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 2019 INTERIM RESULTS ANNOUNCEMENT

1. IMPORTANT NOTICE

1.1 This summary of 2019 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 of the reporting period considered by the Board: None.

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 Secretary	Joint Company Secretary
Name	He Hongyun	Rebecca Chiu
Telephone	86-555-2888158/2875252	(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	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	**81,963,554,234**	76,871,999,293	6.62
Net assets attributable to owners of the parent	**26,945,085,961**	28,173,623,272	–4.36

	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	**2,973,012,782**	4,232,710,351	–29.76
Revenue	**37,026,693,821**	40,063,041,443	–7.58
Net profit attributable to owners of the parent	**1,144,660,011**	3,428,518,933	–66.61
Net profit excluding non-recurring gains or losses attributable to owners of the parent	**840,593,124**	3,056,663,763	–72.50
Return on net assets (weighted average) *(%)*	**3.98**	13.39	decreased by 9.41 percentage points
Basic earnings per share *(RMB/share)*	**0.1486**	0.4452	–66.62
Diluted earnings per share *(RMB/share)*	**0.1486**	0.4452	–66.62

2.3 Holdings of top ten shareholders

Number of ordinary shareholders by the end of the reporting period (Accounts) 218,314

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 (the "Holding")	State-owned shareholder	45.54	3,506,467,456	–	None	–
Hong Kong Securities Clearing Company (Nominees) Limited	Unknown	22.29	1,716,398,800	–	Unknown	Unknown
Hong Kong Securities Clearing Company Limited	Unknown	3.33	256,509,996	–	Unknown	Unknown
Central Huijin Investment Ltd.	State-owned shareholder	1.85	142,155,000	–	Unknown	Unknown
Agricultural Bank of China Limited – CSI 500 ETF	Unknown	0.47	35,876,749	–	Unknown	Unknown
Tibet Futongda Investment Co., Ltd.	Unknown	0.38	29,610,600	–	Unknown	Unknown
Li Xiaozhong	Unknown	0.22	16,759,455	–	Unknown	Unknown
China Merchants Securities Co., Ltd.	Unknown	0.20	15,508,890	–	Unknown	Unknown
Beijing Haoqing Fortune Investment and Management Co., Ltd. – Steady Haoqing Value No. 8 Investment Fund	Unknown	0.19	14,351,912	–	Unknown	Unknown
Wells Fargo Fund – Agricultural Bank – China Pacific Life Insurance – China Pacific Life Insurance Dividend Products (Dividends) Entrusted Investment	Unknown	0.18	13,705,500	–	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 reporting period, faced with the severe situation of falling steel prices and rapid rise in raw material prices, the Company enhanced "effectiveness and efficiency", focused on changes and breakthroughs, concentrated on value creation, comprehensively proceeded with lean operation, optimized dynamic balance and tried to alleviate the adverse effects caused by rising costs and the shortage of molten iron resources, so that the overall production remained stable, but the operating performance declined as compared with the same period of last year.

During the reporting period, the Group produced 8.74 million tonnes of pig iron, 9.48 million tonnes of crude steel and 8.91 million tonnes of steel, down by 4.69%, 5.11% and 6.41% respectively as compared with the same period of last year, primarily due to a decrease in the production capacity of pig iron and crude steel in the reporting period as a result of the Company's permanent shutdown of two 420-cubic-meter blast furnaces in April 2018 and two 40-tonne converters in October 2018 as well as the overhaul of a 2,500-cubic-meter blast furnace from January to February this year. The Group's revenue amounted to approximately RMB37.027 billion, representing a decrease of 7.58%, primarily due to the decrease in steel sales volume and prices of the Company during the reporting period. Net profit attributable to owners of the parent was approximately RMB1.145 billion, representing a decrease of 66.61%, primarily due to the decrease in revenue and the increase in the costs of some raw materials of the Company during the reporting period.

During the reporting period, the Company's principal activities included:

- Comprehensively built lean plants so that the system's coordinated production was stable. With a focus on the overall requirements for "zero as target, creation and cultivating people, sustainable improvement, building and sharing together", the Company continued to "pilot units take the lead, share their experience with other units and achieve mutual promotion" for gradually improving the promotion system. It formulated a work plan for building lean plants, refined the measures for implementing this plan, integrated the general ironmaking plant and established a sound, new iron-making, steel making and rolling production model after capacity reduction. Major technical and economic indicators improved in the first half year. For example, the comprehensive energy consumption per tonne of steel decreased by 3.6 kgce/t as compared with last year, the overall efficiency of equipment increased by 2.54 percentage points compared with the same period of last year, and the proportion of unscheduled materials decreased by 1.65 percentage points compared with the same period of last year.

- Steadily increased the assured capacity of supply chain. The Company continuously enhanced its market research and transformation capabilities, adjusted its procurement strategy in a timely manner and proactively dealt with various adverse factors such as Vale's dam break in Brazil and hurricanes in Australia, optimized the proportion of procurement of ore traded under long-term contracts and spot ore, and ensured the safety of supply chain for raw materials and fuel.

- Continuously improved the marketing system and sped up the market response. The Company continued to optimize customer channels so that the direct supply ratio increased by 5 percentage points year-on-year to 63.4%. APQP and EVI service models were further improved to continuously enhance customer satisfaction. In the first half of the year, the Group sold a total of 8.87 million tonnes of steel products, including 4.36 million tonnes of long steel products, 4.4 million tonnes of plates and 0.11 million tons of wheels and axles.

- Continuously optimized product mix. The Company carried out its operation based on the principle of maximizing efficiency, committed more resources to the production lines and products with strong profitability, and aggressively carried out product certification. In the first half of the year, the proportion of specialty steel was 56.5%, up 2.5 percentage points compared with the same period of last year; sales volume of auto sheets was approximately 1.39 million tonnes, down 2.1% compared with the same period of last year, which was 13.1 percentage points lower than the decline in nationwide automobile production during the same period. 22 steel grades were certified by various main engine plants such as SAIC Volkswagen, SAIC-GM, Dongfeng Peugeot-Citroën, Dongfeng Trucks and CRCC.

- Aimed at high-end technological innovation. The Company intensively carried out the "base+" technology innovation model, collaborated with Tsinghua University on establishing a joint research center for iron-based new materials, and collaborated with the University of Science and Technology Beijing, and Shanghai Baosight Software Co., Ltd. on implementing 43 smart manufacturing projects. The establishment of the National and Local Joint Engineering Research Center for Advanced Manufacturing Technology for Key Components of Rail Transit was approved by the National Development and Reform Commission.

3.1.2 The environment for production and operation and coping strategies

The international situation will remain complex and volatile in the second half of the year. Both the International Monetary Fund and the World Bank have lowered their global economic growth projections for 2019. With increased downside pressure on the Chinese domestic economy, China will continue to stick to the general tone of seeking progress while maintaining stability, and apply a proactive fiscal policy and a prudent monetary policy.

The iron and steel industry is encountering various issues such as the arduous task of consolidating the achievements of capacity reduction, high prices of raw materials and environmental protection. Guided by the "differentiated management and control" policy of rewarding the good and punishing the bad, the iron and steel industry will improve its weakness in various areas such as energy conservation, environmental protection and intelligent manufacturing so as to boost green development and promote high quality development.

Guided by various national strategies, the Company will continue to create "effectiveness and efficiency", focus on breakthroughs and changes, concentrate on value creation, conform to the general trend, strengthen coordination and constantly carry out high quality development. The Company will accomplish the following tasks primarily:

Firstly, by learning from advanced strategic thinking, development concepts and management experience, the Company will adapt to changes in the situation, plan ahead, strengthen the coordination of related factors and enhance development potential;

Secondly, the Company will focus on improving the safety culture of each position, strengthen the safety management of relevant parties, accelerate the implementation of the "blue sky, clear water and clean soil" projects, and continue to build itself into an enterprise which is intrinsically safe and environmental friendly;

Thirdly, the Company will accelerate the construction of various key projects such as Heavy-duty H-beam Project, Environmental Upgrade and Intelligent Renovation Project for Magang's raw materials store yard, as well as wires and bars deep processing projects for the parts used in high-end automobiles and rail transit, and carry out its quality and intelligent strategy;

Fourthly, the Company will strengthen the operation of the markets on both ends, analyze markets accurately, optimize procurement strategies, expand sales channels and step up the management of customer relationship;

Fifthly, the Company will raise system's economic operation level, ensure the long-term stable and smooth operation of the pre-iron making process, have the post-steel making process guided by marginal benefits, and coordinate efficient production and structural adjustment;

Sixthly, the Company will build lean plants intensively, optimize top-level design, strengthen process control, carry out all-staff improvement and focus on an approach guided by typical examples.

3.1.3 Financial position and exchange rate risks

As of 30 June 2019, the total loans of the Group amounted to RMB15,368 million, including short-term loans of RMB10,987 million and long-term loans of RMB4,381 million. Among loans of the Group, there were loans amounting to US$404 million (of which US$353 million was import deposit) and Euro 5 million, and all other loans were denominated in Renminbi. Among the Renminbi-denominated loans of the Group, loans amounting to RMB7,112 million carried fixed interest rates and loans amounting to RMB5,438 million carried floating interest rates. Among the foreign currency loans, loans amounting to US$393 million carried fixed interest rates and US$11 million carried floating interest rates. Euro denominated loans all carried fixed interest rates.

The short-term commercial paper totaling RMB1 billion issued in June 2018 dued with payment completed in June 2019. 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 the end of the reporting period, the Group's asset-liability ratio was 62.78%, representing an increase of 4.40 percentage points as compared with 58.38% at the end of 2018.

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 RMB48,600 million, of which RMB24,545 million was unutilized.

As of 30 June 2019, the Group's cash and bank balances amounted to RMB9,046 million and notes receivable amounted to RMB9,996 million, the majority of which derived from sales proceeds.

In response to US dollar borrowings, the Group hedges the adverse effects of exchange rate changes by reasonably controlling the size of US dollar assets and US dollar interest-bearing liabilities; and properly solidifies the total cost of US dollar financing by timely conducting forward foreign exchange transactions. In addition, 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	37,026,693,821	40,063,041,443	–7.58
Cost of sales	33,672,424,605	34,002,350,727	–0.97
Selling expenses	431,513,432	465,095,326	–7.22
General and administrative expenses	711,335,104	698,585,993	1.82
Financial expenses	390,006,931	574,785,327	–32.15
R&D expenses	354,535,705	381,791,868	–7.14
Net profit attributable to owners of the parent	1,144,660,011	3,428,518,933	–66.61

- The revenue decreased by 7.58% compared with the same period of last year, mainly due to the decrease in steel sales price and sales volume in the current period.

- The cost of sales decreased by 0.97% compared with the same period of last year, mainly due to the increase in procurement price of raw materials and fuels, and meantime the decrease in sales volume in the current period.

- The selling expenses decreased by 7.22% compared with the same period of last year, mainly due to the decrease in transportation costs in the current period.

- The general and administrative expenses increased by 1.82% compared with the same period of last year, mainly due to the increase in salary and office expenses in the current period.

- The financial expenses decreased by 32.15% compared with the same period of last year, mainly due to the increase in interest income and decrease in foreign exchange loss in the current period.

- The R&D expenses decreased by 7.14% compared with the same period of last year, mainly due to the decrease in new product development volume in the current period and the reduction in expendable equipment expenses.

- The net profit attributable to owners of the parent decreased by 66.61% compared with the same period of last year, mainly due to the decrease in the gross margin of the steel products resulted from the decrease in steel sales volume and price and the increase in procurement price of certain raw materials and fuels 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 economic activities of the Company. 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, financial risks and 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 Audit Committee reviewed the 2018 internal audit work report of the Company on 23 January 2019, and agreed the internal audit work arrangements for 2019 and submitted it to the Board for consideration.

The Board reviewed and approved the "2018 Internal Control Assessment Report" on 21 March 2019. The report confirms that the Company implemented an effective internal control 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 2018 who has 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 "2018 Risk Supervision and Evaluation Report" by the Board of Directors was made on 21 March 2019, confirming that the Company took appropriate control measures for strategic risks, financial risks, market risks, operational risks, legal risks and environmental risks, etc. in 2018 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

For the first three quarters of 2018, the net profit attributable to owners of the parent of the Group was RMB5.584 billion. In the first half of 2019, the net profit attributable to owners of the parent of the Group was RMB1.145 billion. At present, although the price rise of iron ore slowed down, the main raw materials prices are still high. The Company's production and operation are under pressure. Accordingly, it is expected that net profit of the Company for the period starting from the beginning of the year to the end of the next reporting period would possibly has significant decrease compared to the same period of last year.

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 2019, 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 12 June 2019, approved by the 21st meeting of the 9th Board of Directors of the Company, the Company established Masteel Hongfei Electricity Power Co., Ltd. ("Masteel Hongfei") together with Anhui Hongfei New Energy Technology Co., Ltd. and Feimazhike Automation and Information Technology Co., Ltd., which is a subsidiary of the Holding. The registered capital of Masteel Hongfei is RMB100 million and the Company holds 51% of its equity interest. As of 30 June 2019, Masteel Hongfei has completed its registration, but the Company has not yet injected capital to it. The Group has consolidated Masteel Hongfei since the date of its establishment.

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. All members of the Audit Committee, including independent directors Ms. Zhu Shaofang, Ms. Zhang Chunxia and Mr. Wang Xianzhu, attended all meetings. Main agenda of the meetings were: Review of 2018 internal audit work report, review of 2018 audited financial report, hearing of 2018 internal control work report, review of 2018 internal control evaluation report, review of audit summary on the 2018 annual audit work by accounting firm, review of 2018 remuneration and renewal of engagement with auditors and review of unaudited financial report of the first quarter of 2019, 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 2019

Renminbi Yuan

ASSETS	*Notes*	**30 June 2019 Group Unaudited**	31 December 2018 Group Audited	**30 June 2019 Company Unaudited**	31 December 2018 Company Audited
CURRENT ASSETS					
Cash and bank balances		**9,045,908,246**	9,762,844,718	**5,715,490,493**	5,993,538,669
Financial assets held for trading		**2,013,174,319**	2,084,414,075	**14,466,511**	–
Trade receivables	*4*	**1,237,844,195**	1,121,768,976	**2,235,767,272**	2,460,866,900
Financing receivables	*5*	**9,996,373,810**	4,970,113,847	**8,608,605,466**	4,692,435,408
Prepayments	*6*	**649,466,090**	712,340,548	**709,660,725**	997,856,384
Other receivables		**252,101,927**	147,965,534	**206,396,136**	63,844,132
Inventories		**11,515,468,174**	11,053,918,748	**7,980,285,732**	7,108,599,357
Financial assets purchased under agreements to resell		**199,454,377**	2,432,279,109	**–**	–
Loans and advances to customers		**5,703,566,034**	2,845,298,103	**–**	–
Non-current assets due within one year		**51,302,205**	101,201,184	**–**	–
Other current assets		**2,887,172,154**	3,173,122,975	**304,232,960**	272,152,842
Total current assets		**43,551,831,531**	38,405,267,817	**25,774,905,295**	21,589,293,692
NON-CURRENT ASSETS					
Long-term equity investments		**3,007,031,216**	2,809,063,381	**9,836,057,414**	10,146,271,956
Other equity instruments investments		**264,667,164**	263,122,364	**264,667,164**	263,122,364
Investment properties		**65,617,636**	55,804,755	**65,417,522**	55,593,723
Property, plant and equipment		**30,696,182,408**	31,545,176,835	**23,355,131,718**	23,828,190,594
Construction in progress		**1,829,563,471**	1,662,672,077	**1,550,933,890**	1,382,508,379
Right-of-use asset		**431,128,508**	–	**378,826,617**	–
Intangible assets		**1,860,731,274**	1,855,265,330	**971,735,096**	987,387,010
Deferred tax assets		**256,801,026**	275,626,734	**167,084,024**	192,801,687
Total non-current assets		**38,411,722,703**	38,466,731,476	**36,589,853,445**	36,855,875,713
TOTAL ASSETS		**81,963,554,234**	76,871,999,293	**62,364,758,740**	58,445,169,405

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

As at 30 June 2019
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	*Notes*	**30 June 2019 Group Unaudited**	31 December 2018 Group Audited	**30 June 2019 Company Unaudited**	31 December 2018 Company Audited
CURRENT LIABILITIES					
Deposits and balances from banks and other financial institutions		**500,213,889**	900,366,111	**–**	–
Customer deposits		**7,746,869,667**	4,915,309,311	**–**	–
Repurchase agreements		**1,285,032,037**	1,133,772,377	**–**	–
Short-term loans	*7*	**10,986,627,110**	10,917,293,181	**7,580,574,050**	6,570,000,000
Financial liabilities held for trading		**–**	8,012,670	**–**	8,012,670
Notes payable		**6,998,754,849**	2,638,271,437	**5,110,343,475**	1,022,148,850
Trade payable	*8*	**7,445,083,046**	7,703,736,542	**9,831,446,901**	10,288,909,379
Advances from customers		**3,676,458,851**	3,572,594,400	**2,395,144,578**	2,382,469,502
Payroll and employee benefits payable		**390,845,491**	563,642,908	**289,758,783**	428,093,317
Taxes payable		**609,957,899**	1,325,517,987	**300,526,839**	479,009,037
Other payables		**5,306,673,942**	3,530,746,914	**4,944,788,204**	2,967,729,141
Non-current liabilities due within one year		**1,636,709,676**	1,470,868,462	**2,363,053,017**	1,345,513,152
Contingent liabilities		**30,290,993**	29,997,521	**–**	–
Other current liabilities		**–**	1,026,897,260	**–**	1,026,897,260
Total current liabilities		**46,613,517,450**	39,737,027,081	**32,815,635,847**	26,518,782,308
NON-CURRENT LIABILITIES					
Long-term loans	*9*	**2,890,868,796**	3,596,387,552	**4,890,868,796**	6,296,387,552
Lease liabilities		**419,478,118**	–	**370,339,861**	–
Long-term employee benefits payable		**143,217,190**	157,371,474	**116,858,609**	130,803,630
Deferred revenue		**1,368,917,400**	1,364,795,555	**707,096,637**	721,934,242
Deferred tax liabilities		**22,783,318**	24,066,311	**–**	–
Total non-current liabilities		**4,845,264,822**	5,142,620,892	**6,085,163,903**	7,149,125,424
Total liabilities		**51,458,782,272**	44,879,647,973	**38,900,799,750**	33,667,907,732
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		**(114,881,624)**	(112,702,163)	**14,730,780**	12,906,467
Special reserve		**47,230,430**	31,037,123	**27,207,591**	9,496,082
Surplus reserve		**4,571,901,256**	4,571,901,256	**3,735,114,669**	3,735,114,669
General reserve		**224,841,404**	224,841,404	**–**	–
Retained earning		**6,163,026,117**	7,405,577,274	**3,628,207,287**	4,961,045,792
Equity attributable to owners of the parent		**26,945,085,961**	28,173,623,272	**23,463,958,990**	24,777,261,673
Non-controlling interests		**3,559,686,001**	3,818,728,048	**–**	–
Total shareholders' equity		**30,504,771,962**	31,992,351,320	**23,463,958,990**	24,777,261,673
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**81,963,554,234**	76,871,999,293	**62,364,758,740**	58,445,169,405

CONSOLIDATED AND COMPANY'S INCOME STATEMENT

For the six months ended 30 June 2019

Renminbi Yuan

	Notes	**For the six months ended 30 June**		**For the six months ended 30 June**	
		2019	2018	**2019**	2018
		Group	Group	**Company**	Company
		Unaudited	Unaudited	**Unaudited**	Unaudited
Revenue	*12*	**37,026,693,821**	40,063,041,443	**30,129,367,348**	33,692,258,610
Less: Cost of sales	*12*	**33,672,424,605**	34,002,350,727	**28,182,436,294**	29,566,665,372
Taxes and surcharges		**281,198,990**	399,818,296	**207,179,728**	305,999,623
Selling expenses		**431,513,432**	465,095,326	**181,424,163**	220,187,402
General and administrative expenses		**711,335,104**	698,585,993	**508,793,639**	478,033,907
R&D expenses		**354,535,705**	381,791,868	**305,314,452**	375,773,915
Financial expenses	*13*	**390,006,931**	574,785,327	**329,234,762**	496,798,257
including: interest expense		**415,505,618**	476,375,706	**358,986,995**	415,614,854
interest income		**51,850,462**	17,490,196	**54,012,992**	31,785,576
Add: Other income		**48,434,334**	44,152,109	**38,452,855**	33,003,460
Investment income		**410,893,019**	560,777,607	**1,147,520,945**	931,980,371
including: share of profits of associates and joint ventures		**311,705,507**	298,820,874	**301,512,152**	298,163,206
(Loss)/gain on the changes in fair value		**26,280,702**	(8,960,465)	**12,493,247**	(9,981,140)
Credit impairment losses		**(43,977,242)**	(22,658,394)	**16,643,156**	(3,062,918)
Assets impairment losses		**(241,775,610)**	(57,950,358)	**(726,383,165)**	(53,372,164)
(Loss)/gain from disposal of assets		**(936,915)**	52,603,426	**(191,167)**	256,779,130
Operating profit		**1,384,597,342**	4,108,577,831	**903,520,181**	3,404,146,873
Add: Non-operating income	*14*	**274,306,453**	96,622,262	**176,255,495**	96,124,755
Less: Non-operating expenses	*15*	**1,610,123**	2,915,034	**71,550**	1,011,864
Profit before tax		**1,657,293,672**	4,202,285,059	**1,079,704,126**	3,499,259,764
Less: Income tax expense	*16*	**239,613,971**	346,039,776	**25,331,463**	10,689,929
Net profit		**1,417,679,701**	3,856,245,283	**1,054,372,663**	3,488,569,835
Categorized by operation continuity					
Net profit from continuing operations		**1,417,679,701**	3,856,245,283	**1,054,372,663**	3,488,569,835
Categorized by ownership:					
Net profit attribute to owners of the parent		**1,144,660,011**	3,428,518,933		
Net profit attribute to non-controlling interests		**273,019,690**	427,726,350		

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2019

Renminbi Yuan

	Notes	For the six months ended 30 June **2019** **Group** **Unaudited**	 2018 Group Unaudited	For the six months ended 30 June **2019** **Company** **Unaudited**	 2018 Company Unaudited
Other comprehensive income, net of tax		**(2,179,461)**	(29,059,186)	**1,824,313**	(15,964,250)
Other comprehensive income attributable to owners of the parent, net of tax		**(2,179,461)**	(29,059,186)		
Other comprehensive income that could not be reclassified to profit or loss:		**1,158,600**	(15,964,250)	**1,158,600**	(15,964,250)
Changes in fair value of other equity instruments investments		**1,158,600**	(15,964,250)	**1,158,600**	(15,964,250)
Other comprehensive income to be reclassified to profit or loss:		**(3,338,061)**	(13,094,936)	**665,713**	–
Other comprehensive income that can be reclassified to profit or loss in equity method		**665,713**	–	**665,713**	–
Exchange differences on translation of foreign operations		**(4,003,774)**	(13,094,936)	**–**	–
Other comprehensive income attributable to non-controlling interests, net of tax		**–**	–		
Total comprehensive income		**1,415,500,240**	3,827,186,097	**1,056,196,976**	3,472,605,585
Attributable to:					
Owners of the parent		**1,142,480,550**	3,399,459,747		
Non-controlling interests		**273,019,690**	427,726,350		
EARNINGS PER SHARE					
Basic earnings per share	*17*	**14.86 cents**	44.52 cents		
Diluted earnings per share	*17*	**14.86 cents**	44,52 cents		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

Renminbi Yuan

For the six months ended 30 June 2019 (unaudited)

	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 shareholders' equity
1. Balance at the end of previous year	7,700,681,186	8,352,287,192	(112,702,163)	31,037,123	4,571,901,256	224,841,404	7,405,577,274	28,173,623,272	3,818,728,048	31,992,351,320
Changes in accounting policies	–	–	–	–	–	–	–	–	–	–
2. Balance at the beginning of the period	7,700,681,186	8,352,287,192	(112,702,163)	31,037,123	4,571,901,256	224,841,404	7,405,577,274	28,173,623,272	3,818,728,048	31,992,351,320
3. Increase/(decrease) during the period										
1) Total comprehensive income	–	–	(2,179,461)	–	–	–	1,144,660,011	1,142,480,550	273,019,690	1,415,500,240
2) Capital invested/withdrawn by shareholders										
(i) Capital invested by shareholders	–	–	–	–	–	–	–	–	9,375,000	9,375,000
3) Profits appropriation										
(i) Transfer to surplus reserve	–	–	–	–	–	–	–	–	–	–
(ii) Transfer to general reserve	–	–	–	–	–	–	–	–	–	–
(iii) Distribution to shareholders	–	–	–	–	–	–	(2,387,211,168)	(2,387,211,168)	(539,403,388)	(2,926,614,556)
4) Special reserve										
(i) Additions	–	–	–	36,827,317	–	–	–	36,827,317	7,121,553	43,948,870
(ii) Utilisation	–	–	–	(24,228,524)	–	–	–	(24,228,524)	(9,154,902)	(33,383,426)
(iii) Changes in the share of associates and joint ventures' special reserve, net	–	–	–	3,594,514	–	–	–	3,594,514	–	3,594,514
4. Balance at the end of the period	7,700,681,186	8,352,287,192	(114,881,624)	47,230,430	4,571,901,256	224,841,404	6,163,026,117	26,945,085,961	3,559,686,001	30,504,771,962

For the six months ended 30 June 2018 (unaudited)

	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 shareholders' equity
1. Balance at the beginning of the year	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
Changes in accounting policies	–	–	32,360,498	–	–	–	(20,317,968)	12,042,530	(7,887,756)	4,154,774
2. Balance at the beginning of the period	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. Balance at the end of the period	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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019
Renminbi Yuan

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	**38,463,652,824**	42,195,059,784
Tax refunds received	**116,620**	4,191,303
Net decrease in deposits in central bank and other financial institution	**8,703,151**	–
Net increase in repurchase agreements	**151,259,660**	705,045,294
Net decrease in financial assets purchased under agreements to resell	**2,233,558,356**	319,711,999
Net increase in customer deposits and deposits from banks and other financial institutions	**2,431,408,134**	–
Cash received for interest charges, fees and commissions	**103,886,118**	66,727,395
Cash received relating to other operating activities	**277,674,501**	176,614,437
Sub-total of cash inflows	**43,670,259,364**	43,467,350,212
Cash paid for purchases of goods and services	**(32,731,554,800)**	(32,480,242,466)
Net increase in deposits in central bank and other financial institution	**–**	(13,534,484)
Net increase in loans and advances to customers	**(2,900,254,785)**	(528,003,855)
Net decrease in customer deposits and deposits from banks and other financial institutions	**–**	(846,579,499)
Cash paid to or on behalf of employees	**(2,427,413,311)**	(2,100,937,079)
Taxes and surcharges paid	**(2,234,715,773)**	(2,683,880,257)
Cash paid for interest charges, fees and commissions	**(53,936,919)**	(31,693,385)
Cash paid relating to other operating activities	**(349,370,994)**	(549,768,836)
Sub-total of cash outflows	**(40,697,246,582)**	(39,234,639,861)
Net cash flows from operating activities	**2,973,012,782**	4,232,710,351
2. Cash flows from investing activities		
Cash received from disposal of investments	**24,461,251,512**	28,016,492,050
Cash received from investment income	**150,773,649**	250,081,329
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets	**23,140,945**	59,599,019
Cash received relating to other investing activities	**–**	5,020,164
Sub-total of cash inflows	**24,635,166,106**	28,331,192,562

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2019

Renminbi Yuan

		For the six months ended 30 June	
		2019	2018
		Unaudited	Unaudited
2.	Cash flows from investing activities (Continued)		
	Purchase of property, plant and equipment, intangible assets and other non-current assets	**(1,642,283,538)**	(1,153,850,786)
	Cash paid for investments	**(23,438,965,013)**	(29,195,716,872)
	Net cash from disposal of subsidiaries and other operating units	**–**	(37,688)
	Cash paid relating to other investing activities	**(40,515,624)**	–
	Sub-total of cash outflows	**(25,121,764,175)**	(30,349,605,346)
	Net cash flows used in investing activities	**(486,598,069)**	(2,018,412,784)
3.	Cash flows from financing activities		
	Cash received from borrowings	**5,043,044,347**	7,554,707,131
	Cash received from bond issuance	**–**	1,000,000,000
	Cash received from investors	**9,375,000**	–
	Including: capital injection from a subsidiary's non-controlling interests	**9,375,000**	–
	Cash received relating to other financing activities	**3,471,463**	–
	Sub-total of cash inflows	**5,055,890,810**	8,554,707,131
	Repayment of borrowings	**(6,457,398,006)**	(8,527,815,996)
	Cash paid for distribution of dividends or profits and for interest expenses	**(974,255,130)**	(282,298,921)
	Including: dividends or profits paid to non-controlling interests by subsidiaries	**(533,932,888)**	(2,481,210)
	Cash paid relating to other financing activities	**(203,007,190)**	–
	Sub-total of cash outflows	**(7,634,660,326)**	(8,810,114,917)
	Net cash flows used in financing activities	**(2,578,769,516)**	(255,407,786)
4.	Effect of foreign exchange rate changes on cash and cash equivalents	**4,753,512**	19,255,014
5.	Net (decrease)/increase in cash and cash equivalents	**(87,601,291)**	1,978,144,795
	Add: cash and cash equivalents at the beginning of the period	**6,934,175,776**	2,940,502,015
6.	Cash and cash equivalents at the end of the period	**6,846,574,485**	4,918,646,810

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 a going concern basis.

As of 30 June 2019, the net current liabilities of the Group amounted to RMB3,061,685,919. The directors of the Company have considered the availability of funding sources, including but not limited to an unutilized banking facilities of RMB24.5 billion as at 30 June 2019 and the expected cash inflows from the operating activities in the upcoming 12 months. The board of directors of the Company 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 board of directors of the Company continues to prepare the Group’s financial statements for the six months ended 30 June 2019 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.

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 2019, and the results of their operations and their cash flows for the six months ended 30 June 2019.

1.3 Changes in accounting policies

New Lease Standard

In 2018, the Ministry of Finance promulgated the revised “Accounting Standards for Business Enterprises No. 21 – Lease” (“New Lease Standard”). The New Lease Standard sets out a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for short-term leases and leases of low value assets which is similar with the accounting treatment under finance lease. The Group adopted the New Lease Standard using the modified retrospective method as of 1 January 2019. For contracts that existed before the initial application date, the Group will not reassess whether they were leases or contained leases, and the Group applied retrospectively with the cumulative effect of initial adoption as an adjustment to the operating balance of retained earnings as of 1 January 2019, and the comparative information for 2018 was not restated under the transitional rules. For leases before the date of initial adoption, the treatments of the Group are as follows:

(1) For finance leases before the date of the initial adoption, the Group measured right-of-use assets and lease liabilities separately according to the original book value of the finance leased assets and the lease payable;

(2) For operating leases before the date of the initial adoption, the Group recognised lease liabilities based on the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial adoption, and the Group measured the right-of-use assets at the amount of the lease lability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease;

(3) The Group had assessed the impairment of right-of-use assets and accounted for them correspondingly.

For operating leases of low value assets and short-term leases within 12 months, the Group had adopted a simplified approach and did not recognized right-of-use assets and lease liabilities. In addition, the Group had adopted the following approach for operating leases before the date of initial adoption:

(1) When measuring lease liabilities, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics and excluded the initial direct costs from the measurement of the right-of-use asset;

(2) For lease contracts that contain rights of renewal or options of termination, the Group re-determined the lease duration according to the actual excise of the rights and other updated information;

(3) As an alternative of the impairment test of right-of-use assets, the Group had accessed whether contracts with lease components were loss contracts and adjusted the right-of-use assets according to the impairment of those contracts upon the date of initial adoption;

(4) For the changes of leases before the date of initial adoption, the Group had accounted for them according to the final settlement of the changes of leases.

For the remaining minimum lease payments of significant operating leases disclosed in 2018 financial statements, the Group reconciled the present value of the remaining lease payments discounted using the incremental borrowing rate as at 1 January 2019 to the lease liabilities as at 1 January 2019 as follows:

	Unaudited
The minimum lease payment of the significant operating leases as at 31 December 2018	955,544
Plus: the incremental of minimum lease payment caused by the reasonable excise of renewal rights	692,343,252
Minimum lease payment under New Lease Standard as at 1 January 2019	693,298,796
Weighted average of incremental borrowing rate as at 1 January 2019	4.95%
Lease liabilities as at 1 January 2019 (including lease liabilities due within one year)	443,424,793

The impacts arising from adoption of New lease Standard on the balance sheet as at 1 January 2019 are as follows:

Consolidated balance sheet

	Current financial statements Unaudited	**Applying original standard Unaudited**	**Impact Unaudited**
Right-of-use assets	443,424,793	–	443,424,793
Lease liabilities	427,657,812	–	427,657,812
Lease liabilities due within one year	15,766,981	–	15,766,981

Company balance sheet

	Current financial statements Unaudited	**Applying original standard Unaudited**	**Impact Unaudited**
Right-of-use assets	388,795,738	–	388,795,738
Lease liabilities	376,644,378	–	376,644,378
Lease liabilities due within one year	12,151,360	–	12,151,360

The impacts arising from adoption of New Lease Standard on the financial statements for the six months ended 30 June 2019 are as following:

Consolidated balance sheet

	Current financial statements Unaudited	**Applying original standard Unaudited**	**Impact Unaudited**
Right-of-use assets	431,128,508	–	431,128,508
Lease liabilities	419,478,118	–	419,478,118
Lease liabilities due within one year	16,159,484	–	16,159,484

Consolidated income statement

	Current financial statements Unaudited	Applying original standard Unaudited	Impact Unaudited
Cost of sale	923,503	1,145,651	(222,148)
Selling expenses	99,828	218,514	(118,686)
General and administrative expenses	11,272,955	17,305,115	(6,032,160)
Finance expense	10,882,088	–	10,882,088

Company balance sheet

	Current financial statements Unaudited	Applying original standard Unaudited	Impact Unaudited
Right-of-use assets	378,826,617	–	378,826,617
Lease liabilities	370,339,861	–	370,339,861
Lease liabilities due within one year	12,455,225	–	12,455,225

Company income statement

	Current financial statements Unaudited	Applying original standard Unaudited	Impact Unaudited
Cost of sales	9,969,121	15,561,762	(5,592,641)
Finance expense	9,561,110	–	9,561,110

In addition, since the date of initial adoption, the Group would classify the repayment of the principle and interest of lease liabilities as cash outflows of financing activities. The repayment of short term leases and leases of low value assets, which adopted simplified approach, and variable lease payment which is not accounted as lease liabilities will still be classified as cash outflows of operating activities.

Changes 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 2019 (Caikuai [2019] No. 6), the Group divided notes and trade receivables into notes receivable and trade receivable, and notes and trade payable into notes payable and trade payable in the balance sheet. The Group also added financing receivables to present the notes and trade receivables that measured at fair valued through other comprehensive income on the balance sheet date. In the income statement, research and development expenses would reflect not only the expensed expenditure in the process of research and development but also the amortization of self-developed intangible assets that were originally included in general and administrative expenses. The Group had adjusted the comparative financial statements retrospectively. This change in accounting policy had no impact on the consolidated and company net profit and shareholders' equity.

The main impacts of retrospective adjustment caused by the above changes in accounting policy are as follows:

The Group

	The book value presented under original standard 31 December 2018 Audited	**The impact of New Lease Standard Unaudited**	**The impact of changes in financial statements format Unaudited**	**The book value presented under new standard 1 January 2019 Unaudited**
Assets:				
Accounts receivable	–	–	1,121,768,976	1,121,768,976
Financing receivables	–	–	4,970,113,847	4,970,113,847
Notes and trade receivables	6,091,882,823	–	(6,091,882,823)	–
Right-of-use assets	–	443,424,793	–	443,424,793
Liabilities:				
Notes payable	–	–	2,638,271,437	2,638,271,437
Trade payable	–	–	7,703,736,542	7,703,736,542
Notes and trade payable	10,342,007,979	–	(10,342,007,979)	–
Lease liabilities	–	427,657,812	–	427,657,812
Lease liabilities due within one year	–	15,766,981	–	15,766,981

The Company

	The book value presented under original standard 31 December 2018 Audited	The impact of New Lease Standard Unaudited	The impact of changes in financial statements format Unaudited	The book value presented under new standard 1 January 2019 Unaudited
Assets:				
Trade receivable	–	–	2,460,866,900	2,460,866,900
Financing receivables	–	–	4,692,435,408	4,692,435,408
Notes and trade receivables	7,153,302,308	–	(7,153,302,308)	–
Right-of-use assets	–	388,795,738	–	388,795,738
Liabilities:				
Notes payable	–	–	1,022,148,850	1,022,148,850
Trade payable	–	–	10,288,909,379	10,288,909,379
Notes and trade payable	11,311,058,229	–	(11,311,058,229)	–
Lease liabilities	–	376,644,378	–	376,644,378
Lease liabilities due within one year	–	12,151,360	–	12,151,360

2. SCOPE OF FINANCIAL STATEMENTS CONSOLIDATION

2.1 Newly established subsidiary

For the period ended 30 June 2019, the Company established the following subsidiary, and has included it in the scope of consolidation since then.

	Date of establishment	Registered capital	Percentage of equity	Investment form	Capital paid as of the period end
Masteel Hongfei Electricity Power Co., Ltd. *(Note)*	June 2019	RMB100,000,000	51%	Cash	RMB0

Note: On 12 June 2019, approved by the 21st meeting of the 9th Board of Directors of the Company, the Company established Masteel Hongfei Electricity Power Co., Ltd. ("Masteel Hongfei") together with Anhui Hongfei New Energy Technology Co., Ltd. and Feimazhike Automation and Information Technology Co., Ltd., which is a subsidiary of the Holding. The registered capital of Masteel Hongfei is RMB100 million and the Company holds 51% of its equity interest. As of 30 June 2019, Masteel Hongfei has completed its registration, but the Company has yet injected capital to it.

3. OPERATING SEGMENT INFORMATION

Operating segments

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

- Production and sale of iron and steel products and related by-products: the Company and its subsidiaries except for Masteel 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.

Other information

Product and service information

External principal operating income

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Sale of steel products	**33,635,909,225**	36,551,400,095
Sale of steel billets and pig iron	**1,205,907,865**	1,028,012,810
Sale of coke by-products	**–**	210,461,744
Others	**1,544,361,518**	1,706,987,771
	36,386,178,608	39,496,862,420

Geographical information

External principal operating income

	For the six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Mainland China	**33,941,755,844**	36,868,881,304
Overseas and Hong Kong	**2,444,422,764**	2,627,981,116
	36,386,178,608	39,496,862,420

Non-current assets

	30 June 2019	31 December 2018
	Unaudited	Audited
Mainland China	**37,683,333,747**	37,608,891,886
Overseas and Hong Kong	**206,920,766**	319,090,492
	37,890,254,513	37,927,982,378

The non-current assets 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.

4. TRADE RECEIVABLE

The Group's trade receivables were interest-free with normal credit terms of 30 to 90 days.

The ageing of trade receivables, based on the invoice date, is analysed below:

	30 June 2018	31 December 2018
	Unaudited	Audited
Within one year	**1,180,704,271**	1,090,345,962
One to two years	**60,319,097**	31,834,919
Two to three years	**32,734,028**	26,792,202
Over three years	**25,821,737**	45,506,589
	1,299,579,133	1,194,479,672
Less: Provisions for bad debts	**61,734,938**	72,710,696
	1,237,844,195	1,121,768,976

For the six months ended 30 June 2019, provision for bad debts was RMB397,341 (31 December 2018: RMB21,483,181), recovery or reversal of provision for bad debts was RMB11,338,052 (31 December 2018: RMB944,761).

For the six months ended 30 June 2019, there were no trade receivables that had been written off (31 December 2018: Nil).

As of 30 June 2019 and 31 December 2018, there were no trade receivables that were derecognized due to the transfer of financial assets.

As of 30 June 2019 and 31 December 2018, the Group had no assets or liabilities deriving from transferring trade receivables in which the Group is continuingly involved.

5. FINANCING RECEIVABLES

	30 June 2019	31 December 2018
	Unaudited	Audited
Bank acceptance notes	**9,996,283,810**	4,970,113,847
Commercial acceptance notes	**90,000**	–
Less: Provisions for bad debts	**–**	–
	9,996,373,810	4,970,113,847

As of 30 June 2019, the Group pledged the bank acceptance notes of RMB3,935,764,719 (31 December 2018:Nil) to issue notes payable and the bank acceptance notes of RMB3,510,090 (31 December 2018:Nil) to pledge for the short-term loan.

As of 30 June 2019, the undue notes discounted or endorsed were as follows:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Bank acceptance notes	**2,965,037,029**	**20,765,666**	7,398,304,418	159,713,509

As of 30 June 2019 and 31 December 2018, there were no trade receivables transferred from notes receivable because of the drawers' inability to pay.

The Group derecognized notes receivable discounted to financial institutions amounting to RMB2,614,424,172 (2018: RMB119,530,190), and recognized discount expense amounting to RMB28,770,570 (2018: RMB2,083,991) as financial expenses.

6. PREPAYMENTS

Ageing analysis of the prepayments is as follows:

	30 June 2019 (Unaudited)		31 December 2018 (Audited)	
	Book value	**Ratio** *(%)*	Book value	Ratio *(%)*
Within one year	**633,944,003**	**98**	696,694,164	98
One to two years	**5,257,218**	**1**	5,422,942	1
Two to three years	**177,299**	**–**	385,515	–
Over three years	**10,087,570**	**1**	9,837,927	1
	649,466,090	**100**	712,340,548	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.

7. SHORT-TERM LOANS

	30 June 2019 Unaudited	31 December 2018 Audited
Pledged loans *(Note 1)*	**3,510,090**	–
Guaranteed loans *(Note 2)*	**1,050,000,000**	950,000,000
Unsecured loans	**6,501,896,883**	6,265,000,000
Inward documentary notes and usance letter of credit	**3,431,220,137**	3,702,293,181
	10,986,627,110	10,917,293,181

Note 1: The Group obtained the bank loan of RMB3,510,090 on 30 June 2019 (31 December 2018: nil) by pledging bank acceptance notes.

Note 2: The guaranteed loans were provided by the Holding for free.

As of 30 June 2019, the interest rates of the above short-term loans ranged from 2.830% to 5.050% (31 December 2018: 2.870% to 5.050%).

As of 30 June 2019, the Group has no overdue short-term loans.

8. TRADE PAYABLE

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

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

	30 June 2019	31 December 2018
	Unaudited	Audited
Within one year	**7,339,733,961**	7,551,105,922
One to two years	**29,747,882**	39,150,817
Two to three years	**10,493,316**	22,709,232
Over three years	**65,107,887**	90,770,571
	7,445,083,046	7,703,736,542

9. LONG-TERM LOANS

	30 June 2019	31 December 2018
	Unaudited	Audited
Guaranteed loans *(Note)*	**1,336,396,688**	1,767,026,304
Unsecured loans	**3,044,154,900**	3,090,229,710
	4,380,551,588	4,857,256,014
Less: long-term loans due within one year	**1,489,682,792**	1,260,868,462
	2,890,868,796	3,596,387,552

Note: The guaranteed loans provided by the Holding for free.

As of 30 June 2019, the interest rates of the above long-term loans ranged from 1.20% to 5.94% (31 December 2018: 1.20% to 5.94%).

The analysis of long-term loan maturity date is as follows:

	30 June 2019	31 December 2018
	Unaudited	Audited
Due within one year or payable at any time	**1,489,682,792**	1,260,868,462
One to two years (inclusive)	**2,242,168,796**	2,117,187,552
Two to three years (inclusive)	**550,000,000**	1,350,000,000
Three to five years (inclusive)	**85,500,000**	50,000,000
Over five years	**13,200,000**	79,200,000
	4,380,551,588	4,857,256,014

As of 30 June 2019, the Group had no long-term loans due within one year of the pledge of the notes (31 December 2018: Nil).

10. RESTRICTED ASSETS

	30 June 2019	31 December 2018	
	Unaudited	Audited	
Cash and bank balances	**2,034,340,961**	2,005,084,942	*Note 1*
Financing receivables	**3,939,274,809**	–	*Note 2*
	5,973,615,770	2,005,084,942	

Note 1: As of 30 June 2019, the Group's restricted cash and bank balances including cash deposits as collateral amounting to RMB1,059,571,401 (31 December 2018: RMB1,021,612,231) pledged as security for trade facilities and performance for bank acceptance notes and guarantees, and mandatory reserves with the central bank of RMB974,769,560 (31 December 2018: RMB983,472,711).

Note 2: As of 30 June 2019, there was bank acceptance notes amounting to RMB3,935,764,719 (31 December 2018: Nil) pledged for receiving bank acceptance notes, and amounting to RMB3,510,090 (31 December 2018: Nil) pledged for receiving short-term loans.

11. DIVIDENDS

According to the "2018 Annual Profit Distribution Plan" approved by the Company's 2018 Annual General Meeting on 12 June 2019, the Company would distribute dividends to all shareholders at RMB0.31 per share (tax included) (2018: RMB0.215 per share), for 7,780,681,186 shares amounting to RMB2,387,211,168 (2018: RMB1,655,646,455). The dividends had not been paid as of 30 June 2019 and it was included in other payables of the financial statements.

12. REVENUE AND COST OF SALES

	For six months ended 30 June 2019 (Unaudited)		For six months ended 30 June 2018 (Unaudited)	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Principal operating income	**36,386,178,608**	**33,073,018,737**	39,496,862,420	33,340,407,278
Other operating income	**640,515,213**	**599,405,868**	566,179,023	661,943,449
	37,026,693,821	**33,672,424,605**	40,063,041,443	34,002,350,727

Revenue is presented as follows:

	For six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Sale of products	**36,821,279,888**	39,924,210,183
Rendering of services	**98,955,950**	73,179,076
Rental income	**2,680,771**	4,050,119
Others	**103,777,212**	61,602,065
	37,026,693,821	40,063,041,443

Rental income is presented as follows:

	For six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Operating lease	**2,680,771**	4,050,119

Timing of revenue recognition

	For six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Recognize at a point in time		
Sale of steel products	**34,841,817,090**	37,579,412,905
Sale of other products	**1,979,462,798**	2,344,797,278
Recognize over time		
Financial services	**103,777,212**	61,602,065
Processing	**46,009,187**	35,561,120
Packaging services	**18,021,441**	15,569,211
Rental income	**2,680,771**	4,050,119
Others	**34,925,322**	22,048,745
	37,026,693,821	40,063,041,443

Note: For sales of products, the Group satisfies a performance obligation when customer obtained the control of the relevant products, and for provide of services, the Group satisfies a performance obligation based on performance progress over the contract period. The maturity on contract payment of the Group is 30 to 90 days, without existence of significant financing component. 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 variable consideration based on the expected or the most probable value. However, the sales price including variable considerations should not exceed the amount accumulatively recognized which is not likely to be significantly reversed when the uncertainty disappears.

13. FINANCIAL EXPENSES

	For six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Interest expenses *(Note)*	**415,505,618**	476,375,706
Including: lease liabilities interest expense	**10,882,088**	–
Less: interest income	**51,850,462**	17,490,196
Less: capitalised interest	**–**	–
Exchange loss	**7,701,744**	93,720,882
Others	**18,650,031**	22,178,935
	390,006,931	574,785,327

Note: The Group's interest expenses included interest on bank loans, lease liabilities and short-term commercial paper.

Interest income is presented as follows:

	For six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Bank deposits	**51,850,462**	17,490,196

For six months ended 30 June 2019, the above interest income did not include interests generated from financial assets impairment (for six months ended 30 June 2018: Nil).

14. NON-OPERATING INCOME

	For six months ended 30 June		Included in non-recurring gains and losses for six months ended
	2019	2018	**30 June 2019**
	Unaudited	Unaudited	**Unaudited**
Government grants	**271,900,265**	93,314,943	271,900,265
Others	**2,406,188**	3,307,319	2,406,188
	274,306,453	96,622,262	274,306,453

The government grants in non-operating income are as follows:

	For six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Compensation for settlement of employees	**175,815,265**	93,102,943
Grants for reduction of overcapacity	**95,885,000**	–
Others	**200,000**	212,000
	271,900,265	93,314,943

15. NON-OPERATING EXPENSES

	For six months ended 30 June		Included in non-recurring gains and losses for six months ended
	2019	2018	**30 June 2019**
	Unaudited	Unaudited	**Unaudited**
Charity donation	**311,800**	245,350	311,800
Penalty expenditure	**1,225,770**	1,409,769	1,225,770
Others	**72,553**	1,259,915	72,553
	1,610,123	2,915,034	1,610,123

16. INCOME TAX EXPENSE

	For six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Mainland China current income tax expense	**215,832,933**	352,431,459
Hong Kong current income tax expense	**3,934,644**	173,230
Overseas current income tax expense	**2,689,879**	21,423,667
Deferred tax expense/(gain)	**17,156,515**	(27,988,580)
	239,613,971	346,039,776

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

	For six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Profit before tax	**1,657,293,672**	4,202,285,059
Tax at the applicable tax rate of 25% *(Note)*	**414,323,418**	1,050,571,265
Effect of different tax rates of subsidiaries	**(5,140,443)**	(9,203,354)
Non-deductible expenses	**29,911,164**	45,610,738
Adjustment of current tax expense of prior periods	**(9,619,042)**	1,256,455
Other tax preference	**(57,429,156)**	(46,971,739)
Income not subject to tax	**(8,707,094)**	(5,469,750)
Unrecognized deductible temporary difference and tax losses	**108,968,932**	40,044,092
Utilized previous periods' tax losses	**(20,360,277)**	(655,092,712)
Reverse of unrecognized deductible temporary difference	**(132,526,690)**	–
Share of profit or loss of joint ventures and associates	**(79,806,841)**	(74,705,219)
Tax charge at the Group's effective rate	**239,613,971**	346,039,776
The Group's effective rate	**14.46%**	8.23%

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.

17. EARNINGS PER SHARE

	For six months ended 30 June	
	2019	2018
	cent/share	*cent/share*
	Unaudited	Unaudited
Basic earnings per share		
Continuing operations	**14.86**	44.52
Diluted earnings per share		
Continuing operations	**14.86**	44.52

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 six months ended 30 June 2019 and 2018, the Company did not have any dilutive items that should adjust the basic earnings per share.

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

	For six months ended 30 June	
	2019	2018
	Unaudited	Unaudited
Earnings		
Profit attributable to owners of the parent		
Continuing operations	**1,144,660,011**	3,428,518,933
Number of shares		
Weighted average number of ordinary shares in issue during the period	**7,700,681,186**	7,700,681,186

18. 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 was one of the nine companies mentioned above and used a 15% preferential tax rate in the previous period. 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 period 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 period'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 2019, the Group and the Company did not have significant pending litigation.

19. EVENTS AFTER THE BALANCE SHEET DAY

Until the approval date of 2019 interim report, there is no significant event after the reporting period need to be disclosed by the Group or the Company.

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

29 August 2019
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