments</td>
<td>-</td>
<td>128,923,960</td>
<td>14,196,786</td>
<td>143,120,746</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19,789,892</strong></td>
<td><strong>132,724,910</strong></td>
<td><strong>1,918,812,981</strong></td>
<td><strong>2,071,327,783</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Group’s level 1 fair value measurement items mainly include future contracts. The fair value of the future contracts was determined by the settlement price of the Dalian Commodity Exchange and Zhengzhou Commodity Exchange on the last trading day in the first half year of 2018.

The Group’s level 2 fair value measurement items mainly include forward exchange contracts and unlisted equity investment. The fair value of the forward exchange contracts was determined by the forward exchange rate of the last trading day of the first half year 2018. The fair value of the unlisted equity investment was determined by the comparable company multiplier method based on the financial statement information of these unlisted companies as at 30 June 2018 and the information of the comparable listed companies in the same industry.

The Group’s level 3 fair value measurement items mainly include financial products and unlisted equity investment not available for the comparable company multiplier method. The fair value of financial products is determined by the discounted cash flow model, with consideration of the initial transaction prices, near-term transactions of the same or similar financial instruments, or transactions of comparable financial instruments between the third parties. If necessary, the assessment model will be adjusted according to delays, early redemption, liquidity, default risk, and changes in the market, economy or specific circumstances. The fair value of the unlisted equity instruments investments not available for the comparable company multiplier method were determined by net asset basis method as at 30 June 2018.
## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 1. FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Inputs used by fair value measurement</th>
<th>Quoted prices</th>
<th>Significant observable inputs</th>
<th>Significant unobservable inputs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted prices in active markets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurring fair value measurement for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at fair value through profit or loss</td>
<td>1,546,139,404</td>
<td>–</td>
<td>–</td>
<td>1,546,139,404</td>
</tr>
<tr>
<td>Available-for-sale financial assets investments in debt instruments</td>
<td>984,446,000</td>
<td>–</td>
<td>–</td>
<td>984,446,000</td>
</tr>
<tr>
<td></td>
<td>2,530,585,404</td>
<td>–</td>
<td>–</td>
<td>2,530,585,404</td>
</tr>
<tr>
<td>Non-recurring fair value measurement for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assets held for sale</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>–</td>
<td>73,454,334</td>
<td>73,454,334</td>
</tr>
<tr>
<td></td>
<td>2,530,585,404</td>
<td>–</td>
<td>73,454,334</td>
<td>2,604,039,738</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recurring fair value measurement for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets measured at fair value through profit or loss</td>
<td>–</td>
<td>10,498,810</td>
<td>–</td>
<td>10,498,810</td>
</tr>
</tbody>
</table>
IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. FINANCIAL ASSETS AND LIABILITIES DISCLOSED AT FAIR VALUE

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Inputs used by fair value measurement</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted prices in active markets</td>
<td>Level 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments investments</td>
<td>50,350,000</td>
<td></td>
<td></td>
<td>50,350,000</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term loans</td>
<td></td>
<td>3,167,444,943</td>
<td></td>
<td>3,167,444,943</td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Inputs used by fair value measurement</th>
<th></th>
<th></th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted prices in active markets</td>
<td>Level 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Held-to-maturity investment</td>
<td>98,896,400</td>
<td></td>
<td></td>
<td>98,896,400</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term loans</td>
<td></td>
<td>7,206,511,864</td>
<td></td>
<td>7,206,511,864</td>
</tr>
<tr>
<td>Long-term payable</td>
<td></td>
<td>195,879,166</td>
<td></td>
<td>195,879,166</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7,402,391,030</td>
<td></td>
<td>7,402,391,030</td>
</tr>
</tbody>
</table>
IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. VALUATION OF FAIR VALUE

Fair value of financial instruments

The carrying amounts and fair values of the Group’s financial instruments are as follows, excluding the financial instruments that the difference between the fair values and carrying amounts is very little and the equity instruments that there is no price or its fair value cannot be reliably measured in the active market:

<table>
<thead>
<tr>
<th>Financial instruments</th>
<th>Carrying amounts</th>
<th>Fair values</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June 2018</td>
<td>31 December 2017</td>
</tr>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Debt instruments investments</td>
<td>51,148,671</td>
<td>–</td>
</tr>
<tr>
<td>Held-to-maturity investment</td>
<td>–</td>
<td>100,854,230</td>
</tr>
<tr>
<td></td>
<td>51,148,671</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td>–</td>
<td>98,896,400</td>
</tr>
</tbody>
</table>

Management had assessed the fair value of cash, notes and trade receivables, other receivables, debt instruments investments, financial assets purchased under agreements to resell, notes and trade payables, other payables, loans and advances to customers, customer deposits, repurchase agreements, short-term loans, non-current liabilities due within one year and other current liabilities. Since the residual terms of the above-mentioned items were not long, the fair values were similar to the book values.

The policies and procedures for accounting financial instruments at fair value are developed by the Group’s finance team led by the finance manager. The Group’s finance team reports directly to the financial officer and the Audit Committee. At each balance sheet date, the finance team analyses changes in the value of financial instruments and determines the main applicable inputs to the valuation. Valuations are subject to the approval of the financial officer. The finance team discusses the valuation process and results twice a year with the Audit Committee for interim and annual financial reporting.

The fair value of the financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm’s length transaction. The following methods and assumptions are used in estimating fair value.

The method of discounted cash flows is adopted to determine the fair value of long-term loans, in which the market return rate of other financial instruments with similar contract terms, credit risk, remaining maturity and yield characteristics is used as the discount rate. As of 30 June 2018, the default risk for the long-term loans was evaluated as not significant.
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS

1. PARENT COMPANY

<table>
<thead>
<tr>
<th>Name of parent</th>
<th>Place of registration</th>
<th>Business nature</th>
<th>Registered capital RMB</th>
<th>Share of equity interests (%)</th>
<th>Share of voting rights (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Holding</td>
<td>Anhui, PRC</td>
<td>Manufacturing</td>
<td>6,298,290,000</td>
<td>45.535</td>
<td>45.535</td>
</tr>
</tbody>
</table>

The Company is ultimately controlled by the Holding.

2. SUBSIDIARIES

Details of the subsidiaries are stated in Note VII.1 to the financial statements.

3. ASSOCIATES AND JOINT VENTURES

Details of associates and joint ventures are stated in Note VII.2 to the financial statements.

4. OTHER RELATED PARTIES

<table>
<thead>
<tr>
<th>Name</th>
<th>Relationship with the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magang (Group) Holding Company Limited</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang (Group) Investment Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang (Group) Logistics Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang (Group) Holding Company Limited Assets Management Company</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang (Group) Holding Company Limited Cable TV Center</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang (Group) Holding Company Limited Magang Press</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Iron &amp; Steel Group Mining Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang (Group) Holding Company Limited Nanshan Mining Company</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang (Group) Holding Company Limited Gushan Mining Company</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang (Group) Holding Company Limited Taochong Mining Company</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang (Group) Holding Company Limited Qiangyang Cloud Mine</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>An Hui Masteel Zhang Zhuang Mining Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Masteel Luo He Mining Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Magang Group Biding and Consulting Co., Ltd</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
</tbody>
</table>
### X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 4. OTHER RELATED PARTIES (CONTINUED)

<table>
<thead>
<tr>
<th>Name</th>
<th>Relationship with the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feimazhike Automation and Information Technology Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Xiangyun Technology Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Shenzhen Yuexinma Information and technology Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Masteel Group Design and Research Institute Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Masteel Yan Tu Construction Survey Mining Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Masteel Group Mapping Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Masteel Heavy Machinery Manufacturing Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Masteel Dongli Transmission Equipment Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Masteel Transportation Equipment Manufacturing Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Masteel Surface Engineering Technology Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Shanghai Maanshan Iron &amp; Steel Electrical and Mechanical Technology Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Masteel Equipment Maintenance Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Masteel Group Kang Tai Land Development Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Yu Tai Property Management Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Masteel Group Kang Cheng Building and Installing Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Shenzhen Yue Hai Masteel Industry Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Masteel Refractory Materials Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Bo Li Construction Supervising Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Jia Hua Commodity Concrete Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Masteel Xinba Environmental Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Xinchuangbaineng Energy Technology Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Guizhou Xinchuan Environmental Protections Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Vocational College of Metallurgy and Technology</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Masteel Advanced Technician School</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Masteel Automobile Transportation Service Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Used Vehicle Trading Centre Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Masteel Dangerous Goods Transportation Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Ma Steel (Hefei) Logistics Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Zhonglian Shipping Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
</tbody>
</table>
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. OTHER RELATED PARTIES (CONTINUED)

<table>
<thead>
<tr>
<th>Name</th>
<th>Relationship with the Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma Steel International Trade and Economic Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Anhui Jiangnan Iron and Steel Material Quality Monitoring and Testing Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Shanghai Masteel International Trade and Economic Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Masteel Electric Repair Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Ma Steel Powder Metallurgy Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Yangzi River Logistics Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Changjiang Ship Agent Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Zhongli Ocean Ship Tally Co., Ltd.</td>
<td>Controlled by the Holding</td>
</tr>
<tr>
<td>Maanshan Port (Group) Co., Ltd.</td>
<td>Joint venture of the Holding</td>
</tr>
<tr>
<td>Anhui BRC &amp; Masteel Weldmesh Co., Ltd.</td>
<td>Joint venture of the Holding</td>
</tr>
<tr>
<td>Ruitai Masteel New Material Technology Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Ma Steel Gongchang United Roller Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Anhui Wanbao Mining Limited Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Maanshan Jiangnan Chemical Industry Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Tongling Yuanda Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Maanshan Mine Research Institute Blasting Engineering Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Anhui Zhengpu Port Administrative Affair Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>China Logistics Hefei Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Maanshan China-Japan Resource Regeneration Technology Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Maanshan Iron Construction Group Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Anhui Nanda Masteel Environment Technology Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Suzhou Suma Industry Development Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Anhui Keda Electricity Selling Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
<tr>
<td>Anhui Huasu Co., Ltd.</td>
<td>Associate of the Holding</td>
</tr>
</tbody>
</table>
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES

(1) Purchases of ore from related parties

<table>
<thead>
<tr>
<th>Note</th>
<th>Purchaser</th>
<th>2018 Unaudited</th>
<th>2017 Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The Holding</td>
<td>1,874,411,815</td>
<td>1,978,192,113</td>
</tr>
<tr>
<td>(i)</td>
<td>Ma Steel International Trade and Economic Co., Ltd.</td>
<td>–</td>
<td>923,430</td>
</tr>
<tr>
<td></td>
<td>An Hui Masteel Zhang Zhuang Mining Co., Ltd.</td>
<td>–</td>
<td>51,621,848</td>
</tr>
<tr>
<td></td>
<td>Masteel Shen Ma Metal Co., Ltd.</td>
<td>–</td>
<td>177,805</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>1,874,411,815</strong></td>
<td><strong>2,030,915,196</strong></td>
</tr>
</tbody>
</table>

(i) The terms for the purchases of iron ore from the Holding were determined in accordance with an agreement dated 10 September 2015 entered into between the Company and the Holding. The agreement stipulated that the price should be determined based on the Plats Index.
5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

(2) Fees paid for labour, logistics and other services

<table>
<thead>
<tr>
<th>Note</th>
<th>For the six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
</tr>
<tr>
<td></td>
<td>Unaudited</td>
</tr>
<tr>
<td>The Holding (ii)</td>
<td>29,294,578</td>
</tr>
<tr>
<td>Ruitai Masteel New Material Technology Co., Ltd. (ii)</td>
<td>441,296,171</td>
</tr>
<tr>
<td>Anhui Masteel Equipment Maintenance Co., Ltd. (ii)</td>
<td>287,662,127</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection Manufacturing Co., Ltd. (ii)</td>
<td>266,018,472</td>
</tr>
<tr>
<td>Masteel Heavy Machinery Engineering Technology (Group) Co., Ltd. (ii)</td>
<td>128,392,970</td>
</tr>
<tr>
<td>Masteel Automobile Transportation Service Co., Ltd. (ii)</td>
<td>124,088,338</td>
</tr>
<tr>
<td>Maanshan Masteel Surface Engineering Technology Co., Ltd. (ii)</td>
<td>116,027,259</td>
</tr>
<tr>
<td>Feimazhike Automation and Information Technology Co., Ltd. (ii)</td>
<td>102,479,632</td>
</tr>
<tr>
<td>Masteel Transportation Equipment Manufacturing Co., Ltd. (ii)</td>
<td>64,961,885</td>
</tr>
<tr>
<td>Magang (Group) logistics Co., Ltd. (ii)</td>
<td>98,941,151</td>
</tr>
<tr>
<td>Anhui Zhonglian Shipping Co., Ltd. (ii)</td>
<td>92,564,908</td>
</tr>
<tr>
<td>Maanshan Port (Group) Co., Ltd. (ii)</td>
<td>90,771,344</td>
</tr>
<tr>
<td>Ma Steel International Trade and Economic Co., Ltd. (ii)</td>
<td>11,962,556</td>
</tr>
<tr>
<td>Masteel Refractory Materials Co., Ltd. (ii)</td>
<td>36,833,193</td>
</tr>
<tr>
<td>Maanshan Xinchuangbaineng Energy Technology Co., Ltd (ii)</td>
<td>25,321,797</td>
</tr>
<tr>
<td>Others (ii)</td>
<td>187,358,732</td>
</tr>
<tr>
<td>Total</td>
<td>2,326,018,281</td>
</tr>
</tbody>
</table>

(ii) The terms for the provision of certain services, including on-the-job training, food and sanitary services, environmental and hygiene services, maintenance of roads and landscaping services, telecommunications service, contract of transportation service, equipment repair and maintenance services, and engineering design services, were determined in accordance with a service agreement between the Group and the Holding.
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

(3) Agency fees paid to related parties

<table>
<thead>
<tr>
<th>Note</th>
<th>Unaudited</th>
<th>Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ma Steel International Trade and Economic Co., Ltd.</td>
<td>(iii)</td>
<td>1,000,358</td>
</tr>
</tbody>
</table>

(iii) The transactions with the Holding and its subsidiaries were conducted on terms of mutually agreed according to market prices between the Group and the related parties.

(4) Rental expenses

<table>
<thead>
<tr>
<th>Note</th>
<th>Unaudited</th>
<th>Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Holding</td>
<td>(iv)</td>
<td>28,297,620</td>
</tr>
</tbody>
</table>

(iv) The Holding leased a building to the Group and the rental was determined by terms of mutually agreed between the Group and the Holding.
**X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**

5. **SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)**

(5) Purchases of fixed assets and construction services

<table>
<thead>
<tr>
<th>Note</th>
<th>2018 Unaudited</th>
<th>2017 Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd. (v)</td>
<td>256,263,024</td>
<td>133,892,131</td>
</tr>
<tr>
<td>Maanshan Iron Construction Group Co., Ltd. (v)</td>
<td>53,904,103</td>
<td>–</td>
</tr>
<tr>
<td>Feimazhike Automation and Information Technology Co., Ltd. (v)</td>
<td>49,960,438</td>
<td>17,478,462</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td>61,115,440</td>
<td>21,814,810</td>
</tr>
<tr>
<td>Maanshan Jiahua Commodity Concrete Co., Ltd. (v)</td>
<td>7,210,439</td>
<td>–</td>
</tr>
<tr>
<td>Masteel Transportation Equipment Manufacturing Co., Ltd. (v)</td>
<td>–</td>
<td>314,800</td>
</tr>
<tr>
<td>Masteel Heavy Machinery Manufacturing Co., Ltd. (v)</td>
<td>–</td>
<td>7,248,000</td>
</tr>
<tr>
<td>Others (v)</td>
<td>6,582,044</td>
<td>1,607,039</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>435,035,488</strong></td>
<td><strong>182,355,242</strong></td>
</tr>
</tbody>
</table>

(v) The transactions with the Holding and its subsidiaries were conducted on terms of mutually agreed according to market prices between the Group and the related parties.
## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

#### (6) Fees received for the supply of utilities, services and other goods

<table>
<thead>
<tr>
<th>Note</th>
<th>Unaudited</th>
<th>Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Holding (vi)</td>
<td>1,545,854</td>
<td>1,761,556</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection (vi)</td>
<td>5,603,481</td>
<td>116,444,340</td>
</tr>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd. (vi)</td>
<td>58,513,817</td>
<td>8,670,709</td>
</tr>
<tr>
<td>Ma Steel Metallurgy Co., Ltd. (vi)</td>
<td>30,899,542</td>
<td>26,229,142</td>
</tr>
<tr>
<td>Maanshan Iron Construction Group Co., Ltd. (vi)</td>
<td>18,170,330</td>
<td>–</td>
</tr>
<tr>
<td>Anhui Masteel Equipment Maintenance Co., Ltd. (vi)</td>
<td>10,831,176</td>
<td>–</td>
</tr>
<tr>
<td>Maanshan Xinchuangbaineng Energy Technology Co., Ltd. (vi)</td>
<td>6,882,658</td>
<td>–</td>
</tr>
<tr>
<td>Masteel Heavy Machinery Manufacturing Co., Ltd. (vi)</td>
<td>13,276,044</td>
<td>12,204,652</td>
</tr>
<tr>
<td>Feimazhike Automation and Information Technology Co., Ltd. (vi)</td>
<td>4,280,957</td>
<td>2,407,821</td>
</tr>
<tr>
<td>Maanshan Jia Hua Commodity Concrete Co., Ltd. (vi)</td>
<td>3,764,698</td>
<td>638,655</td>
</tr>
<tr>
<td>Maanshan Port (Group) Co., Ltd. (vi)</td>
<td>1,539,280</td>
<td>–</td>
</tr>
<tr>
<td>Ruitai Masteel New Material Technology Co., Ltd. (vi)</td>
<td>1,466,298</td>
<td>–</td>
</tr>
<tr>
<td>Maanshan Masteel Surface Engineering Technology Co., Ltd. (vi)</td>
<td>449,949</td>
<td>7,868,218</td>
</tr>
<tr>
<td>Masteel Transportation Equipment Manufacturing Co., Ltd. (vi)</td>
<td>337,925</td>
<td>774,058</td>
</tr>
<tr>
<td>Masteel Refractory Materials Co., Ltd. (vi)</td>
<td>30,351</td>
<td>4,702,138</td>
</tr>
<tr>
<td>An Hui Masteel Zhang Zhuang Mining Co., Ltd. (vi)</td>
<td>6,275</td>
<td>20,104</td>
</tr>
<tr>
<td>Others (vi)</td>
<td>12,421,927</td>
<td>7,339,568</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>170,020,562</strong></td>
<td><strong>189,060,961</strong></td>
</tr>
</tbody>
</table>

*(vi) The transactions with the Holding and its subsidiaries were conducted on terms of mutually agreed according to market prices between the Group and the related parties.*
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

(7) Sales of steel products

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>The Holding (vii)</td>
<td>–</td>
<td>225,017</td>
</tr>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd. (vii)</td>
<td>100,799,290</td>
<td>92,104,703</td>
</tr>
<tr>
<td>Anhui BRC &amp; Masteel Weldmesh Co., Ltd. (vii)</td>
<td>35,416,054</td>
<td>10,270,315</td>
</tr>
<tr>
<td>Masteel Heavy Machinery Manufacturing Co., Ltd. (vii)</td>
<td>29,731,208</td>
<td>27,708,246</td>
</tr>
<tr>
<td>Ma Steel International Trade and Economic Co., Ltd. (vii)</td>
<td>16,972,416</td>
<td>10,901,153</td>
</tr>
<tr>
<td>Anhui Masteel Luo He Mining Co., Ltd. (vii)</td>
<td>–</td>
<td>4,435,754</td>
</tr>
<tr>
<td>Maanshan Jiahua Commodity Concrete Co., Ltd. (vii)</td>
<td>–</td>
<td>1,717,240</td>
</tr>
<tr>
<td></td>
<td><strong>182,918,968</strong></td>
<td><strong>147,362,428</strong></td>
</tr>
</tbody>
</table>

(vii) The transactions with the Holding and its subsidiaries were conducted on terms of mutually agreed according to market prices between the Group and the related parties.
## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

#### (8) Financial service fee and interest paid to related parties

<table>
<thead>
<tr>
<th>Note</th>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
<tr>
<td>(viii)</td>
<td>The Holding</td>
<td>5,656,976</td>
<td>9,858,995</td>
</tr>
<tr>
<td>(viii)</td>
<td>Maanshan Iron &amp; Steel Group Mining Co., Ltd.</td>
<td>1,953,234</td>
<td>961,785</td>
</tr>
<tr>
<td>(viii)</td>
<td>An Hui Masteel Zhang Zhuang Mining Co., Ltd.</td>
<td>1,344,902</td>
<td>2,229,353</td>
</tr>
<tr>
<td>(viii)</td>
<td>Masteel Engineering Technology (Group) Co., Ltd.</td>
<td>1,386,262</td>
<td>1,208,342</td>
</tr>
<tr>
<td>(viii)</td>
<td>Ruitai Masteel New Material Technology Co., Ltd.</td>
<td>648,158</td>
<td>–</td>
</tr>
<tr>
<td>(viii)</td>
<td>Ma Steel International Trade and Economic Co., Ltd.</td>
<td>560,630</td>
<td>611,002</td>
</tr>
<tr>
<td>(viii)</td>
<td>Xinchuang Environmental Protection Technology Co., Ltd.</td>
<td>210,301</td>
<td>271,084</td>
</tr>
<tr>
<td>(viii)</td>
<td>Maanshan Masteel Surface Engineering Technology Co., Ltd.</td>
<td>201,036</td>
<td>245,375</td>
</tr>
<tr>
<td>(viii)</td>
<td>Magang Group Biding and Consulting Co., Ltd.</td>
<td>168,293</td>
<td>–</td>
</tr>
<tr>
<td>(viii)</td>
<td>Magang (Group) Holding Company Limited Assets Management Company</td>
<td>135,808</td>
<td>–</td>
</tr>
<tr>
<td>(viii)</td>
<td>Masteel Group Kang Tai Land Development Co., Ltd.</td>
<td>134,865</td>
<td>246,509</td>
</tr>
<tr>
<td>(viii)</td>
<td>Anhui Masteel Luo He Mining Co., Ltd.</td>
<td>119,662</td>
<td>125,518</td>
</tr>
<tr>
<td>(viii)</td>
<td>Others</td>
<td>4,171,004</td>
<td>2,355,662</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>16,691,131</strong></td>
<td><strong>18,113,625</strong></td>
</tr>
</tbody>
</table>

(viii) Masteel Finance absorbed deposits from the Holding and its subsidiaries, and paid interest to them with the interest rate ranging from 0.42% to 3.99% (for the six months ended 30 June 2017: 0.42% to 3.99%).
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

(9) Financial service income received from related parties

<table>
<thead>
<tr>
<th>Note</th>
<th>Unaudited 2018</th>
<th>Unaudited 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Holding (ix)</td>
<td>16,461,919</td>
<td>17,210,070</td>
</tr>
<tr>
<td>Maanshan Iron &amp; Steel Group Mining Co., Ltd. (ix)</td>
<td>8,770,178</td>
<td>8,509,600</td>
</tr>
<tr>
<td>Anhui Masteel Luo He Mining Co., Ltd. (ix)</td>
<td>1,240,684</td>
<td>2,447,323</td>
</tr>
<tr>
<td>Anhui BRC &amp; Masteel Weldmesh Co., Ltd. (ix)</td>
<td>1,182,236</td>
<td>769,105</td>
</tr>
<tr>
<td>Magang (Group) Logistics Co., Ltd. (ix)</td>
<td>37,736</td>
<td>–</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection (ix)</td>
<td>36,501</td>
<td>–</td>
</tr>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd. (ix)</td>
<td>11,669</td>
<td>38,251</td>
</tr>
<tr>
<td>Ma Steel International Trade and Economic Co., Ltd. (ix)</td>
<td>–</td>
<td>9,434</td>
</tr>
<tr>
<td>Maanshan Xinchuangbaineng Energy Technology Co., Ltd. (ix)</td>
<td>–</td>
<td>333,504</td>
</tr>
<tr>
<td>Others (ix)</td>
<td>538,959</td>
<td>202,180</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,279,882</strong></td>
<td><strong>29,519,467</strong></td>
</tr>
</tbody>
</table>

(ix) Masteel Finance, a subsidiary of the Group, received financial service income for the financial services it rendered to the Holding and its subsidiaries, including providing loans, bank acceptance notes discounting and entrusted loan. The lending rates were not lower than the benchmark loan interest rates issued by the People’s Bank of China, and the other service charge was not lower than the benchmark charge issued by the People’s Bank of China.
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

(10) Sales of land to related party

For the six months ended 30 June

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
</tbody>
</table>

Masteel Automobile Transportation Service Co., Ltd. (x)

\[\text{23,109,567} \quad \text{–} \]

(x) The transactions with Masteel Automobile Transportation Service Co., Ltd. were conducted based on the valuation result of the fair value of the land.

(11) Sales of products and provision of services to joint ventures and associates

For the six months ended 30 June

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Unaudited</td>
</tr>
</tbody>
</table>

Ma-Steel OCI Chemical (xi)

\[\text{247,964,231} \quad \text{160,132,068} \]

BOC-Ma Steel (xi)

\[\text{135,264,963} \quad \text{123,644,492} \]

\[\text{383,229,194} \quad \text{283,776,560} \]
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

(12) Purchase of products from joint ventures and associates

<table>
<thead>
<tr>
<th>Note</th>
<th>Product</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Henan JinMa Energy (xi)</td>
<td>701,455,910</td>
<td>459,954,023</td>
</tr>
<tr>
<td></td>
<td>BOC-Ma Steel (xi)</td>
<td>276,145,030</td>
<td>272,320,596</td>
</tr>
<tr>
<td></td>
<td></td>
<td>977,600,940</td>
<td>732,274,619</td>
</tr>
</tbody>
</table>

(xii) The terms for trading, including sales of coke by-products, sales of gas, wastewater treatment services, power services, providing facilities and utilities, equipment maintenance services, purchase of coke and purchase of gas, were determined in accordance with a service agreement between the Group and the Holding.

(13) Provide rental service to a joint venture

<table>
<thead>
<tr>
<th>Note</th>
<th>Service</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BOC-Ma Steel (xii)</td>
<td>625,000</td>
<td>1,250,000</td>
</tr>
</tbody>
</table>

(xii) The transactions with a joint venture were conducted on terms of mutually agreed according to market prices between the Group and the related parties.
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

(14) Guarantee provided by a related party

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Note</th>
<th>Guarantee’s name</th>
<th>Guarantee amount (RMB)</th>
<th>Start date</th>
<th>End date</th>
<th>Has guarantee expired or not</th>
</tr>
</thead>
<tbody>
<tr>
<td>(xiii)</td>
<td>The Holding (xiii)</td>
<td>The Company</td>
<td>RMB1.893 billion</td>
<td>2014.7</td>
<td>2025.10</td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Note</th>
<th>Guarantee’s name</th>
<th>Guarantee amount (RMB)</th>
<th>Start date</th>
<th>End date</th>
<th>Has guarantee expired or not</th>
</tr>
</thead>
<tbody>
<tr>
<td>(xiii)</td>
<td>The Holding (xiii)</td>
<td>The Company</td>
<td>RMB1.927 billion</td>
<td>2014.7</td>
<td>2025.10</td>
</tr>
</tbody>
</table>

(xiii) During the period, the Holding had guaranteed additional certain bank loans of the Group amounting to approximately RMB0.6 billion (2017: approximately RMB1.7 billion) without attached conditions. The Holding had guaranteed part of bank loans without attached conditions amounting to approximately RMB1.893 billion as of 30 June 2018 (31 December 2017: approximately RMB1.927 billion).
5. SIGNIFICANT TRANSACTIONS CARRIED OUT BETWEEN THE GROUP AND ITS RELATED PARTIES (CONTINUED)

(15) Borrowings from related parties

30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Note</th>
<th>Amount</th>
<th>Start date</th>
<th>End date</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Holding (xiv)</td>
<td>40,000,000</td>
<td>2017/8/30</td>
<td>2018/8/29</td>
</tr>
</tbody>
</table>

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Note</th>
<th>Amount</th>
<th>Start date</th>
<th>End date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anhui Zhonglian Shipping Co., Ltd. (xiv)</td>
<td>30,000,000</td>
<td>2017/5/4</td>
<td>2017/7/25</td>
</tr>
<tr>
<td>The Holding (xiv)</td>
<td>40,000,000</td>
<td>2017/8/30</td>
<td>2018/8/29</td>
</tr>
<tr>
<td>Anhui Zhonglian Shipping Co., Ltd. (xiv)</td>
<td>70,000,000</td>
<td>2017/9/26</td>
<td>2018/9/25</td>
</tr>
</tbody>
</table>

(xiv) On 4 May 2017, Anhui Zhonglian Shipping Co., Ltd. entrusted Masteel Finance to provide the Company with a short-term loan of RMB30,000,000 with the annual interest of 3.915%, and repay the principal and interest on the expiration date. The Company accrued interest of RMB270,788. The principal and interest were fully paid on 25 July 2017.

On 30 August 2017, the Holding entrusted Masteel Finance to provide the Company with a short-term loan of RMB40,000,000 with the annual interest of 4.35%, and repay the principal and the interest on the expiration date. The Company accrued interest of RMB599,333 in current period.

On 26 September 2017, Anhui Zhonglian Shipping entrusted Masteel Finance to provide the Company with a short-term loan of RMB70,000,000 with the annual interest rate of 3.915% and repay the principal and the interest on the expiration date. The Company accrued interest of RMB738,413 in current period, and had repaid the principal and interest as at 30 June 2018.

(16) According to the financial service agreement signed by Masteel Finance and the Holding on 27 December 2017, Masteel Finance provided financing services and deposit transactions to the Group and its subsidiaries. During the period, the highest daily deposit balance was RMB3.51 billion (2017: RMB4.69 billion); the highest average daily deposit balance on a monthly basis was RMB3.08 billion (2017: RMB4.17 billion); the highest daily loan balance was RMB0.498 billion (2017: RMB0.498 billion); and the highest average daily loan balance on a monthly basis was RMB0.498 billion (2017: RMB0.497 billion).
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. RECEIVABLES DUE FROM/PAYABLES DUE TO RELATED PARTIES

<table>
<thead>
<tr>
<th>Note and trade receivables</th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book value</td>
<td>Provision</td>
</tr>
<tr>
<td>The Holding and its subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Holding</td>
<td>103,120</td>
<td>1,031</td>
</tr>
<tr>
<td>Anhui BRC &amp; Masteel Weldmesh Co., Ltd.</td>
<td>18,446,940</td>
<td>184,469</td>
</tr>
<tr>
<td>Masteel Heavy Machinery Manufacturing Co., Ltd.</td>
<td>17,159,802</td>
<td>171,598</td>
</tr>
<tr>
<td>Ma Steel Powder Metallurgy Co., Ltd.</td>
<td>12,167,437</td>
<td>121,674</td>
</tr>
<tr>
<td>Ma Steel International Trade and Economic Co., Ltd.</td>
<td>12,000,000</td>
<td>120,000</td>
</tr>
<tr>
<td>Maanshan Jiahua Commodity Concrete Co., Ltd.</td>
<td>7,035,208</td>
<td>2,458,066</td>
</tr>
<tr>
<td>Anhui Masteel Luo He Mining Co., Ltd.</td>
<td>5,861,544</td>
<td>703,385</td>
</tr>
<tr>
<td>Anhui Masteel Equipment Maintenance Co., Ltd.</td>
<td>4,088,901</td>
<td>40,889</td>
</tr>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd.</td>
<td>4,021,507</td>
<td>40,215</td>
</tr>
<tr>
<td>Masteel Automobile Transportation Service Co., Ltd.</td>
<td>426,356</td>
<td>4,264</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Others entities controlled by the Holding</td>
<td>727,341</td>
<td>7,273</td>
</tr>
<tr>
<td></td>
<td>82,038,156</td>
<td>3,852,864</td>
</tr>
</tbody>
</table>

Associate of the Group

Ma-Steel OCI Chemical |  |  | 13,620,000 |  |
**X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**

**6. RECEIVABLES DUE FROM/PAYABLES DUE TO RELATED PARTIES (CONTINUED)**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Book value</td>
<td>Provision</td>
</tr>
<tr>
<td><strong>Other receivables</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Holding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Masteel Automobile</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation Service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co., Ltd.</td>
<td>6,180</td>
<td>62</td>
</tr>
<tr>
<td>Magang Group Biding and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting Co., Ltd.</td>
<td>2,000</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,180</td>
<td>82</td>
</tr>
<tr>
<td><strong>Prepayments</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Holding</td>
<td>2,924,227</td>
<td></td>
</tr>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd.</td>
<td>24,335,794</td>
<td></td>
</tr>
<tr>
<td>Ma Steel International Trade and Economic Co., Ltd.</td>
<td>5,919,153</td>
<td></td>
</tr>
<tr>
<td>Others entities controlled by the Holding</td>
<td>206,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33,385,174</td>
<td></td>
</tr>
<tr>
<td>Associate of the Group</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Henan JinMa Energy</td>
<td>113,779,140</td>
<td></td>
</tr>
</tbody>
</table>
## RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS

### 6. RECEIVABLES DUE FROM/PAYABLES DUE TO RELATED PARTIES

<table>
<thead>
<tr>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
</tr>
</tbody>
</table>

#### Loans and advances to customers

The Holding and its subsidiaries

- Anhui Masteel Luo He Mining Co., Ltd. 68,010,275 48,517,364
- Anhui BRC & Masteel Weldmesh Co., Ltd. 45,968,102 60,057,628
- Maanshan Iron & Steel Group Mining Co., Ltd. 1,343,260,810 737,990,218
- Other entities controlled by the Holding 2,003,264 961,320

Total Loans and advances to customers 1,459,242,451 847,526,530

#### Trade payables

The Holding and its subsidiaries

- The Holding 121,554,043 35,001,304
- Masteel Heavy Machinery Manufacturing Co., Ltd. 160,329,857 65,521,140
- Xinchuang Environmental Protection 88,692,224 60,687,857
- Ma Steel International Trade and Economic Co., Ltd. 86,684,814 6,439,946
- Masteel Engineering Technology (Group) Co., Ltd. 57,762,995 198,725,638
- Feimazhike Automation and Information Technology Co., Ltd. 94,080,552 32,336,697
- Maanshan Masteel Surface Engineering Technology Co., Ltd. 45,219,237 78,591,810
- Masteel Transportation Equipment Manufacturing Co., Ltd. 39,549,452 8,712,630
- Anhui Masteel Equipment Maintenance Co., Ltd. 22,628,703 59,108,818
- Others entities controlled by the Holding 53,225,118 82,695,702

Total Trade payables 769,726,995 627,821,542

Joint ventures and associates of the Group

- BOC-Ma Steel 53,317,662 78,529,423
- Shenglong Chemical 207,497 366,902

Total Joint ventures and associates of the Group 53,525,159 78,896,325
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. RECEIVABLES DUE FROM/PAYABLES DUE TO RELATED PARTIES (CONTINUED)

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
</tbody>
</table>

Other payables

<table>
<thead>
<tr>
<th>The Holding and its subsidiaries</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Masteel Automobile Transportation Service Co., Ltd.</td>
<td>6,328,530</td>
<td>6,598,827</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td>10,692,106</td>
<td>6,257,260</td>
</tr>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd.</td>
<td>3,359,488</td>
<td>19,908,392</td>
</tr>
<tr>
<td>Anhui Masteel Equipment Maintenance Co., Ltd.</td>
<td>–</td>
<td>6,584,855</td>
</tr>
<tr>
<td>Maanshan Masteel Electric Repair Co., Ltd.</td>
<td>100,150</td>
<td>1,477,621</td>
</tr>
<tr>
<td>Maanshan Port (Group) Co., Ltd.</td>
<td>18,838,488</td>
<td>15,470,463</td>
</tr>
<tr>
<td>Other entities controlled by the Holding</td>
<td>10,984,896</td>
<td>14,412,949</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50,303,658</strong></td>
<td><strong>70,710,367</strong></td>
</tr>
</tbody>
</table>

Joint venture of the Group

<table>
<thead>
<tr>
<th>BOC-Ma Steel</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>70,000</strong></td>
<td><strong>70,000</strong></td>
</tr>
</tbody>
</table>

Short-term loans

<table>
<thead>
<tr>
<th>The Holding and its subsidiaries</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Holding</td>
<td><strong>40,000,000</strong></td>
<td><strong>40,000,000</strong></td>
</tr>
<tr>
<td>Anhui Zhonglian Shipping Co., Ltd.</td>
<td>–</td>
<td><strong>100,000,000</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>40,000,000</strong></td>
<td><strong>140,000,000</strong></td>
</tr>
</tbody>
</table>
### X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 6. RECEIVABLES DUE FROM/PAYABLES DUE TO RELATED PARTIES (CONTINUED)

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td><strong>Advances from customers</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Holding and its subsidiaries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Holding</td>
<td>150,785</td>
<td>178,121</td>
</tr>
<tr>
<td>Ma Steel International Trade and Economic Co., Ltd.</td>
<td>12,252,914</td>
<td>838,098</td>
</tr>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd.</td>
<td>26,339,200</td>
<td>13,365,245</td>
</tr>
<tr>
<td>Anhui BRC &amp; Masteel Weldmesh Co., Ltd.</td>
<td>2,537,288</td>
<td>177,975</td>
</tr>
<tr>
<td>Maanshan Iron Construction Group Co., Ltd.</td>
<td>7,215,808</td>
<td>2,208,396</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td>963,183</td>
<td>–</td>
</tr>
<tr>
<td>Other entities controlled by the Holding</td>
<td>2,408,602</td>
<td>2,558,034</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>51,867,780</strong></td>
<td><strong>19,325,869</strong></td>
</tr>
</tbody>
</table>

| **Joint ventures and associates of the Group** |              |                  |
| Ma-Steel OCI Chemical | 499,103      | 7,606,264        |
| Shenglong Chemical    | 11           | 11               |
| **Total**             | **499,114**  | **7,606,275**    |
X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. RECEIVABLES DUE FROM/PAYABLES DUE TO RELATED PARTIES (CONTINUED)

<table>
<thead>
<tr>
<th>Customer deposits</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
</tbody>
</table>

The Holding and its subsidiaries

<table>
<thead>
<tr>
<th>Customer</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Holding</td>
<td>552,499,909</td>
<td>893,256,203</td>
</tr>
<tr>
<td>Masteel Engineering Technology (Group) Co., Ltd.</td>
<td>169,684,708</td>
<td>279,389,411</td>
</tr>
<tr>
<td>Masteel Heavy Machinery Manufacturing Co., Ltd.</td>
<td>132,063,434</td>
<td>88,350,190</td>
</tr>
<tr>
<td>An Hui Masteel Zhang Zhuang Mining Co., Ltd.</td>
<td>118,517,635</td>
<td>412,747,007</td>
</tr>
<tr>
<td>Ruitai Masteel New Material Technology Co., Ltd.</td>
<td>101,202,108</td>
<td>–</td>
</tr>
<tr>
<td>Maanshan Iron &amp; Steel Group Mining Co., Ltd.</td>
<td>78,538,352</td>
<td>152,763,055</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td>77,867,438</td>
<td>118,673,055</td>
</tr>
<tr>
<td>Ma Steel International Trade and Economic Co., Ltd.</td>
<td>61,877,721</td>
<td>97,179,819</td>
</tr>
<tr>
<td>Masteel Group Kang Tai Land Development Co., Ltd.</td>
<td>25,476,854</td>
<td>33,005,890</td>
</tr>
<tr>
<td>Other entities controlled by the Holding</td>
<td>657,303,942</td>
<td>395,573,023</td>
</tr>
</tbody>
</table>

1,975,032,101 2,470,937,653

Joint venture of the Group

<table>
<thead>
<tr>
<th>Customer</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOC-Ma Steel</td>
<td>126,028,010</td>
<td>182,254,044</td>
</tr>
</tbody>
</table>

The fee charged by Masteel Finance for the financing services and deposit transactions provided to the Holding and its subsidiaries was determined based on negotiation between the parties.

* As of 30 June 2018, in current assets and current liabilities, except for the interests charge for the deposit and loans provided by Masteel Finance, all these receivables and payables had no interest, no pledge and would be paid in the future.

7. COMMITMENT TO RELATED PARTIES

As of 30 June 2018, the Group had no commitment to related parties.
XI. COMMITMENTS AND CONTINGENCIES

1. SIGNIFICANT COMMITMENTS

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Unaudited)</td>
<td>(Audited)</td>
</tr>
<tr>
<td>Contracted, but not provided for</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital commitments</td>
<td>1,486,318,991</td>
<td>1,130,565,007</td>
</tr>
<tr>
<td>Investment commitments</td>
<td>13,969,500</td>
<td>15,000,000</td>
</tr>
<tr>
<td></td>
<td>1,500,288,491</td>
<td>1,145,565,007</td>
</tr>
</tbody>
</table>

Unrecognised commitments related to investments in joint ventures and associates are included in Note X.7.

2. 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. 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 was one of the nine companies mentioned above and used 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 was adjusted from the original 15%. The Company had 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 the income tax differences.

Pending litigation

As of 30 June 2018, the Group and the Company did not have significant pending litigation.
XII. EVENTS AFTER THE BALANCE SHEET DATE

As at 29 August 2018, as approved by the 11th meeting of the 9th board of directors of the Company, the board of directors proposed to distribute interim cash dividend of RMB0.05 (tax included) per share to all shareholders, which is subject to the approval by the shareholders’ meeting of the Company.

As of the approval date of these financial statements, saved as above, there is no other significant event after the reporting period need to be disclosed.

XIII. OTHER SIGNIFICANT EVENTS

1. LEASES

As lessor

The Group had leased certain of its investment properties under operating lease arrangements ranging from three to eighteen years. The periodic rental was fixed during the operating lease periods.

<table>
<thead>
<tr>
<th>Remaining lease period</th>
<th>30 June 2018 Unaudited</th>
<th>31 December 2018 Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within 1 year, inclusive</td>
<td>1,558,490</td>
<td>1,558,490</td>
</tr>
<tr>
<td>1 to 2 years, inclusive</td>
<td>1,404,245</td>
<td>1,558,490</td>
</tr>
<tr>
<td>2 to 3 years, inclusive</td>
<td>1,250,000</td>
<td>1,250,000</td>
</tr>
<tr>
<td>Over 3 years</td>
<td>2,032,534</td>
<td>2,657,534</td>
</tr>
<tr>
<td></td>
<td><strong>6,245,269</strong></td>
<td><strong>7,024,514</strong></td>
</tr>
</tbody>
</table>
XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. LEASES (CONTINUED)

As lessee

According to the leasing contract signed with the lessor, the minimum lease payment for the irrevocable lease is as follows:

<table>
<thead>
<tr>
<th>Remaining lease period</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited</td>
<td></td>
<td>Audited</td>
</tr>
<tr>
<td>Within 1 year, inclusive</td>
<td>230,649</td>
<td>–</td>
</tr>
<tr>
<td>1 to 2 years, inclusive</td>
<td>338,912</td>
<td>–</td>
</tr>
<tr>
<td>2 to 3 years, inclusive</td>
<td>338,912</td>
<td>–</td>
</tr>
<tr>
<td>Over 3 years</td>
<td>108,264</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td><strong>1,016,737</strong></td>
<td><strong>–</strong></td>
</tr>
</tbody>
</table>

2. OPERATING SEGMENT INFORMATION

Operating segments

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 its subsidiaries except for Masteel Finance
- Financial service: Masteel Finance

The Group did not consider financial service as an individual reportable segment, as Masteel Finance 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.
### XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 2. OPERATING SEGMENT INFORMATION (CONTINUED)

**Other information**

*Product and service information*

**External principal operating income**

<table>
<thead>
<tr>
<th></th>
<th>For the six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018 Unaudited</td>
</tr>
<tr>
<td>Sale of steel products</td>
<td>36,551,400,095</td>
</tr>
<tr>
<td>Sale of steel billets and pig iron</td>
<td>1,028,012,810</td>
</tr>
<tr>
<td>Sale of coke by-products</td>
<td>210,461,744</td>
</tr>
<tr>
<td>Others</td>
<td>1,706,987,771</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,496,862,420</strong></td>
</tr>
</tbody>
</table>

|                           | 2017 Unaudited                   |
| Sale of steel products    | 32,685,470,879                   |
| Sale of steel billets and pig iron | 982,818,293                   |
| Sale of coke by-products  | 210,793,879                      |
| Others                    | 850,778,575                      |
| **Total**                 | **34,729,861,626**               |
XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. OPERATING SEGMENT INFORMATION (CONTINUED)

Other information (Continued)

Geographical information

External principal operating income

<table>
<thead>
<tr>
<th></th>
<th>For the six months ended 30 June</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018 Unaudited</td>
</tr>
<tr>
<td>Mainland China</td>
<td>36,868,881,304</td>
</tr>
<tr>
<td>Overseas</td>
<td>2,627,981,116</td>
</tr>
<tr>
<td></td>
<td><strong>39,496,862,420</strong></td>
</tr>
</tbody>
</table>

Non-current assets

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 Unaudited</th>
<th>31 December 2017 Audited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainland China</td>
<td>37,250,118,771</td>
<td>38,072,610,336</td>
</tr>
<tr>
<td>Overseas</td>
<td>318,299,750</td>
<td>330,183,194</td>
</tr>
<tr>
<td></td>
<td><strong>37,568,418,521</strong></td>
<td><strong>38,402,793,530</strong></td>
</tr>
</tbody>
</table>

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

Major customer information

The Group had not placed reliance on any single external customer which accounted for 10% or more of its total revenue.
XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. OTHER FINANCIAL INFORMATION*

<table>
<thead>
<tr>
<th></th>
<th>Group</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>30 June</td>
<td>31 December</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Current assets</td>
<td>34,816,234,773</td>
<td>32,098,538,779</td>
</tr>
<tr>
<td>Net current liabilities</td>
<td>(4,415,971,207)</td>
<td>(4,019,599,469)</td>
</tr>
</tbody>
</table>

|                      | Group                  | Company                |
|                      | 30 June | 31 December | 30 June | 31 December |
|                      | 2018    | 2017        | 2018    | 2017        |
|                      | Unaudited | Audited    | Unaudited | Audited    |
| Total assets         | 73,078,028,237 | 72,191,589,979 | 60,000,701,170 | 60,044,692,283 |
| Total assets less current liabilities | 33,845,822,257 | 36,073,451,731 | 30,407,800,101 | 31,951,327,298 |

4. COMPARATIVE AMOUNT

As stated in Note III. 31, due to the changes in financial statements format, the Company combined “notes receivable” and “trade receivable” as “notes and trade receivables”, and combined “interest receivable”, “dividends receivable” and “other receivables” as “other receivables”, combined “fixed assets” and “disposal on fixed assets” as “fixed assets”, combined “notes payable” and “trade payable” as “notes and trade payables”, combined “special payables” as “long-term payables”. The Company split “Research and Development expenses” from “General and administrative expenses” in the income statement, split “interest expenses” and “interest income” from the item “financial expenses”. The accounting treatment and presentation of the above items in the financial statements have been changed to meet the new requirements. Correspondingly, the Company retrospectively represented the comparative amount in the statement of financial position and the income statement to comply with the requirement of the presentation and accounting treatment of current period.
## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS

### 1. NOTES AND TRADE RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>5,573,309,280</td>
<td>8,065,941,428</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>2,460,848,469</td>
<td>2,152,462,187</td>
</tr>
<tr>
<td></td>
<td><strong>8,034,157,749</strong></td>
<td><strong>10,218,403,615</strong></td>
</tr>
<tr>
<td>Less: Provisions for bad debts</td>
<td>50,983,938</td>
<td>47,921,020</td>
</tr>
<tr>
<td></td>
<td><strong>7,983,173,811</strong></td>
<td><strong>10,170,482,595</strong></td>
</tr>
</tbody>
</table>

#### Notes receivable

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Bank acceptance notes</td>
<td>5,573,309,280</td>
<td>8,065,941,428</td>
</tr>
</tbody>
</table>

The pledged notes receivable were as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Bank acceptance notes</td>
<td>774,389,336</td>
<td>–</td>
</tr>
</tbody>
</table>
1. **NOTES AND TRADE RECEIVABLES (CONTINUED)**

As of the financial position date, the undue notes discounted or endorsed were as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derecognised</td>
<td>7,028,106,158</td>
<td>3,377,050,840</td>
</tr>
<tr>
<td>derecognised</td>
<td>166,893,103</td>
<td>59,005,216</td>
</tr>
<tr>
<td>Bank acceptance notes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As of 30 June 2018 and 31 December 2017, there was no trade receivables transferred from notes receivable because of the drawers’ inability to pay.

The Company’s trade receivable was interest-free with normal credit terms of 30 to 90 days.

The aging of trade receivables, based on the invoice date, is analysed below:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Within one year</td>
<td>2,267,953,880</td>
<td>1,964,496,309</td>
</tr>
<tr>
<td>One to two years</td>
<td>45,159,212</td>
<td>74,975,028</td>
</tr>
<tr>
<td>Two to three years</td>
<td>104,349,273</td>
<td>69,673,222</td>
</tr>
<tr>
<td>Over three years</td>
<td>43,386,104</td>
<td>43,317,628</td>
</tr>
</tbody>
</table>

|                      |              |                  |
|                      | 2,460,848,469| 2,152,462,187    |

Less: Provisions for bad debts

|                      | 50,983,938   | 47,921,020       |

|                      | 2,409,864,531| 2,104,541,167    |
The movements of the provision of bad debts were as follows:

<table>
<thead>
<tr>
<th>Opening balance</th>
<th>Increase</th>
<th>Reversal</th>
<th>Write-back</th>
<th>Write-off</th>
<th>Other changes</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 June 2018</td>
<td>47,921,020</td>
<td>3,062,918</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>50,983,938</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>13,382,203</td>
<td>34,538,817</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>47,921,020</td>
</tr>
</tbody>
</table>

The trade receivable balances are analysed as follows:

### 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Amount</th>
<th>Ratio (%)</th>
<th>Amount</th>
<th>Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value</td>
<td>Provision for bad debts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assessed for bad debt provision individually</td>
<td>1,975,734,661</td>
<td>80</td>
<td>–</td>
</tr>
<tr>
<td>Assessed bad debt provision in portfolios based on credit risk characteristics</td>
<td>485,113,808</td>
<td>20</td>
<td>(50,983,938)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,460,848,469</strong></td>
<td><strong>100</strong></td>
<td><strong>(50,983,938)</strong></td>
</tr>
</tbody>
</table>

The trade receivables balances are analysed as follows:

### 31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Book value</th>
<th>Provision for bad debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>Ratio (%)</td>
</tr>
<tr>
<td>Individually significant and assessed for bad debt provision individually</td>
<td>40,137,408</td>
</tr>
<tr>
<td>Assessed bad debt provision in portfolios based on credit risk characteristics</td>
<td>1,925,329,597</td>
</tr>
<tr>
<td>Individually insignificant but assessed for impairment individually</td>
<td>186,995,182</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,152,462,187</strong></td>
</tr>
</tbody>
</table>
XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. NOTES AND TRADE RECEIVABLES (CONTINUED)

As of 31 December 2017, those individually significant and assessed for impairment individually were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Book value</th>
<th>Provision for bad debts</th>
<th>Ratio (%)</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company 1</strong></td>
<td>20,279,298</td>
<td>(20,279,298)</td>
<td>100</td>
<td>Note</td>
</tr>
<tr>
<td><strong>Company 2</strong></td>
<td>6,927,040</td>
<td>(6,927,040)</td>
<td>100</td>
<td>Note</td>
</tr>
<tr>
<td><strong>Company 3</strong></td>
<td>6,291,156</td>
<td>(6,291,156)</td>
<td>100</td>
<td>Note</td>
</tr>
<tr>
<td><strong>Company 4</strong></td>
<td>3,920,206</td>
<td>(3,920,206)</td>
<td>100</td>
<td>Note</td>
</tr>
<tr>
<td><strong>Company 5</strong></td>
<td>2,719,708</td>
<td>(2,719,708)</td>
<td>100</td>
<td>Note</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40,137,408</td>
<td>(40,137,408)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The Company has confirmed trade receivable to these companies were uncollectible. Therefore provision for bad debts was fully recognised.

The Company’s provision for bad debts of trade receivables analysed by aging was follows:

<table>
<thead>
<tr>
<th></th>
<th>Book value</th>
<th>Expected credit loss</th>
<th>Expected credit loss during lifetime</th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Within one year</strong></td>
<td>390,847,909</td>
<td>1</td>
<td>(3,908,479)</td>
<td>1,911,419,009</td>
<td>-</td>
</tr>
<tr>
<td><strong>One to two years</strong></td>
<td>45,159,212</td>
<td>12</td>
<td>(5,419,105)</td>
<td>3,708,544</td>
<td>10 (370,854)</td>
</tr>
<tr>
<td><strong>Two to three years</strong></td>
<td>12,191,259</td>
<td>51</td>
<td>(6,217,542)</td>
<td>392,049</td>
<td>20 (78,410)</td>
</tr>
<tr>
<td><strong>Over three years</strong></td>
<td>36,915,428</td>
<td>96</td>
<td>(35,438,811)</td>
<td>9,809,965</td>
<td>50 (4,904,997)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>485,113,808</td>
<td>(50,983,937)</td>
<td></td>
<td>1,925,329,597</td>
<td>(5,354,261)</td>
</tr>
</tbody>
</table>
1. NOTES AND TRADE RECEIVABLES (CONTINUED)

During the current period, the Company’s provision for bad debts was RMB3,062,918, and there was no collection or reversal of provision for bad debts.

During the current period, there was no trade receivable that had been written off.

The top five trade receivables classified by debtor:

### 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Relationship with the Company</th>
<th>Ending balance</th>
<th>Percentage of trade receivables</th>
<th>Ending balance of provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>913,812,421</td>
<td>37%</td>
<td>–</td>
</tr>
<tr>
<td>Company 2</td>
<td>374,958,457</td>
<td>15%</td>
<td>–</td>
</tr>
<tr>
<td>Company 3</td>
<td>159,351,167</td>
<td>6%</td>
<td>–</td>
</tr>
<tr>
<td>Company 4</td>
<td>120,888,900</td>
<td>5%</td>
<td>–</td>
</tr>
<tr>
<td>Company 5</td>
<td>102,975,419</td>
<td>4%</td>
<td>–</td>
</tr>
</tbody>
</table>

**Total:** 1,671,986,364 | 67%

### 31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Relationship with the Company</th>
<th>Ending balance</th>
<th>Percentage of trade receivables</th>
<th>Ending balance of provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>905,424,701</td>
<td>42%</td>
<td>–</td>
</tr>
<tr>
<td>Company 2</td>
<td>170,135,854</td>
<td>8%</td>
<td>–</td>
</tr>
<tr>
<td>Company 3</td>
<td>159,853,738</td>
<td>7%</td>
<td>–</td>
</tr>
<tr>
<td>Company 4</td>
<td>116,262,406</td>
<td>5%</td>
<td>–</td>
</tr>
<tr>
<td>Company 5</td>
<td>102,945,205</td>
<td>5%</td>
<td>–</td>
</tr>
</tbody>
</table>

**Total:** 1,454,621,904 | 67%
### XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 2. OTHER RECEIVABLES

<table>
<thead>
<tr>
<th>Description</th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unaudited</td>
<td>31 December 2018</td>
<td></td>
</tr>
<tr>
<td><strong>Dividends Receivable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associate – Shenglong Chemical</td>
<td>32,000,000</td>
<td>–</td>
</tr>
<tr>
<td>Subsidiary – Ma Steel (Hefei) Processing</td>
<td>6,700,000</td>
<td>–</td>
</tr>
<tr>
<td>Subsidiary – Chongqing Material</td>
<td>5,600,000</td>
<td>–</td>
</tr>
<tr>
<td>Subsidiary – Ma Steel (Yangzhou) Processing</td>
<td>7,100,000</td>
<td>–</td>
</tr>
<tr>
<td>Subsidiary – Anhui Chang Jiang Iron and Steel</td>
<td>528,000,000</td>
<td>–</td>
</tr>
<tr>
<td><strong>Prepayment of custom duties and VAT</strong></td>
<td>18,799,531</td>
<td>39,396,766</td>
</tr>
<tr>
<td><strong>Prepayment for trading</strong></td>
<td>415,916,327</td>
<td>415,916,327</td>
</tr>
<tr>
<td><strong>Guarantee for steel futures</strong></td>
<td>126,462,731</td>
<td>131,482,895</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>171,142,588</td>
<td>25,643,567</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,311,721,177</td>
<td>612,439,555</td>
</tr>
<tr>
<td><strong>Less: Provision for bad debts</strong></td>
<td>423,714,537</td>
<td>423,714,537</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>888,006,640</td>
<td>188,725,018</td>
</tr>
</tbody>
</table>
### XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 2. OTHER RECEIVABLES (CONTINUED)

An ageing analysis of the other receivables is as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unaudited</td>
<td>Audited</td>
</tr>
<tr>
<td>Within one year</td>
<td>887,783,079</td>
<td>187,226,756</td>
</tr>
<tr>
<td>One to two years</td>
<td>244,125</td>
<td>1,181,088</td>
</tr>
<tr>
<td>Two to three years</td>
<td>179,520</td>
<td>304,865</td>
</tr>
<tr>
<td>Over three years</td>
<td>423,514,453</td>
<td>423,726,846</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,311,721,177</td>
<td>612,439,555</td>
</tr>
</tbody>
</table>

Less: Provision for bad debts

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>423,714,537</td>
<td>423,714,537</td>
</tr>
</tbody>
</table>

**Total**

|                | 888,006,640  | 188,725,018      |
XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. OTHER RECEIVABLES (CONTINUED)

The other receivables balances are analysed as follows:

<table>
<thead>
<tr>
<th>30 June 2018 (Unaudited)</th>
<th>Book value</th>
<th>Provision for bad debts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Ratio (%)</td>
</tr>
<tr>
<td>Assessed expected credit losses individually</td>
<td>705,862,732</td>
<td>54</td>
</tr>
<tr>
<td>Assessed expected credit loss in portfolios based on credit risk characteristics</td>
<td>605,858,445</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>1,311,721,177</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2017 (Audited)</th>
<th>Book value</th>
<th>Provision for bad debts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Ratio (%)</td>
</tr>
<tr>
<td>Individually significant and assessed for impairment individually</td>
<td>418,316,326</td>
<td>68</td>
</tr>
<tr>
<td>Assessed bad debts provision in portfolios based on credit risk characteristics</td>
<td>181,292,054</td>
<td>30</td>
</tr>
<tr>
<td>Individually insignificant but assessed for impairment individually</td>
<td>12,831,175</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>612,439,555</td>
<td>100</td>
</tr>
</tbody>
</table>
As of 31 December 2017, those individually significant and assessed for impairment individually were as follows:

<table>
<thead>
<tr>
<th>Book value</th>
<th>Provision for bad debts</th>
<th>Ratio (%)</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>132,058,434</td>
<td>(132,058,434)</td>
<td>100</td>
</tr>
<tr>
<td>Company 2</td>
<td>127,685,367</td>
<td>(127,685,367)</td>
<td>100</td>
</tr>
<tr>
<td>Company 3</td>
<td>60,939,960</td>
<td>(60,939,960)</td>
<td>100</td>
</tr>
<tr>
<td>Company 4</td>
<td>57,988,833</td>
<td>(57,988,833)</td>
<td>100</td>
</tr>
<tr>
<td>Company 5</td>
<td>37,243,732</td>
<td>(37,243,732)</td>
<td>100</td>
</tr>
<tr>
<td>Company 6</td>
<td>2,400,000</td>
<td>(2,400,000)</td>
<td>100</td>
</tr>
</tbody>
</table>

418,316,326 (418,316,326)

Note: Full provision for bad debts were made as these long-term uncollected other receivables were unable to be collected for a long time and less expected to be recovered in the future.

The Company’s provision for bad debts of other receivables analysed by aging are disclosed as follows:

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Unaudited)</th>
<th>31 December 2017 (Audited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book value expected to default</td>
<td>Expected credit loss percentage</td>
<td>Expected credit loss Book value</td>
</tr>
<tr>
<td>Within one year</td>
<td>181,920,347</td>
<td>2%</td>
</tr>
<tr>
<td>One to two years</td>
<td>244,125</td>
<td>22%</td>
</tr>
<tr>
<td>Two to three years</td>
<td>179,520</td>
<td>27%</td>
</tr>
<tr>
<td>Over three years</td>
<td>423,514,453</td>
<td>99%</td>
</tr>
<tr>
<td>Total</td>
<td>605,858,445</td>
<td>(423,714,537)</td>
</tr>
</tbody>
</table>

Note: Full provision for bad debts were made as these long-term uncollected other receivables were unable to be collected for a long time and less expected to be recovered in the future.
2. **OTHER RECEIVABLES (CONTINUED)**

During the current period, there was no provision for bad debts of other receivables, and there was no collection or reversal of provision for bad debts.

During the current period, there was no other receivables that had been written off.

As of 30 June 2018, the top five largest other receivables were as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Balance</th>
<th>Ratio to total other receivables (%)</th>
<th>Nature</th>
<th>Ageing</th>
<th>Balance of bad debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>528,000,000</td>
<td>40</td>
<td>Dividends receivable</td>
<td>Within 1 year</td>
<td>–</td>
</tr>
<tr>
<td>Company 2</td>
<td>132,058,434</td>
<td>10</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(132,058,434)</td>
</tr>
<tr>
<td>Company 3</td>
<td>127,685,367</td>
<td>10</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(127,685,367)</td>
</tr>
<tr>
<td>Company 4</td>
<td>126,912,236</td>
<td>10</td>
<td>Prepayments</td>
<td>Within 1 year</td>
<td>(2,538,245)</td>
</tr>
<tr>
<td>Company 5</td>
<td>67,731,041</td>
<td>5</td>
<td>Futures deposit</td>
<td>Within 1 year</td>
<td>–</td>
</tr>
</tbody>
</table>

**Total:** 982,387,078 75 (262,282,046)

As of 31 December 2017, the top five largest other receivables were as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>Balance</th>
<th>Ratio to total other receivables (%)</th>
<th>Nature</th>
<th>Ageing</th>
<th>Balance of bad debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company 1</td>
<td>132,058,434</td>
<td>22</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(132,058,434)</td>
</tr>
<tr>
<td>Company 2</td>
<td>127,685,367</td>
<td>21</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(127,685,367)</td>
</tr>
<tr>
<td>Company 3</td>
<td>73,560,769</td>
<td>12</td>
<td>Futures deposit</td>
<td>Within 1 year</td>
<td>–</td>
</tr>
<tr>
<td>Company 4</td>
<td>60,939,960</td>
<td>10</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(60,939,960)</td>
</tr>
<tr>
<td>Company 5</td>
<td>57,988,833</td>
<td>9</td>
<td>Prepayments</td>
<td>More than 3 years</td>
<td>(57,988,833)</td>
</tr>
</tbody>
</table>

**Total:** 452,233,363 74 (378,672,594)
### XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 3. LONG-TERM EQUITY INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>30 June</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td><strong>Unaudited</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joint ventures (i)</td>
<td>258,635,516</td>
<td>335,003,849</td>
</tr>
<tr>
<td>Associates (i)</td>
<td>1,448,086,182</td>
<td>1,190,221,353</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>9,612,286,608</td>
<td>8,890,290,112</td>
</tr>
<tr>
<td><strong>Long-term investments under the cost method</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsidiaries (ii)</td>
<td>7,905,564,910</td>
<td>7,365,064,910</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>9,612,286,608</td>
<td>8,890,290,112</td>
</tr>
<tr>
<td><strong>Less: Provision for impairment</strong></td>
<td></td>
<td>60,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9,612,286,608</td>
<td>8,830,290,112</td>
</tr>
</tbody>
</table>

In the opinion of the directors, there was no material restriction on the realisation of investments as of the financial position date.
### XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 3. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

**(i) Joint ventures and associates**

#### 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Investment Income under the equity method</th>
<th>Opening Balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Other Comprehensive Income</th>
<th>Other Equity Movement</th>
<th>Cash Dividend Received</th>
<th>Provision for Impairment</th>
<th>Closing Balance</th>
<th>Impairment at the End of the Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint ventures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOC-Ma Steel</td>
<td>334,457,696</td>
<td>-</td>
<td>-</td>
<td>40,632,202</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>375,089,898</td>
<td>-</td>
</tr>
<tr>
<td>MASTEEL-CMI</td>
<td>546,193</td>
<td>-</td>
<td>-</td>
<td>(556)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>540,619</td>
<td>-</td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Henan Jinta Energy</td>
<td>441,564,749</td>
<td>-</td>
<td>-</td>
<td>97,298,984</td>
<td>-</td>
<td>573,302</td>
<td>(40,320,000)</td>
<td>485,160,795</td>
<td>-</td>
</tr>
<tr>
<td>Shengliang Chemical</td>
<td>469,648,241</td>
<td>-</td>
<td>-</td>
<td>130,499,968</td>
<td>-</td>
<td>605,462</td>
<td>(32,000,000)</td>
<td>568,671,001</td>
<td>-</td>
</tr>
<tr>
<td>Shanghai Iron and Steel Electronic</td>
<td>23,719,795</td>
<td>-</td>
<td>-</td>
<td>(1,663,073)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>21,660,602</td>
<td>-</td>
</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td>49,304,234</td>
<td>-</td>
<td>-</td>
<td>4,972,583</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>54,276,817</td>
<td>-</td>
</tr>
<tr>
<td>Anhui Linhuan Chemical</td>
<td>80,234,391</td>
<td>-</td>
<td>-</td>
<td>13,722,356</td>
<td>-</td>
<td>80,814</td>
<td>-</td>
<td>94,057,305</td>
<td>-</td>
</tr>
<tr>
<td>Ma-Steel COI Chemical</td>
<td>127,732,543</td>
<td>-</td>
<td>-</td>
<td>6,478,638</td>
<td>-</td>
<td>605,976</td>
<td>-</td>
<td>138,800,779</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel Factoring</td>
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<tr>
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<td>(193,748,658)</td>
<td>-</td>
<td>1,706,721,698</td>
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</tr>
</tbody>
</table>

**Note:** Please refer to Note V.15 for details.

#### 31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Investment Income under the equity method</th>
<th>Opening Balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Other Comprehensive Income</th>
<th>Other Equity Movement</th>
<th>Cash Dividend Received</th>
<th>Provision for Impairment</th>
<th>Closing Balance</th>
<th>Impairment at the End of the Year</th>
</tr>
</thead>
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<tr>
<td>Joint ventures</td>
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<td></td>
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<td></td>
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</tr>
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<td>90,439,628</td>
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<td>-</td>
<td>(75,000,000)</td>
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<td>-</td>
<td>-</td>
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<tr>
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<td>53,264,037</td>
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<td>(127,306,831)</td>
<td>(4,347,420)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>152,025,202</td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Henan Jinta Energy</td>
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<td>(22,335,060)</td>
<td>232,262,325</td>
<td>-</td>
<td>562,384</td>
<td>(50,000,000)</td>
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<td>Shengliang Chemical</td>
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<td>-</td>
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<td>-</td>
<td>(78,191,020)</td>
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<tr>
<td>Shanghai Iron and Steel Electronic</td>
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<td>1,629,113</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22,759,705</td>
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</tr>
<tr>
<td>Xinchuang Environmental Protection</td>
<td>43,760,941</td>
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<td>-</td>
<td>5,662,627</td>
<td>-</td>
<td>748,827</td>
<td>(1,306,391)</td>
<td>44,554,624</td>
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<tr>
<td></td>
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Note: Please refer to Note V.15 for details.
### X. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 3. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

**(ii) Subsidiaries**

**30 June 2018 (Unaudited)**

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Opening balance</th>
<th>Increase</th>
<th>Decrease</th>
<th>Other equity movement</th>
<th>Provision for impairment</th>
<th>Closing balance</th>
<th>Impairment at the end of the period</th>
<th>Cash dividends declared</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Building Masteel K. Wah.</td>
<td>44,443,067</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>44,443,067</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel (Wuhu)</td>
<td>8,225,885</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>8,225,885</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel (Chu)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>48,465,709</td>
<td>-</td>
<td>23,000,000</td>
</tr>
<tr>
<td>Ma Steel (Guangzhou)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>80,000,000</td>
<td>-</td>
<td>-</td>
</tr>
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<td>Ma Steel (HR)</td>
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<td>-</td>
<td>-</td>
<td>52,586,550</td>
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<td>-</td>
</tr>
<tr>
<td>MG Trading</td>
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<td>-</td>
<td>-</td>
<td>1,573,766</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Holy Industrial</td>
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<td>-</td>
<td>-</td>
<td>21,478,316</td>
<td>-</td>
<td>6,773,761</td>
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<td>-</td>
<td>90,010,000</td>
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<tr>
<td>Ma Steel (Australia)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>126,312,415</td>
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</tr>
<tr>
<td>Ma Steel (HeFei)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>1,775,000,000</td>
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<td>116,462,300</td>
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<td>7,100,000</td>
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<td>106,500,000</td>
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<td>Masteel Scrap</td>
<td>100,000,000</td>
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<td>100,000,000</td>
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<td>Masteel Shanghai Trading (Note 1)</td>
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<td>Chongqin Material</td>
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<td>175,000,000</td>
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<td>Anhui Chang Jiang Iron and Steel</td>
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<td>Ma Steel Guangzhou Sales</td>
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<td>10,000,000</td>
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<tr>
<td>Ma Steel Wuxi Sales</td>
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<td>-</td>
<td>10,000,000</td>
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<tr>
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<td>10,000,000</td>
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</tr>
<tr>
<td>Ma Steel Nanjing Sales</td>
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<td>10,000,000</td>
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<td>-</td>
<td>10,000,000</td>
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<td>-</td>
</tr>
<tr>
<td>Ma Steel Rail Transportation</td>
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<td>-</td>
<td>-</td>
<td>396,021,369</td>
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<td>-</td>
</tr>
<tr>
<td>Ma Steel Oubarg Color-coated</td>
<td>10,000,000</td>
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<td>-</td>
<td>-</td>
<td>10,000,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel America Inc</td>
<td>3,298,375</td>
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<td>-</td>
<td>3,298,375</td>
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<tr>
<td>Ma Steel Antirust</td>
<td>3,060,000</td>
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<td>Macecometal</td>
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<td>-</td>
<td>127,368,631</td>
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<td>-</td>
<td>500,000</td>
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<td>600,000,000</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
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<td>7,905,564,910</td>
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<td>640,535,768</td>
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</table>

Note 1: Refer to Note VI.2 for details.

Note 2: For the information of the newly established subsidiaries, refer to Note VI.1.
XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. LONG-TERM EQUITY INVESTMENTS (CONTINUED)

(ii) Subsidiaries (Continued)

31 December 2017 (Audited)

<table>
<thead>
<tr>
<th>Opening balance</th>
<th>Changes during the year</th>
<th>Closing balance</th>
<th>Impairment at the end of the year</th>
<th>Cash dividends declared</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increase</td>
<td>Decrease</td>
<td>Other equity movement</td>
<td>Provision for impairment</td>
</tr>
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<td>New Building Masteel K. Wah.</td>
<td>44,443,067</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel (Wuhu)</td>
<td>8,235,885</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel (Guizhou)</td>
<td>48,463,709</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel (Guangzhou)</td>
<td>80,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel (HN)</td>
<td>21,146,421</td>
<td>31,440,129</td>
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<tr>
<td>MG Trading</td>
<td>1,573,766</td>
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<td>Holy Industrial</td>
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<td>Ma Steel (Jinhua)</td>
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</tr>
<tr>
<td>Ma Steel (Australia)</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel (Hefei)</td>
<td>1,775,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel (Hefei) Processing</td>
<td>73,200,000</td>
<td>12,396,489</td>
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<td>-</td>
</tr>
<tr>
<td>Ma Steel (Yangzhou) Processing</td>
<td>116,462,300</td>
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<td>-</td>
</tr>
<tr>
<td>Wuhu Technique</td>
<td>106,500,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Masteel Scrap</td>
<td>100,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Masteel Shanghai Trading</td>
<td>-</td>
<td>-</td>
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<td>-</td>
</tr>
<tr>
<td>Chongqing Materials</td>
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</tr>
<tr>
<td>Anhui Chang Jiang Iron and Steel</td>
<td>1,334,644,444</td>
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</tr>
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<td>MG VALDUNES</td>
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</tr>
<tr>
<td>Ma Steel Guangzhou Sales</td>
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<tr>
<td>Ma Steel Wuhan Sales</td>
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<td>-</td>
</tr>
<tr>
<td>Ma Steel Chongqing Sales</td>
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<td>-</td>
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</tr>
<tr>
<td>Ma Steel Nanning Sales</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Ma Steel Wuhan Sales</td>
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</tr>
<tr>
<td>Ma Steel Shanghai Sales</td>
<td>10,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel Rail Transportation</td>
<td>396,021,369</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel Oubang Color-coated</td>
<td>10,050,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel America Inc</td>
<td>3,298,375</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ma Steel Antirust</td>
<td>-</td>
<td>3,060,000</td>
<td>-</td>
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<tr>
<td>Macecomeral</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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</table>

5,912,389,974 | 1,393,574,936 | (900,000) | - | 7,305,064,910 | 60,000,000 | 88,204,609

4. REVENUE AND COST OF SALES

For the six months ended 30 June

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<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
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<tr>
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<td>Unaudited</td>
</tr>
<tr>
<td></td>
<td>Revenue</td>
<td>Cost of sales</td>
</tr>
<tr>
<td>Principal operating income</td>
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<tr>
<td>Other operating income</td>
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<td></td>
<td>33,692,258,610</td>
<td>29,566,665,372</td>
</tr>
</tbody>
</table>

2018 Interim Report
XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. REVENUE AND COST OF SALES (CONTINUED)

Principal operating income is stated as follows:

<table>
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<th>Service</th>
<th>2018 Unaudited</th>
<th>2017 Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale of products</td>
<td>33,670,209,866</td>
<td>29,164,896,323</td>
</tr>
<tr>
<td>Rendering of services</td>
<td>22,048,744</td>
<td>21,735,129</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33,692,258,610</strong></td>
<td><strong>29,186,631,452</strong></td>
</tr>
</tbody>
</table>

5. INVESTMENT INCOME

<table>
<thead>
<tr>
<th>Source</th>
<th>2018 Unaudited</th>
<th>2017 Unaudited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term equity investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>under the equity method</td>
<td>298,163,206</td>
<td>241,096,593</td>
</tr>
<tr>
<td>Long-term equity investment income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>under the cost method</td>
<td>640,535,788</td>
<td>50,533,509</td>
</tr>
<tr>
<td>Investment income from disposal of a subsidiary</td>
<td>–</td>
<td>7,796,084</td>
</tr>
<tr>
<td>Investment income from available-for-sale financial assets in duration</td>
<td>–</td>
<td>1,540,000</td>
</tr>
<tr>
<td>Investment income from disposal of financial assets held for sale measured at fair value through profit or loss</td>
<td><em>(6,718,623)</em></td>
<td><em>(2,992,563)</em></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>931,980,371</strong></td>
<td><strong>297,973,623</strong></td>
</tr>
</tbody>
</table>

As of the financial position date, there was no significant restriction imposed upon the remittance of the Company’s investment income.
1. **BREAKDOWN OF NON-RECURRING GAINS OR LOSSES**

   The calculation of non-recurring gains or losses is in accordance with “Regulation for the preparation of information disclosure by listed securities companies No.1 – Non-recurring Gains or Losses (2008 revised)” (No.43 [2008]) issued by the CSRC.

<table>
<thead>
<tr>
<th>Items of non-recurring gains or losses</th>
<th>For the six months ended 30 June 2018 (Unaudited)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain from disposal of non-current assets</td>
<td>53,182,354</td>
</tr>
<tr>
<td>Loss from disposal of non-current assets</td>
<td>(578,928)</td>
</tr>
<tr>
<td>Government grants not related to the Company’s daily activities</td>
<td>93,314,943</td>
</tr>
<tr>
<td>Government grants related to the Company’s daily activities</td>
<td>44,152,109</td>
</tr>
<tr>
<td>Employee termination compensation</td>
<td>(53,852,419)</td>
</tr>
<tr>
<td>Reversal of provision for receivables assessed for impairment individually</td>
<td>487,578</td>
</tr>
<tr>
<td>Loss on fair value changes of financial assets held for trading at fair value through profit or loss</td>
<td>(8,960,465)</td>
</tr>
<tr>
<td>Investment income from disposal of a subsidiary</td>
<td>173,624,062</td>
</tr>
<tr>
<td>Investment income from disposal of financial assets held for trading at fair value through profit or loss</td>
<td>61,809,574</td>
</tr>
<tr>
<td>Investment income from disposal of debt instruments investment</td>
<td>26,523,097</td>
</tr>
<tr>
<td>Net non-operating income or expenses other than the above items</td>
<td>392,285</td>
</tr>
<tr>
<td><strong>Total Non-recurring Gains or Losses</strong></td>
<td><strong>390,094,190</strong></td>
</tr>
<tr>
<td>Less: Income tax effect of non-recurring gains or losses</td>
<td>10,306,386</td>
</tr>
<tr>
<td>Non-recurring gains or losses attributable to non-controlling interests</td>
<td>7,932,634</td>
</tr>
<tr>
<td><strong>Net effect of Non-recurring Gains or Losses</strong></td>
<td><strong>371,855,170</strong></td>
</tr>
</tbody>
</table>

**Net profit attributable to owners of the parent deducting non-recurring gains or losses**

| Net profit attributable to owners of the parent | 3,428,518,933 |
| Less: net effect of non-recurring gains or losses | 371,855,170 |
| **Net profit attributable to owners of the parent excluding non-recurring gains or losses** | **3,056,663,763** |
2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

For the six months ended 30 June 2018 (Unaudited)

<table>
<thead>
<tr>
<th>Return on weighted average net assets (%)</th>
<th>Earnings per share (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</td>
<td>13.39</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent deducting non-recurring gains or losses</td>
<td>11.94</td>
</tr>
</tbody>
</table>

For the six months ended 30 June 2017 (Unaudited)

<table>
<thead>
<tr>
<th>Return on weighted average net assets (%)</th>
<th>Earnings per share (RMB)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</td>
<td>7.98</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent deducting non-recurring gains or losses</td>
<td>7.44</td>
</tr>
</tbody>
</table>

Return on net assets and earnings per share are calculated based on the formula stipulated in the “Regulation for the preparation of information disclosure for listed securities companies (2010) No.9 – Calculation and disclosure of return on net assets and earnings per share” (2010 revised) issued by the CSRC.
IX. Documents Available For Inspection

1. Interim report signed by Chairman of the Company;

2. Financial report signed and stamped by the Company’s legal representative, chief accountant and head of Accounting Department;

3. Original copies of all documents and announcements of the Company disclosed in newspapers designated by the CSRC during the reporting period;

4. The Company’s Articles of Association;

5. Interim report disclosed in other securities market;

6. Other related information.

Chairman: Ding Yi
Submission date approved by the Board of Directors: 2018-8-29