馬鞍山鋼鐵股份有限公司
Maanshan Iron & Steel Company Limited
(A joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 00323)

SUMMARY OF 2018 INTERIM RESULTS ANNOUNCEMENT

1. IMPORTANT NOTICE

1.1 This summary of 2018 interim results announcement is from the full text of the interim report. To fully understand the business performance, financial position and future outlook of the Company, investors should read the full text of the interim report for details, which is also published on The Stock Exchange of Hong Kong Limited and the websites designated by China Securities Regulatory Commission, including the website of the Shanghai Stock Exchange.

1.2 The board of directors (the "Board"), the supervisory committee, the directors, the supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from, this report, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in the interim report.

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

1.4 The interim report of the Company is unaudited, but is reviewed by the audit committee.

1.5 Profit distribution plan or plan for the capitalization of capital reserve as approved by the Board during the reporting period.

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.

2. COMPANY PROFILE

2.1 Company Information

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

Contact people and details	Company Secretary, Joint Company Secretaty	Joint Company Secretaty
Name	He Hongyun	Rebecca Chiu
Telephone	86-555-2888158/2875251	(852) 2155 2649
Office address	No. 8, Jiuhuaxi Road, Maanshan City, Anhui Province, PRC	Room 1204-16, 12/F, The Chinese Bank Building, 61-65 Des Voeux Road, Central
Email address	mggfdms@magang.com.cn	rebeccachiu@chiuandco.com

2.2 The Company's major financial data

Unit: RMB

	End of the reporting period	End of the previous year	**Increase/ decrease at the reporting period and as compared to the previous year end** *(%)*
Total assets	**73,078,028,237**	72,191,589,979	1.23
Net assets attributable to owners of the parent	**26,039,263,608**	23,895,739,812	8.97

	Reporting period (Jan to Jun)	Corresponding period of the previous year	**Increase/ decrease at the reporting period as compared to the corresponding period of the previous year** *(%)*
Net cash flows from operating activities	**4,180,394,974**	1,459,592,056	186.41
Revenue	**40,063,041,443**	35,187,579,640	13.86
Net profit attributable to owners of the parent	**3,428,518,933**	1,643,396,514	108.62
Net profit excluding non-recurring gains or losses attributable to owners of the parent	**3,056,663,763**	1,531,119,148	99.64
Return on net assets (weighted average) (%)	**13.39**	7.98	increased by 5.41 percentage points
Basic earnings per share (RMB/share)	**0.4452**	0.2134	108.62
Diluted earnings per share (RMB/share)	**0.4452**	0.2134	108.62

2.3 Holdings of top ten shareholders

Number of ordinary shareholders by the end of the reporting period (Accounts) 229,411

Holdings of top ten shareholders

Unit: Share

Shareholders' names	Shareholder's nature	Percentage (%)	No. of shares at the end of period	No. of shares under restricted condition for sales	Pledged or frozen situations share status: Share status	Pledged or frozen situations share status: Number
Magang (Group) Holding Co., Limited	State-owned shareholder	45.54	3,506,467,456	–	None	–
Hong Kong Securities Clearing Company (Nominees) Limited	Unknown	22.29	1,716,192,900	–	Unknown	Unknown
Central Huijin Investment Ltd.	State-owned shareholder	1.85	142,155,000	–	Unknown	Unknown
China Merchants Bank Co., Ltd. – Everbright Pramerica Competitive Advantageous Allocation Balanced Fund	Unknown	0.58	44,524,390	–	Unknown	Unknown
Hong Kong Securities Clearing Company Limited	Unknown	0.54	41,948,530	–	Unknown	Unknown
Hu Zhongxiang	Unknown	0.39	29,848,511	–	Unknown	Unknown
Beijing Haoqing Fortune Investment and Management Co., Ltd. – Steady Haoqing Value No. 8 Investment Fund	Unknown	0.37	28,653,912	–	Unknown	Unknown
China Galaxy Securities Co., Ltd.	Unknown	0.34	25,906,600	–	Unknown	Unknown
Agricultural Bank of China Limited – CSI 500 ETF	Unknown	0.26	19,916,449	–	Unknown	Unknown
Industrial And Commercial Bank of China Limited – Everbright Pramerica Made in China 2025 Flexible Allocation Balanced Fund	Unknown	0.25	19,000,000	–	Unknown	Unknown

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

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

2.5 During the reporting period, the Company does not have undue and overdue corporate bonds

3. DISCUSSION AND ANALYSIS ON OPERATION

3.1 Discussion and analysis on operation

3.1.1 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, 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 420m^3 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 7.30 million tonnes of pig steel, 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 RMB40.06 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 RMB3.43 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 the 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, the Company's major work 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 9.15kgce/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 areas and at all time" is highlighted and integrated with standardised 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, high grade 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 tons, 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 SO_2 and smoke dust decreased by 4.8% respectively, as compared to the same period last year.

3.1.2 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.

3.1.3 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.

3.1.4 Operating results

Unit: RMB

Accounts	**Amount of the current period**	**Amount of the same period of last year**	**Change** *(%)*
Revenue	40,063,041,443	35,187,579,640	13.86
Cost of sales	34,002,350,727	31,308,620,140	8.60
Selling expenses	465,095,326	412,156,137	12.84
General and administrative expenses	698,585,993	653,425,560	6.91
Financial expenses	574,785,327	528,207,382	8.82
Net profit attributable to owners of the parent	3,428,518,933	1,643,396,514	108.62

The revenue increased by 13.86% compared with the same period of last year, mainly due to the increase in steel sales price and sales volume in the current period.

The cost of sales increased by 8.60 % compared with the same period of last year, mainly due to the increase in procurement price of raw materials and fuels and sales volume in the current period.

The selling expenses increased by 12.84 % compared with the same period of last year, mainly due to the increase in transportation costs caused by the increase in steel sales volume in the current period.

The general and administrative expenses increased by 6.91% compared with the same period of last year, mainly due to the increase in salary and surcharge in the current period.

The financial expenses increased by 8.82 % compared with the same period of last year, mainly due to the increase in foreign exchange loss and financing cost in the current period.

The net profit attributable to owners of the parent increased by 108.62 % compared with the same period of last year, mainly due to the increase in gross margin of the steel products in the current period.

3.1.5 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 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 Basic Internal Control Norms for Enterprises and other relevant requirements. The Company appointed Ernst & Young Hua Ming LLP as our auditor to audit the effectiveness of our internal control related to financial report as at 31 December 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.

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

In the first half of the year, the net profit attributable to owners of the parent of the Company was RMB3.43 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).

4. RELEVANT MATTERS INVOLVING FINANCIAL REPORT

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

During the reporting period, except for the adoption of new accounting standards effective from 1 January 2018, no change was made to the Group's accounting policy.

For details, please refer to Note 1.3 to the financial statements of this interim results announcement.

4.2 During the reporting period, the Company does not have significant accounting errors that need to be retrospectively restated

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

- On 7 September 2017, Shanghai Baoan District People's Court issued a civil written Verdict ([2017] HU0113 PO No.2-1) accepting the bankruptcy application of Masteel Shanghai Trading Co., Ltd. ("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 all 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 include it into the consolidation scope thereafter.

- In March 2018, the Company invested RMB0.5 million in cash to establish a wholly-owned subsidiary, Maanshan Metallurgical Power Technology Co., Ltd.（馬鞍山邁特冶金動力科技有限公司）.

- In March 2018, the Company invested RMB0.6 billion in cash and non-cash assets to establish a wholly-owned subsidiary, Anhui Magang Chemicals & Energy Technology Co., Ltd.（安徽馬鋼化工能源科技有限公司）.

Saved as the above changes, there is no change in the scope of consolidation of the financial statements as compared to the last year's financial statements.

5. OTHER EVENTS

5.1 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.

5.2 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.

5.3 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 news shares.

5.4 Code on corporate governance practices

During the reporting period, the Company has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No deviation behavior from the code was found.

5.5 Model Code for Securities Transactions by Directors of Listed Issuers

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

5.6 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 any other type of general meetings 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).

CONSOLIDATED AND COMPANY'S STATEMENTS OF FINANCIAL POSITION

As at 30 June 2018

Renminbi Yuan

ASSETS	*Notes*	**30 June 2018 Group Unaudited**	31 December 2017 Group Audited	**30 June 2018 Company Unaudited**	31 December 2017 Company Audited
CURRENT ASSETS					
Cash and bank balances		**7,538,181,813**	4,978,352,093	**6,035,721,281**	4,169,232,422
Financial assets at fair value through profit or loss		**–**	1,546,139,404	**–**	62,721,800
Financial assets held for trading		**1,928,207,037**	–	**23,590,842**	–
Notes and trade receivable	*4*	**7,917,108,224**	9,341,614,275	**7,983,173,811**	10,170,482,595
Prepayments	*5*	**618,402,366**	750,818,831	**640,148,829**	600,539,572
Other receivables		**340,412,767**	285,228,074	**888,006,640**	188,725,018
Inventories		**11,333,539,937**	11,445,747,808	**7,620,889,649**	7,740,789,448
Financial assets purchased under agreements to resell		**884,886,602**	1,204,603,000	**–**	–
Loans and advances to customers		**1,766,370,623**	1,251,315,253	**–**	–
Assets classified as held for sale		**117,019,986**	73,454,334	**–**	–
Held-to-maturity investments		**–**	305,228,376	**–**	–
Debt instruments investment		**1,490,426,489**	–	**–**	–
Other current assets		**881,678,929**	916,037,331	**275,543,737**	294,632,327
Total current assets		**34,816,234,773**	32,098,538,779	**23,467,074,789**	23,227,123,182
NON-CURRENT ASSETS					
Available-for-sale financial assets		**–**	1,111,168,160	**–**	126,722,160
Held-to-maturity investments		**–**	100,854,230	**–**	–
Debt instruments investment		**51,148,671**	–	**–**	–
Long-term equity investments		**1,782,379,366**	1,525,225,202	**9,612,286,608**	8,830,290,112
Other equity instruments investments		**143,120,746**	–	**143,120,746**	–
Investment properties		**56,634,034**	57,508,684	**70,690,920**	71,554,652
Property, plant and equipment		**31,449,475,633**	33,130,499,862	**23,532,649,108**	25,089,628,791
Construction in progress		**2,372,168,752**	1,805,955,609	**1,754,601,132**	1,356,492,361
Intangible assets		**1,907,760,736**	1,883,604,173	**977,275,353**	904,435,151
Deferred tax assets		**499,105,526**	478,235,280	**443,002,514**	438,445,874
Total non-current assets		**38,261,793,464**	40,093,051,200	**36,533,626,381**	36,817,569,101
TOTAL ASSETS		**73,078,028,237**	72,191,589,979	**60,000,701,170**	60,044,692,283

CONSOLIDATED AND COMPANY'S STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2018
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	*Notes*	**30 June 2018 Group Unaudited**	31 December 2017 Group Audited	**30 June 2018 Company Unaudited**	31 December 2017 Company Audited
CURRENT LIABILITIES					
Deposits and balances from banks and other financial institutions		**200,000,000**	200,000,000	**–**	–
Customer deposits		**2,101,060,111**	2,947,639,610	**–**	–
Repurchase agreements		**1,013,146,250**	308,100,956	**–**	–
Short term loans		**6,843,480,037**	4,630,303,694	**4,055,188,687**	3,226,709,122
Financial liabilities at fair value through profit or loss		**–**	10,498,810	**–**	10,498,810
Notes and trade payable	*6*	**8,690,455,040**	11,778,382,830	**7,990,150,284**	10,050,245,456
Advances from customers		**3,949,852,811**	3,842,903,332	**2,537,244,226**	2,626,167,696
Payroll and employee benefits payable		**827,076,654**	654,822,505	**676,771,402**	502,689,195
Taxes payable		**586,371,827**	1,342,836,597	**378,049,564**	795,312,565
Other payables		**5,060,925,606**	2,354,327,866	**4,115,707,132**	1,871,957,462
Non-current liabilities due within one year		**7,885,584,392**	4,928,758,378	**7,801,364,842**	5,928,758,378
Contingent liabilities		**35,828,320**	38,537,369	**–**	–
Other current liabilities		**2,038,424,932**	3,081,026,301	**2,038,424,932**	3,081,026,301
Total current liabilities		**39,232,205,980**	36,118,138,248	**29,592,901,069**	28,093,364,985
NON-CURRENT LIABILITIES					
Long-term loans		**2,933,486,964**	6,975,958,634	**5,695,229,464**	9,461,264,824
Long-term payables		**–**	210,000,000	**–**	–
Long-term employee benefits payable		**163,763,617**	160,896,586	**136,054,823**	132,641,692
Deferred revenue		**1,368,276,758**	1,462,490,533	**717,681,931**	730,152,350
Deferred tax liabilities		**25,349,304**	26,841,665	**–**	–
Total non-current liabilities		**4,490,876,643**	8,836,187,418	**6,548,966,218**	10,324,058,866
Total liabilities		**43,723,082,623**	44,954,325,666	**36,141,867,287**	38,417,423,851
SHAREHOLDERS' EQUITY					
Share capital		**7,700,681,186**	7,700,681,186	**7,700,681,186**	7,700,681,186
Capital reserve		**8,352,287,192**	8,352,287,192	**8,358,017,477**	8,358,017,477
Other comprehensive income		**(120,854,748)**	(124,156,060)	**11,526,064**	–
Special reserve		**34,563,637**	31,929,722	**9,719,477**	7,637,529
Surplus reserve		**4,448,864,325**	4,100,007,341	**3,598,807,709**	3,249,950,725
General reserve		**191,546,668**	191,546,668	**–**	–
Retained earnings		**5,432,175,348**	3,643,443,763	**4,180,081,970**	2,310,981,515
Equity attributable to owners of the parent		**26,039,263,608**	23,895,739,812	**23,858,833,883**	21,627,268,432
Non-controlling interests		**3,315,682,006**	3,341,524,501	**–**	–
Total shareholders' equity		**29,354,945,614**	27,237,264,313	**23,858,833,883**	21,627,268,432
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**73,078,028,237**	72,191,589,979	**60,000,701,170**	60,044,692,283

CONSOLIDATED AND COMPANY'S INCOME STATEMENT

For the six months ended 30 June 2018 (Unaudited)

Renminbi Yuan

	Notes	For the six months ended 30 June		For the six months ended 30 June	
		2018	2017	**2018**	2017
		Group	Group	**Company**	Company
Revenue	*8*	**40,063,041,443**	35,187,579,640	**33,692,258,610**	29,186,631,452
Less: Cost of sales	*8*	**34,002,350,727**	31,308,620,140	**29,566,665,372**	26,862,921,216
Taxes and surcharges		**399,818,296**	322,600,519	**305,999,623**	237,603,318
Selling expenses		**465,095,326**	412,156,137	**220,187,402**	186,194,763
General and administrative expenses		**698,585,993**	653,425,560	**478,033,907**	410,209,297
R&D expenses		**381,791,868**	16,593,410	**375,773,915**	16,593,410
Financial expenses	*9*	**574,785,327**	528,207,382	**496,798,257**	525,019,932
including: interest expense		**476,375,706**	475,699,142	**415,614,854**	480,954,991
Interest income		**(17,490,196)**	(17,007,814)	**(31,785,576)**	(25,461,077)
Impairment losses		**57,950,358**	107,667,257	**53,372,164**	94,777,557
Credit impairment losses		**22,658,394**	–	**3,062,918**	–
Add: Other income		**44,152,109**	83,563,376	**33,003,460**	76,014,555
Investment income		**560,777,607**	286,628,017	**931,980,371**	297,973,623
including: share of profits of associates and joint ventures		**298,820,874**	241,096,593	**298,163,206**	241,096,593
Gain/(loss) on the changes in fair value		**(8,960,465)**	14,148,342	**(9,981,140)**	(2,273,548)
Gain/(loss) from disposal of non-current assets		**52,603,426**	(42,907,112)	**256,779,130**	(43,291,050)
Operating profit		**4,108,577,831**	2,179,741,858	**3,404,146,873**	1,181,735,539
Add: Non-operating income	*10*	**96,622,262**	69,899,116	**96,124,755**	69,105,364
Less: Non-operating expenses	*11*	**2,915,034**	7,588,005	**1,011,864**	7,159,658
Profit before tax		**4,202,285,059**	2,242,052,969	**3,499,259,764**	1,243,681,245
Less: Income tax expense	*12*	**346,039,776**	337,919,171	**10,689,929**	5,382,066
Net profit		**3,856,245,283**	1,904,133,798	**3,488,569,835**	1,238,299,179
Categorized by operation continuity					
Net profit from continuing operations		**3,856,245,283**	1,904,133,798	**3,488,569,835**	1,238,299,179
Net profit from discontinued operation		**–**	–	**–**	–
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		

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2018 (Unaudited)

Renminbi Yuan

	Notes	**For the six months ended 30 June** **2018** **Group**	For the six months ended 30 June 2017 Group	**For the six months ended 30 June** **2018** **Company**	For the six months ended 30 June 2017 Company
Other comprehensive income, net of tax:		**(29,059,186)**	8,534,036	**(15,964,250)**	–
Other comprehensive income attributable to owners of the parent, net of tax		**(29,059,186)**	9,040,441		
Other comprehensive income that could not be reclassified to profit or loss		**(15,964,250)**	–	**(15,964,250)**	–
Changes in fair value of other equity instruments investments		**(15,964,250)**	–	**(15,964,250)**	–
Other comprehensive income to be reclassified to profit or loss		**(13,094,936)**	9,040,441		
Fair value changes of available-for-sale financial assets		**–**	(780,770)		
Exchange differences on translation of foreign operations		**(13,094,936)**	9,821,211		
Other comprehensive income attributable to non-controlling interests, net of tax		**–**	(506,405)		
Total comprehensive income		**3,827,186,097**	1,912,667,834	**3,472,605,585**	1,238,299,179
Attributable to:					
Owners of the parent		**3,399,459,747**	1,652,436,955		
Non-controlling interests		**427,726,350**	260,230,879		
EARNINGS PER SHARE:					
Basic earnings per share	*13*	**44.52 cents**	21.34 cents		
Diluted earnings per share	*13*	**44.52 cents**	21.34 cents		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 (Unaudited)

Renminbi Yuan

	Attributable to owners of the parent									
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total shareholder's equity
1. At 31 December 2017	7,700,681,186	8,352,287,192	(124,156,060)	31,929,722	4,100,007,341	191,546,668	3,643,443,763	23,895,739,812	3,341,524,501	27,237,264,313
(1) Changes in accounting policies	–	–	32,360,498	–	–	–	(20,317,968)	12,042,530	(7,887,756)	4,154,774
2. At 1 January 2018	7,700,681,186	8,352,287,192	(91,795,562)	31,929,722	4,100,007,341	191,546,668	3,623,125,795	23,907,782,342	3,333,636,745	27,241,419,087
3. Increase/(decrease) during the period										
1) Total comprehensive income	–	–	(29,059,186)	–	–	–	3,428,518,933	3,399,459,747	427,726,350	3,827,186,097
2) Profits appropriation										
(i) Transfer to surplus reserve	–	–	–	–	348,856,984	–	(348,856,984)	–	–	–
(ii) Distribution to shareholders	–	–	–	–	–	–	(1,270,612,396)	(1,270,612,396)	(446,066,572)	(1,716,678,968)
3) Special reserve										
(i) Additions	–	–	–	40,661,994	–	–	–	40,661,994	6,672,313	47,334,307
(ii) Utilisation	–	–	–	(40,110,027)	–	–	–	(40,110,027)	(6,286,830)	(46,396,857)
(iii) Changes in the share of associates and joint ventures' special reserve, net	–	–	–	2,081,948	–	–	–	2,081,948	–	2,081,948
4. At 30 June 2018	7,700,681,186	8,352,287,192	(120,854,748)	34,563,637	4,448,864,325	191,546,668	5,432,175,348	26,039,263,608	3,315,682,006	29,354,945,614

	Attributable to owners of the parent									
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General reserve	(Accumulated loss)/ retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
1. At 1 January 2017	7,700,681,186	8,348,726,741	(119,263,454)	27,969,571	3,843,231,617	153,394,916	(190,568,622)	19,764,171,955	2,316,334,486	22,080,506,441
2. Increase/(decrease) during the period										
1) Total comprehensive income	–	–	9,040,441	–	–	–	1,643,396,514	1,652,436,955	260,230,879	1,912,667,834
2) Capital contribution and withdrawal										
(i) Capital contribution	–	–	–	–	–	–	–	–	91,470,000	91,470,000
(ii) Business combination not under common control	–	–	–	–	–	–	–	–	65,614,143	65,614,143
(iii) Disposal of a subsidiary	–	–	–	–	–	–	–	–	(884,349)	(884,349)
3) Profits appropriation										
(i) Distribution to shareholders	–	–	–	–	–	–	–	–	(25,671,100)	(25,671,100)
4) Special reserve										
(i) Additions	–	–	–	32,712,745	–	–	–	32,712,745	5,372,595	38,085,340
(ii) Utilisation	–	–	–	(26,028,589)	–	–	–	(26,028,589)	(4,343,007)	(30,371,596)
(iii) Changes in the share of associates and joint ventures' special reserve, net	–	–	–	3,462,370	–	–	–	3,462,370	–	3,462,370
5) Others										
(i) Changes in the share of associates and joint ventures' capital reserve	–	(120,416)	–	–	–	–	–	(120,416)	–	(120,416)
3. At 30 June 2017	7,700,681,186	8,348,606,325	(110,223,013)	38,116,097	3,843,231,617	153,394,916	1,452,827,892	21,426,635,020	2,708,123,647	24,134,758,667

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018 (Unaudited)
Renminbi Yuan

		For the six months ended 30 June	
		2018	2017
1.	Cash flows from operating activities		
	Cash received from sale of goods and rendering of services	**42,195,059,784**	39,139,433,476
	Cash received for interest charges, fees and commissions	**66,727,395**	50,417,268
	Tax refunds received	**4,191,303**	–
	Net decrease in loans and advances to customers	**–**	46,218,288
	Net decrease in financial assets purchased under agreements to resell	**319,711,999**	230,047,000
	Net increase in repurchase agreements of financial assets	**705,045,294**	–
	Cash received relating to other operating activities	**124,299,060**	127,463,477
	Sub-total of cash inflows	**43,415,034,835**	39,593,579,509
	Cash paid for purchase of goods and services	**(32,480,242,466)**	(32,905,122,314)
	Cash paid to or on behalf of employees	**(2,100,937,079)**	(1,926,494,889)
	Taxes and surcharges paid	**(2,683,880,257)**	(1,602,505,535)
	Increase in deposits in central bank	**(13,534,484)**	(38,113,076)
	Net decrease in repurchase agreements of financial assets	**–**	(397,665,698)
	Net decrease in customer deposits and deposits from banks	**(846,579,499)**	(830,110,045)
	Net increase in loans and advances to customers	**(528,003,855)**	–
	Cash paid for interest charges, fees and commissions	**(31,693,385)**	(27,622,969)
	Cash paid relating to other operating activities	**(549,768,836)**	(406,352,927)
	Sub-total of cash outflows	**(39,234,639,861)**	(38,133,987,453)
	Net cash flows from operating activities	**4,180,394,974**	1,459,592,056
2.	Cash flows from investing activities		
	Cash received from disposal of investments	**28,016,492,050**	18,933,948,622
	Cash received from investment income	**250,081,329**	121,100,872
	Net cash from acquisition of subsidiaries and other operating units	**–**	115,777,566
	Proceeds from disposal of items of property, plant and equipment, intangible assets and other non-current assets	**59,599,019**	2,987,026
	Net cash from disposal of a subsidiary and other operating units	**–**	4,854,451
	Cash received relating to other investing activities	**57,335,541**	14,908,915
	Sub-total of cash inflows	**28,383,507,939**	19,193,577,452

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2018 (Unaudited)
Renminbi Yuan

		For the six months ended 30 June 2018	2017
2.	Cash flows from investing activities (Continued)		
	Purchases of property, plant and equipment, intangible assets and other non-current assets	(1,153,850,786)	(998,870,449)
	Cash paid for investments	(29,195,716,872)	(20,121,952,188)
	Net increase in held-to-maturity investments	–	(201,463,387)
	Net cash paid for disposal of subsidiaries and other operating units	(37,688)	–
	Sub-total of cash outflows	(30,349,605,346)	(21,322,286,024)
	Net cash flows used in investing activities	(1,966,097,407)	(2,128,708,572)
3.	Cash flows from financing activities		
	Cash received from borrowings	7,554,707,131	7,963,827,700
	Cash received from issuing short-term bonds	1,000,000,000	–
	Cash received relating to other financing activities	–	210,000,000
	Cash received from investors	–	91,470,000
	Including: capital injection from a subsidiary's non-controlling interests	–	91,470,000
	Sub-total of cash inflows	8,554,707,131	8,265,297,700
	Repayment of borrowings	(8,527,815,996)	(8,097,524,552)
	Cash paid for distribution of dividends or profits and for interest expenses	(282,298,921)	(348,094,860)
	Including: dividends paid to non-controlling interests by subsidiaries	(2,481,210)	(25,671,100)
	Sub-total of cash outflows	(8,810,114,917)	(8,445,619,412)
	Net cash flows used in financing activities	(255,407,786)	(180,321,712)
4.	Effect of foreign exchange rate changes on cash and cash equivalents	19,255,014	(28,607,718)
5.	Net increase/(decrease) in cash and cash equivalents	1,978,144,795	(878,045,946)
	Add: Cash and cash equivalents at the beginning of the period	2,940,502,015	4,324,131,687
6.	Cash and cash equivalents at the end of the period	4,918,646,810	3,446,085,741

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements are prepared in accordance with "China Accounting Standards for Business Enterprises – General Principles" and other issued application guidance, interpretations and other related regulations issued later (collectively known as the "CAS").

The 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 unused banking facilities of RMB25.7 billion as at 30 June 2018. After assessment, the Company's board of directors believes that the Group has sufficient working capital to continue as a going concern for 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 measured at the lower of the carrying amount and the fair value less cost to disposal on the date of classification. Provision for asset impairment is provided in accordance with related regulations.

1.2 Statement of compliance with the CAS

The financial statements have been prepared in accordance with the CAS, and presented truly and completely the financial position of the Company and the Group as of 30 June 2018, and the results of their operations and their cash flows for the six months ended 30 June 2018.

1.3 Changes in accounting policies

In 2017, the Ministry of Finance has promulgated the revised "Accounting Standard for Business Enterprises No. 14 – Revenue" ("New Revenue Standard"), "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", "Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets", "Accounting Standard for Business Enterprises No. 24 – Hedging" and "Accounting Standard for Business Enterprises No. 37 – Presentation of Financial Instruments" (collectively as " New Financial Instruments Standards"). The Group has adopted the above revised accounting standards from 1 January 2018, and according to the transitional requirements, the comparative information is not restated. The difference generated from the initial adoption would retrospectively adjust the opening balance of retained earnings or other comprehensive income as at 1 January 2018.

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.

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 "forward-looking 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.

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

	Under original accounting standards	Changes in accounting policies		Under new accounting standards
	31 December 2017	Reclassification	Remeasurement	1 January 2018
Assets				
Financial assets at fair value through profit or loss	1,546,139,404	(1,546,139,404)	–	–
Financial assets held for trading	–	1,546,139,404	–	1,546,139,404
Notes and trade receivable	9,341,614,275	–	(9,861,282)	9,331,752,993
Other receivables	285,228,074	–	(15,693,097)	269,534,977
Financial assets purchased under agreements to resell	1,204,603,000	–	(6,523)	1,204,596,477
Loans and advances to customers	1,251,315,253	–	(2,735,732)	1,248,579,521
Held-to-maturity investments	406,082,606	(406,082,606)	–	–
Debt instrument investments	–	1,390,528,606	6,948,601	1,397,477,207
Available-for-sale financial assets	1,111,168,160	(1,111,168,160)	–	–
Other equity instruments investments *(Note)*	–	126,722,160	36,653,752	163,375,912
Deferred tax assets	478,235,280	–	(1,783,951)	476,451,329
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
Contingent liabilities (loan commitment)	–	–	203,555	203,555
Deferred tax liabilities	26,841,665	–	9,163,438	36,005,103
Shareholders' equity				
Other comprehensive income	(124,156,060)	–	32,360,498	(91,795,562)
Retained earnings	3,643,443,763	–	(20,317,968)	3,623,125,795
Equity attributable to owners of the parent	23,895,739,812	–	12,042,530	23,907,782,342
Non-controlling interests	3,341,524,501	–	(7,887,756)	3,333,636,745
Total shareholders' equity	27,237,264,313	–	4,154,774	27,241,419,087

The Company

	Under original accounting standards 31 December 2017	Changes in accounting policies Reclassification	Remeasurement	Under new accounting standards 1 January 2018
Assets				
Financial assets at fair value through profit or loss	62,721,800	(62,721,800)	–	–
Financial assets held for trading	–	62,721,800	–	62,721,800
Notes and trade receivable	10,170,482,595	–	–	10,170,482,595
Other receivables	7,740,789,448	–	–	7,740,789,448
Available-for-sale financial assets	126,722,160	(126,722,160)	–	–
Other equity instruments investments *(Note)*	–	126,722,160	36,653,752	163,375,912
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 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" 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.

2. SCOPE OF FINANCIAL STATEMENTS CONSOLIDATION

2.1 Change in the scope of consolidation

2.1.1 Disposal of a subsidiary

	Place of registration	Business nature	Total equity interests ratio that the Group holds	Total voting right ratio that the Group holds	Reason for not being a subsidiary any longer
Masteel Shanghai Trading Co., Ltd. ("Masteel Shanghai Trading")	Shanghai, PRC	Trading	100%	100%	*Note*

Note: On 7 September 2017, Shanghai Baoan District People's Court issued civil ruling ([2017] No.Hu 0113Po2-1) 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 all 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 include it into the consolidation scope thereafter.

The financial information of Masteel Shanghai Trading at the disposal date is as follows:

	Carrying amount as at 27 February 2018
Current assets	521,926
Non-current assets	–
Current liabilities	(174,145,988)
Non-current liabilities	–
	(173,624,062)
Non-controlling interests	–
Disposal gains	173,624,062
Consideration	–

	From 1 January 2018 to 27 February 2018
Revenue	–
Cost of sales	–
Net profit	–

2.1.3 Newly established subsidiary

For the six months ended 30 June 2018, the Company established the following subsidiary, and included them in the scope of consolidation since then.

	Date of establishment	**Registered capital**	**Percentage of equity**	**Investment form**	**Capital paid as of the period end**
Maanshan Meite Metallurgical Power Technology Co., Ltd. ("Meite Metallurgical Power") *(Note 1)*	March 2018	RMB500,000	100%	Cash	RMB500,000
Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy") *(Note 2)*	March 2018	RMB600,000,000	100%	Cash and non-cash assets	RMB600,000,000

Note 1: The Company invested RMB500,000 in cash to establish a wholly-owned subsidiary, Meite Metallurgical Power.

Note 2: The Company contributed RMB260,514,040 in cash, and invested in 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 results provided by the third party evaluation agency, the evaluation value of the plant and buildings was 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 evaluation value of the land use rights was RMB133,015,100 with an evaluation appreciation amounting to RMB96,446,699 at the evaluation date of 26 June 2018 and VAT amounting to RMB13,301,510. The total investment in cash and non-cash assets amounted to RMB600 million.

3. OPERATING SEGMENT INFORMATION

Operating segment

The Group divides the operation services into two operating segments which are determined based on the internal organisation structure, management requirements and internal reporting system:

- Production and sale of iron and steel products and related by-products: the Company and subsidiaries except for Masteel Group Financial Co., Ltd.

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

The Group did not consider financial service as individual reportable segments, as Masteel Financial Co., Ltd. mainly offers financial service to internal companies. Therefore, the Group focuses on the production and sale of iron and steel products and by-products, and it is unnecessary for the Group to disclose more detailed information.

Other information

Product and service information

External principal operating income

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Sale of steel products	**36,551,400,095**	32,685,470,879
Sale of steel billets and pig iron	**1,028,012,810**	982,818,293
Sale of coke by-products	**210,461,744**	210,793,879
Others	**1,706,987,771**	850,778,575
	39,496,862,420	34,729,861,626

Geographical information

External principal operating income

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Mainland China	**36,868,881,304**	32,372,797,968
Overseas	**2,627,981,116**	2,357,063,658
	39,496,862,420	34,729,861,626

Total non-current assets

	30 June 2018	31 December 2017
	Unaudited	Audited
Mainland China	**37,250,118,771**	38,072,610,336
Overseas	**318,299,750**	330,183,194
	37,568,418,521	38,402,793,530

The non-current asset information above is based on the locations of assets and excludes financial assets and deferred tax assets.

Major customer information

The Group has not placed reliance on any single external customer which accounted for 10% or more of its total revenue.

4. NOTES AND TRADE RECEIVABLE

	30 June 2018	31 December 2017
	Unaudited	Audited
Notes receivable	**6,805,738,623**	8,375,166,683
Trade receivable	**1,183,198,528**	1,014,120,802
	7,988,937,151	9,389,287,485
Less: Provisions for bad debts	**71,828,927**	47,673,210
	7,917,108,224	9,341,614,275

Notes Receivable

	30 June 2018	31 December 2017
	Unaudited	Audited
Bank acceptance notes	**6,800,538,623**	8,369,466,683
Commercial acceptance notes	**5,200,000**	5,700,000
	6,805,738,623	8,375,166,683

The pledged notes receivable were as follows:

	30 June 2018	31 December 2017
	Unaudited	Audited
Bank acceptance notes	**774,389,336**	–

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

	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Derecognised	**Not derecognised**	Derecognised	Not derecognised
Bank acceptance notes	**7,591,140,954**	**222,902,072**	4,778,024,515	53,676,353

As of 30 June 2018 and 31 December 2017, there were 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:

	30 June 2018 Unaudited	31 December 2017 Audited
Within one year	**1,062,939,322**	915,981,378
One to two years	**55,173,112**	50,266,296
Two to three years	**17,564,201**	8,034,401
Over three years	**47,521,893**	39,838,727
	1,183,198,528	1,014,120,802
Less: Provisions for bad debts	**71,828,927**	47,673,210
	1,111,369,601	966,447,592

5. PREPAYMENTS

Aging analysis of the prepayments is as follows:

	30 June 2018 (Unaudited)		31 December 2017 (Audited)	
	Book value	**Ratio** *(%)*	Book value	Ratio *(%)*
Within one year	**601,100,684**	**97**	729,997,738	97
One to two years	**5,084,367**	**1**	6,785,513	1
Two to three years	**1,060,733**	**–**	2,301,075	–
Over three years	**11,156,582**	**2**	11,734,505	2
	618,402,366	**100**	750,818,831	100

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

6. NOTES AND TRADE PAYABLE

	30 June 2018 Unaudited	31 December 2017 Audited
Notes payable		
Bank acceptance notes	**2,296,258,193**	4,724,648,470
Commercial acceptance notes	**29,500,000**	85,200,000
Trade payable	**6,364,696,847**	6,968,534,360
	8,690,455,040	11,778,382,830

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.

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

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

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

7. DIVIDENDS

According to the "2017 Annual Profit Distribution Plan" as approved by the Company's 2017 Annual General Meeting of Shareholders on 28 June 2018, the Company will distribute cash dividends of RMB0.165 per share (tax included), totaling to RMB1,270,612,396 based on 7,700,681,186 shares in issue, to all shareholders. As at 30 June 2018, the 2017 dividends had not been paid to the shareholders of the Company.

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 shareholders, which is subject to the approval by the shareholders' meeting of the Company.

8. REVENUE AND COST OF SALES

	For the six months ended 30 June			
	2018 (Unaudited)		2017 (Unaudited)	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Principal operating income	**39,496,862,420**	**33,340,407,278**	34,729,861,626	30,883,831,678
Other operating income	**566,179,023**	**661,943,449**	457,718,014	424,788,462
	40,063,041,443	**34,002,350,727**	35,187,579,640	31,308,620,140

Revenue is presented as follows:

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Sale of products	**39,924,210,183**	35,065,320,571
Rendering service	**73,179,076**	73,047,146
Others	**65,652,184**	49,211,923
	40,063,041,443	35,187,579,640

	For the six months ended 30 June 2018 (Unaudited)		
OPERATING SEGMENT	**Steel products and their by-products**	**Others**	**Total**
Major operating region			
Mainland China	**36,868,881,304**	**566,179,023**	**37,435,060,327**
Overseas	**2,627,981,116**	**–**	**2,627,981,116**
	39,496,862,420	**566,179,023**	**40,063,041,443**
Type of major products			
Sale of steel products	**36,551,400,095**	**–**	**36,551,400,095**
Sale of steel billets and pig iron	**1,028,012,810**	**–**	**1,028,012,810**
Sale of coke by-products	**210,461,744**	**–**	**210,461,744**
Others	**1,706,987,771**	**566,179,023**	**2,273,166,794**
	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**
Services provided over time	**–**	**138,831,260**	**138,831,260**
	39,496,862,420	**566,179,023**	**40,063,041,443**

9. FINANCIAL EXPENSES

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Interest expenses *(Note)*	**476,375,706**	475,699,142
Less: Interest income	**17,490,196**	17,007,814
Less: Capitalised interest	**–**	–
Exchange loss	**93,720,882**	53,884,246
Others	**22,178,935**	15,631,808
	574,785,327	528,207,382

Note: The Group's interest expenses included interest on bank loans, other loans, corporate bonds, MTN (Medium-term Note) and short-term commercial paper.

10. NON-OPERATING INCOME

	For the six months ended 30 June		Included in non-recurring gains and losses of the six months ended 30 June 2018
	2018	2017	
	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**

11. NON-OPERATING EXPENSES

	For the six months ended 30 June		Included in non-recurring gains and losses of the six months ended 30 June 2018
	2018	2017	
	Unaudited	Unaudited	**Unaudited**
Charity donation	**245,350**	173,950	**245,350**
Penalty	**1,409,769**	13,610	**1,409,769**
Compensation for sales	**–**	6,811,267	**–**
Others	**1,259,915**	589,178	**1,259,915**
	2,915,034	7,588,005	**2,915,034**

12. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Mainland China:		
Current income tax expense	**352,431,459**	264,181,195
Hong Kong current income tax expense	**173,230**	55,603
Overseas current income tax expense	**21,423,667**	11,441,919
Deferred tax expense	**(27,988,580)**	62,240,454
	346,039,776	337,919,171

Reconciliation between income tax expense and profit before tax is as follows:

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Profit before tax	**4,202,285,059**	2,242,052,969
Tax at the applicable tax rate of 25% *(Note)*	**1,050,571,265**	560,513,242
Effect of different tax rates of subsidiaries	**(9,203,354)**	(4,830,217)
Non-deductible expenses	**45,610,738**	44,992,901
Adjustments in respect of current tax of previous periods	**1,256,455**	10,803
Other tax preference	**(46,971,739)**	(9,357,749)
Income not subject to tax	**(5,469,750)**	(1,337,348)
Unrecognised deductible temporality difference and tax losses	**40,044,092**	23,553,966
Tax losses utilized	**(655,092,712)**	(215,352,279)
Share of profits and losses of joint ventures and associates	**(74,705,219)**	(60,274,148)
Income tax expense at the Group's effective tax rate	**346,039,776**	337,919,171
The Group's effective tax rate	**8.23%**	15.07%

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

13. EARNINGS PER SHARE

Basic earnings per share shall be calculated by dividing profit attributable to owners of the parent (the numerator) by the weighted average number of ordinary shares in issue (the denominator) during the period. Shares are usually included in the weighted average number of shares from the date of their issue.

The calculations of the basic and diluted earnings per share amounts are based on:

	For the six months ended 30 June	
	2018	2017
	Unaudited	Unaudited
Earnings		
Profit attributable to owners of the parent, as used in the basic/diluted earnings per share calculation	**3,428,518,933**	1,643,396,514
Number of shares		
Weighted average number of ordinary shares in issue during the period, as used in the basic/diluted earnings per share calculation	**7,700,681,186**	7,700,681,186
Earnings per share		
Basic and diluted	**44.52 cents**	21.34 cents

During the six months ended of 2018 and 2017, there was no diluted item to adjust the Group's basic earnings per share.

14. CONTINGENT EVENTS

Difference of corporate income tax

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

The Company is one of the nine companies mentioned above and used 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 has not been recovered prior year income tax differences.

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

Pending litigation

As of 30 June 2018, the Group and the Company did not have significant pending litigation.

15. 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.

Until the approval date of these financial statements, saved as above, there is no other significant event after the reporting period that need to be disclosed.

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

29 August 2018
Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include:
Executive Directors: Ding Yi, Qian Haifan, Zhang Wenyang
Non-executive Directors: Ren Tianbao
Independent Non-executive Directors: Zhang Chunxia, Zhu Shaofang, Wang Xianzhu