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(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 00323)

2020 INTERIM RESULTS ANNOUNCEMENT

I. IMPORTANT NOTICE

- 1.1 This interim results announcement is abstracted from the full text of the current interim report. To fully understand the business performance, financial position and future development plans of the Company, investors shall carefully read the full Interim Report published on website designated by China Securities Regulatory Commission such as the website of the Stock Exchange of Hong Kong Limited as well as 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 interim report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report.
- 1.3 All directors of the Company attended the board meeting.
- 1.4 The interim report of the Company has not been audited.
- 1.5 Profit distribution plan or plan for the capitalization of capital reserve during the reporting period proposed by the Board :

None.

II. BASIC INFORMATION OF THE COMPANY

2.1 Company Profile

Type of shares	Place of listing	Stock abbreviation	Stock code
A Shares	The Shanghai Stock Exchange	Magang Stock	600808
H Shares	The Stock Exchange of Hong Kong Limited	Maanshan Iron & Steel	00323
Contact person and methods		Secretary of the board of directors, joint company secretary	
Name		Joint Company Secretary	
Telephone	He Hongyun	Rebecca Chiu	
Office address	86-555-2888158/2875252	(852) 2155 2649	
Email address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC	Room 1204-06, 12/F, The Hong Kong Chinese Bank Building, 61-65 Des Voeux Road Central, Central, Hong Kong	
	mggf@baowugroup.com	rebeccachiu@chiuandco.com	
	mggfdms@magang.com.cn		

2.2 Major Financial Data of the Company

Unit: RMB

	At the end of the reporting period	At the end of the previous year	Increase/decrease at the end of the reporting period compared to the end of last year (%)
Total assets	80,707,266,366	86,322,043,538	-6.50
Net profit attributable to owners of the parent	27,156,308,710	26,933,162,065	0.83
	Reporting period (January to June)	Corresponding period of the previous year	Increase/decrease at the reporting period compared to the same period of last year (%)
Net cash flows from operating activities	945,746,996	2,973,012,782	-68.19
Operating income	37,429,035,554	37,026,693,821	1.09
Net profit attributable to owners of the parent	812,342,511	1,144,660,011	-29.03
Net profit excluding non-recurring gains or losses attributable to owners of the parent	565,970,393	840,593,124	-32.67
Return on net assets (weighted average) (%)	2.97	3.98	Decreased by 1.01 percentage points
Basic earnings per share (<i>RMB/ share</i>)	0.1055	0.1486	-29.00
Diluted earnings per share (<i>RMB/ share</i>)	0.1055	0.1486	-29.00

2.3 Shareholding of the top ten shareholders

Numbers of Shareholder as end of the reporting period (*unit*) 200,530

Unit: Share

Name of Shareholder	Shareholding of the top ten shareholders			No. of Shares under Restricted Condition for Sales	Pledged or Frozen Situations	
	Shareholder Nature	Percentage (%)	No. of Shares		Share Status	Number
Magang (Group) Holding Co., Limited	State-owned shareholder	45.535	3,506,467,456	–	None	–
Hong Kong Securities Clearing Company (Nominees) Limited (Note)	Unknown	22.299	1,717,139,050	–	Unknown	Unknown
Magang Group Investment Co., Ltd.	State-owned shareholder	1.958	150,772,359	–	None	–
Central Huijin Investment Ltd.	State-owned shareholder	1.846	142,155,000	–	Unknown	Unknown
Hong Kong Securities Clearing Company Ltd.	Unknown	1.041	80,152,517	–	Unknown	Unknown
China Merchants Bank Ltd. – SSE Dividend ETF	Unknown	0.660	50,799,404	–	Unknown	Unknown
China Merchants Bank Co., Ltd. – Bosera CSI State-Owned Enterprises Innovation-driven ETF	Unknown	0.422	32,502,600	–	Unknown	Unknown
Bank of China Limited – Harvest CSI State-Owned Enterprises Innovation-driven ETF	Unknown	0.295	22,732,100	–	Unknown	Unknown
Agriculture Bank of China Ltd. – CSI 500 ETF	Unknown	0.232	17,839,449	–	Unknown	Unknown
Fujian Gunxueqiu Investment Management Co., Ltd. – Fujian Zhicheng Gunxueqiu No.1	Unknown	0.222	17,063,401	–	Unknown	Unknown
Notes on the above shareholders' affiliated relation or concerted action	Magang Group Investment Co., Ltd. is a wholly-owned subsidiary of Magang (Group) Holding Co., Ltd. In addition, China Merchants Bank Ltd. – SSE Dividend ETF and China Merchants Bank Co., Ltd.– Bosera CSI State-Owned Enterprises Innovation-driven ETF were managed by the same manager. In addition, 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.					

Note : Hong Kong Securities Clearing Company (Nominees) Limited held 1,717,139,050 H Shares of the Company, which were held on behalf of its customers. Baosteel Hong Kong Investment held 896,387,958 H Shares of the Company, which is the wholly-owned subsidiary of China Baowu Steel Group, the controlling shareholder of Magang (Group) Holding Co., Ltd..

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

2.5 During the reporting period, the Company does not have any undue or overdue corporate bonds.

III. DISCUSSION AND ANALYSIS ON OPERATION

3.1 Production and operation of the Company

2020 marks the end of building a well-off society in an all-round manner and the 13th Five-year Plan, being the first full year for the Company to fully integrate into China Baowu, and is also a key year for deepening integration. In the first half of the year, facing the impact of the COVID-19 epidemic, the Company conscientiously implemented the task arrangements from the national, provincial and municipal departments and China Baowu. While putting all the efforts to prevent and control the epidemic, we, at the same time, grasped the production and management, with finding the difference from all-round benchmarking, and regarded “Surpassing Oneself, Winning the market and Pursuing excellence” as the orientation of performance to effectively achieve prevention and control of the epidemic while safeguarding steady and smooth production and operation.

During the reporting period, the Group produced 9.26 million tons of pig iron, 10.2 million tons of crude steel and 9.68 million tons of steel, respectively, up by 5.95%, 7.59% and 8.64% over the same period of last year (including 7.27 million tons of pig iron, 7.97 million tons of crude steel and 7.3 million tons of steel produced by the Company, representing a year-on-year increase of 6.70%, 7.89% and 8.61%, respectively). The operating income was RMB37.429 billion, representing a slight year-on-year increase; the net profit attributable to the shareholders of the parent Company was RMB812 million, representing a year-on-year decrease of 29.03%, mainly due to the decrease of gross profit of steel products as compared with the same period of last year. The Company’s production and operation show the following characteristics:

Firstly, the operation efficiency has been significantly improved. Facing the challenges of the COVID-19 epidemic, the Company maintained connection between production, equipment, logistics, procurement and marketing, overcame the adverse impact of the supply of raw materials and auxiliary

materials and logistics-organization difficulties of finished products delivery during the epidemic and flooding season. The blast furnaces operated stably for a long cycle, and the dominant production lines produced in large quantities. Compared with the previous year, the planned completion rate of hot metal production increased by 3.01 percentage points, the comprehensive yield rate increased by 0.6 percentage points, the incidence rate of defective or degraded plates decreased by 1.21 percentage points, the completion rate of contract increased by 3.09 percentage points, the monthly comprehensive hot charging rate in the steel-making process of the No. 4 steel making and steel rolling plant increased by 12.8 percentage points, and the monthly average hot charging rate of long products increased by 14.6 percentage points. The cumulative cost reduction of procurement collaboration was RMB229 million.

Secondly, we aligned with higher standards in an all-round way to troubleshoot. The Company adhered to the ultimate “simple, efficient, low cost, high quality” as the goal, with external benchmarking, and internal optimization, reduced costs and narrowed the gap. Aiming at industry benchmark, from the scale capacity, profitability, turnover efficiency, cost competitiveness and other dimensions, the Company established and improved the benchmarking index system and work implementation plan, and systematically promoted the benchmarking work. The main economic and technical indicators have made significant progress, with the progress rate up to 70.67% and the refresh rate up to 23.09%. Compared with the previous year, the average cost of hot metal of the Company decreased by RMB157/ton, the consumption of iron and steel materials decreased by 1.6 kg/t; the comprehensive energy consumption per ton of steel decreased by 4.7 kgce/t compared with the same period last year.

Thirdly, we promoted in-depth integration. According to the Company’s future development orientation and high-quality development requirements of “becoming stronger, better and bigger”, the Company helped China Baowu “create to become the top of the world”, carried out overall plan and design with “high technology, high market share, high efficiency, ecologization and internationalization” as the implementation path. We vigorously promoted the technical support and procurement and sales collaborative support projects with China Baowu, and determined 10 management projects and 5 technical projects. The projects were progressing smoothly and the results gradually emerged. China Baowu guided diagnosis 1,526.5 people/day, and the implementation rate was 100%. 105 reports were published, 79 special trainings were carried out, 62 documents were solidified, 12 project teams were organized, and 110 people were sent to Baowu internal benchmarking enterprises for training and learning. Maanshan Iron & steel technology center of Baowu Central Research Institute was officially established.

Fourthly, we promoted in-depth reform and management. Management integration has been firmly promoted, and the integration of management model and process reengineering are forced by informatization, and the functions and personnel of the Company department are adjusted. The reform and system-change have been deeply carried out, and the staff-level management system is gradually established. Personnel efficiency has been steadily improved, and the Company has achieved 9.7% optimization of on-the-job staff and achieved 57% of the annual target. The Company has strengthened the concepts of “1000” safety production and “violation is a crime”, comprehensively undertook the safety management model of China Baowu, established a normalized safety supervision mechanism, strengthened the construction of safety informatization, and constantly improved the security level of safety management system.

Fifthly, green development and intelligent manufacturing was promoted in an orderly manner. We implemented the requirements of “higher than standards, better than urban districts and integrated into cities”, “ultra-low emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanness, greening, beautifying and culture” and “four principles for intelligent production”, accelerated the implementation of key projects of green development and intelligent manufacturing, and strived to reduce the impact of the epidemic. We tried to overcome the difficulties, such as tightened construction period, long front, construction in rainy season, site demolition, and construction while producing. Pre-ironmaking centralized control center, centralized control project of the No.4 steel making and steel rolling plant, improvement of landscape quality and other projects are carried out smoothly on schedule. The Magang green city steel plant index system and the “four principles for intelligent production” index system of intelligent manufacturing were constructed, and the quantitative self-evaluation of green development and intelligent manufacturing was carried out, and the indices are measurable, evaluable and traceable.

Sixthly, scientific and technological innovation has achieved breakthroughs in many aspects. Scientific and technological innovation focuses on the theme of “practicing technology guidance, implementing innovation-driven development, and achieving new breakthroughs in scientific and technological innovation”, focusing on scientific research, new product development and scientific and technological achievements, and improving the overall performance of innovation indicators. The Company has implemented 167 key scientific research projects and participated in 6 national key R&D projects; 237 patents were accepted, 126 domestic patents and 2 international patents were granted; won 2 metallurgical science and

technology awards and 4 Anhui science and technology awards; presided over or participated in the amendments to 3 national standards and 7 industry standards. A total of 305,600 tons of new products have been developed, and RMB145 million of newly-added straight benefits from scientific research have been realized.

Seventhly, the project management system continued to improve. Through strengthening the design depth management, establishing the cost system and engineering management information system based on the bill of quantities, the fixed assets investment management system was continuously improved. After a project was approved, a more stringent dynamic management of the project schedule was implemented to ensure that the construction progress met the target schedule.

3.2 Financial status and exchange rate risk

As of 30 June 2020, all loans of the Group were equivalent to RMB19.263 billion, including short-term loans of RMB15.154 billion and long-term loans of RMB4.109 billion (including RMB820 million of long-term loans due within one year). The loans included foreign currency loans of US\$233 million (of which US\$76 million are import bills), and the rest were RMB loans. Among the RMB borrowings of the Group, RMB13.675 billion was subject to fixed interest rate, RMB3.938 billion was subject to floating interest rate, US\$206 million was subject to fixed interest rate, and US\$27 million is subject to floating interest rate.

The amount of all loans of the Group changed with the scale of production and construction. Due to the increase in construction scale this year, the Company will increase the financing scale, which is mainly trade financing. There was no overdue loan during this period. At the end of the reporting period, the Group's asset liability ratio was 61.62%, representing a decrease in 2.65 percentage points as compared with the end of 2019; current ratio was 0.88, representing a decrease in 5.38% as compared with 0.93 at the end of 2019; quick ratio was 0.65, representing a decrease in 8.45% as compared with 0.71 at the end of 2019.

At present, the Company finances its construction projects mainly with its own funds. As at the end of the reporting period, banking facilities available to the Company totaled approximately RMB56.1 billion, of which approximately RMB30.9 billion unutilized.

As of 30 June 2020, the monetary capital of the Group was equivalent to RMB10.603 billion, the financing receivables was RMB7.248 billion, and most of the monetary funds and bank acceptance bills derived from receipt of sales payment. There was not failure of withdrawal of expired deposit of the Group.

The Group's imports of raw materials are mainly settled in US dollars, imported equipment and spare parts are settled in Euro or Japanese Yen, and export products are settled in US dollars. During the reporting period, for the US dollars to be paid for the imported raw materials, the forward settlement and sales of foreign exchange shall be handled in accordance with the needs, and the US dollar exchange rate shall be locked; the amount of equipment purchased from Europe and Japan is small, and the purchase payment is relatively insignificant as affected by exchange rate fluctuation.

3.3 Internal control and risk management

The Company has an internal auditing system. Our auditing inspection department audits and supervises the financial revenue, expenditure and every economic activity of the Company. The Company has established an internal control system for of the entire process 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 business, research and development, projects, guarantees, business outsourcing, financial reports, comprehensive budget, contract management and information systems. We have paid extra attention to high-risk areas, e.g. procurement risks, operational risks and financial risks, risks related to the control over subsidiaries. The system acts as a guideline for the Company's operation, helping the Company recognize and control its major risks.

The Audit Committee reviewed the 2019 internal audit work report of the Company on 20 January 2020, agreeing the internal audit work arrangements for 2020 and submitted it to the Board for consideration. The Audit Committee heard the 2019 internal audit work report on 30 March 2020.

The Board reviewed and approved the 2019 Internal Control Assessment Report on 30 March 2020. 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 2019 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 "2019 Risk Supervision and Evaluation Report" by the Board of Directors was made on 30 March 2020, 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 2019 and the risks were under control. During the reporting period, the Company evaluated the risks, formulated the measures for identified risks, and carried out key prevention and control to ensure that the risks were under control.

3.4 Operating results

Unit: RMB

Accounts	Amount of the current period	Amount of the same period of last year	Change (%)
Revenue	37,429,035,554	37,026,693,821	1.09
Cost of sales	34,203,030,172	33,672,424,605	1.58
Selling expenses	530,439,865	431,513,432	22.93
General and administrative expenses	692,664,296	711,335,104	-2.62
Financial expenses	290,762,915	390,006,931	-25.45
R&D expenses	636,396,202	354,535,705	79.50
Investment income	231,959,570	410,893,019	-43.55
Credit impairment losses	-8,030,101	-43,977,242	–
Assets impairment losses	-73,128,980	-241,775,610	–
Loss on disposal of assets	-62,159,618	-936,915	–
Non-operating expenses	2,909,067	1,610,123	80.67
Net profit attributable to owners of the parent	812,342,511	1,144,660,011	-29.03
Net profit attributable to non- controlling interests	185,281,875	273,019,690	-32.14
Net cash flows from operating activities	945,746,996	2,973,012,782	-68.19

The revenue and cost of sales increased by 1.09% and 1.58%, respectively, as compared with the same period of last year, mainly due to the increase in steel sales volume in the current period as compared with the same period of last year.

R&D expenses increased by 79.50% as compared with the same period of last year, mainly due to increased investment in scientific research by the Company and more new products developed in the current period, which resulted in the increase in relevant expenses as compared with the same period of last year.

Investment income decreased by 43.55% as compared with the same period last year, mainly due to the decrease in profit of associates and joint ventures from the same period of last year as affected by the COVID-19 pandemic in the current period.

Credit impairment losses amounted to RMB8 million as compared with the same period of last year of RMB44 million, mainly due to the decrease in bad debt provision based on the expected credit loss model as compared with the same period of last year.

Asset impairment losses amounted to RMB73 million as compared with the same period of last year of RMB242 million, mainly due to the decrease in the Company's inventory impairment and provision for impairment of fixed assets made by MG-Valdunes, a subsidiary of the Company during the current period as compared with the same period of last year.

Loss on disposal of assets amounted to RMB62 million, as compared with the same period of last year of RMB1 million, mainly due to the increase in demolition of scrapped assets for construction of new projects during the period as compared with the same period of last year.

Non-operating expenses increased by 80.67% as compared with the same period of last year, mainly due to the increase in penalties expenses of the Company during the period as compared with the same period of last year.

Net profit attributable to owners of the parent company decreased by 29.03% as compared with the same period of last year, mainly due to the decrease in gross profit of steel products of the Company during the period as compared with the same period of last year.

Non-controlling interests decreased by 32.14% as compared with the same period of last year, mainly due to the decrease in the profitability of certain non-wholly owned subsidiaries from the same period of last year as impacted by the COVID-19 pandemic.

Net cash inflow from operating activities was RMB946 million, as compared with net inflow of RMB2,973 million for the same period of last year, representing a decrease of RMB2,027 million as compared with the same period of last year, mainly due to the increase in cash outflow in financial businesses of the Masteel Finance such as customer deposit and financial assets under repurchase agreements, as compared with the same period of last year.

3.5 The environment for production and operation and coping strategies

In the second half of this year, the COVID-19 epidemic is still spreading and its impact on the global economy is still continuing. The international environment has become more complex, and uncertainties affecting the global economy have been increasing, causing a far-reaching impact on iron ore supply, steel export and the downstream industry chain of steel. On the whole, the epidemic in China has been effectively controlled. However, the epidemic situation is uncertain in some regions, steel demand has gradually recovered, steel production capacity has been released quickly, and competition in the industry remained severe. The Company will keep a close eye on the annual business plan, further strengthen the performance orientation of “Surpassing Oneself, Winning the market and Pursuing excellence”, deepen benchmarking, strive to improve the business performance, and try to complete the annual targets and tasks. The main tasks are as follows:

Firstly, the Company will improve the profitability in an all-round manner. We adhere to the concept of “simple, efficient, low cost and high quality”, through strengthening the guarantee and quality tracking of raw materials and fuels into the furnace, optimize coal blending, ore blending and burden distribution of blast furnace, promote the progress of indicators, further reduce the total cost of molten iron. We insist on the market-oriented, profit-oriented, optimize the allocation of resources, expand the proportion of high-benefit products. Taking extreme efficiency as the direction, we will coordinate the structural adjustment, system efficiency and scale release, further reduce the ratio of iron and steel, and improve the operation rate of steelmaking and rolling materials.

Secondly, the Company will continue to deepen the higher standards to find out gap and collaboration. Adhering to the integration of China Baowu, we will promote the informatization construction to improve efficiency, optimize the production and manufacturing process to reduce cost, perfect the operation and management system to strengthen foundation, improve the capacity utilization rate and economic and technical indicators, optimize resource allocation, promote systematic cost reduction, strictly control expenses and continuously promote “Surpassing Oneself, Winning the market and Pursuing excellence”. We should improve the regular evaluation mechanism of benchmarking and error finding, focus on backward indicators, strengthen analysis and rectification, and push forward the progress of indicators. Give full play to the synergy advantages, continuously promote the improvement of coal injection ratio, fuel ratio and other indicators, and enhance the cost competitiveness.

Thirdly, the Company will accelerate green development and smart manufacturing. Adhering to the year-end target, we will vigorously promote the construction of infrastructure network upgrading and transformation, operation control center, iron-making centralized control, steel-making centralized control, hot rolling and cold rolling centralized control, landscape quality improvement and other projects, strengthen the safety, quality, construction period and investment control of the project, and support the Company's green development and the significant improvement of the "four principles for intelligent production" index. We will formulate and implement the Company's smart manufacturing action plan (2021–2023), build a responsibility network system, and regularly release the "four principles for intelligent production" index to continuously improve the development level of green wisdom.

Fourthly, the Company will unswervingly deepen reform. The Company will promote management reform and process re-engineering in an orderly manner, explore ways to build lean and efficient flat grass-roots organizations, and form a centralized management system. Continue to carry out post level management, get through the channel of management post, technical business post and operation post, and realize the matching of personnel post. We will deepen reform of the salary distribution system and establish a salary distribution system that is "efficiency-oriented, position-based and performance-centered." Adhering to the principle of "no lay-offs in post transfer and no unemployment in job transfer", we will improve personnel efficiency through management reform, process reengineering, smart manufacturing and post optimization, and strive to achieve the target of 1000 tonnes of steel per capita by 2020.

Fifthly, the Company will improve safety and environmental protection. Continue to strengthen the awareness of "violation of regulations is a crime", to achieve "zero violation, hidden danger and accident" as the goal, speed up the launch of the safety information system, intensify safety rectification efforts, strengthen supervision over the rectification of hidden dangers and safety control in the engineering field, continue to promote the construction of safety standardization, and improve the level of essential safety. We will accelerate the implementation of the "ultra-low emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanliness, greening, beautifying and culture" projects, implement ultra-low emissions projects with high quality, rectify problems with high standards, strictly implement the management requirements for special emission limits for air pollutants, as well as strictly and effectively control environmental risks.

Sixthly, the Company will strengthen fund management. the Company will strengthen accounts receivable management, improve customer credit rating system, improve the turnover rate of accounts receivable, and achieve the goal of reducing inventories and accounts receivable; We will focus on reducing the asset-liability ratio, putting to good use the existing assets, optimizing the financing structure, broadening financing channels, and ensuring that the debt ratio remains stable with a slight decline while the debt structure continues to improve. Actively strive for all kinds of government fiscal and tax policy funds to benefit from national policies.

Seventhly, the Company will strengthen project management. In view of this year's large number of projects, tight construction period and cross construction, combined with management reform and process reengineering, the project management process and control mode are optimized, the responsibility of hierarchical management and control is implemented, and the whole process management of project duration, quality, investment, acceptance and post-evaluation is strengthened to ensure the orderly progress of project construction.

IV. RELEVANT MATTERS INVOLVING FINANCIAL REPORT

- 4.1 There is no change in accounting policies, accounting estimates and accounting methods of the Company as compared with the previous period.**
- 4.2 During the reporting period, the Company does not have significant accounting errors that need to be retrospectively restated**
- 4.3 There is no change in the scope of consolidation of the financial statements as compared to the last year's financial statements.**

V. OTHER EVENTS

5.1 Work of Audit Committee

The Audit Committee of the Company comprises independent directors Ms. Zhu Shaofang, Ms. Zhang Chunxia and Mr. Wang Xianzhu. The Audit Committee has reviewed the 2020 interim results.

5.2 Events after the Balance Sheet Date

Since the end of the reporting period and up to the date of this announcement, there is no significant event affecting the Group needs to be disclosed.

5.3 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.

5.4 Pre-emptive Rights

According to Chinese laws and the Articles of Association of the Company, it is not required that the current shareholders shall purchase new shares based on their holding shares before the Company issues new shares.

5.5 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.

5.6 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No deviation behavior from the code was found.

5.7 Shareholders' Rights

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

CONSOLIDATED AND COMPANY'S STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

Renminbi Yuan

ASSETS	Notes	30 June 2020 Group Unaudited	31 December 2019 Group Audited	30 June 2020 Company Unaudited	31 December 2019 Company Audited
CURRENT ASSETS					
Cash and bank balances		10,602,786,055	9,517,313,695	4,247,041,321	3,187,001,428
Financial assets held for trading		2,058,977,448	2,126,112,194	-	3,573,580
Trade receivables	4	1,138,682,644	1,092,930,122	2,714,977,976	3,154,416,565
Financing receivables	5	7,248,286,411	11,098,699,421	5,472,804,070	9,796,502,361
Prepayments	6	708,639,046	981,443,575	334,933,076	693,109,995
Other receivables		222,210,912	156,291,851	216,212,939	94,415,995
Inventories		10,436,360,289	10,947,850,219	6,603,825,301	6,633,161,943
Financial assets purchased under agreements to resell		789,990,318	2,369,966,754	-	-
Loans and advances to customers		4,149,279,777	4,256,415,190	-	-
Other current assets		1,934,859,801	3,975,034,798	375,170,443	354,016,165
Total current assets		39,290,072,701	46,522,057,819	19,964,965,126	23,916,198,032
NON-CURRENT ASSETS					
Long-term equity investments		3,620,824,763	3,546,219,668	11,630,320,371	11,477,691,872
Other equity instruments investments		276,883,222	278,576,509	273,808,311	275,508,859
Investment properties		63,523,089	64,697,688	63,333,893	64,570,817
Property, plant and equipment		30,511,649,871	30,045,743,674	23,064,520,840	22,357,559,485
Construction in progress		4,384,265,423	3,259,704,984	3,679,278,083	2,770,963,397
Right-of-use assets		406,837,030	418,879,903	358,888,374	368,857,495
Intangible assets		1,965,273,526	1,973,126,962	1,092,087,525	1,088,324,048
Deferred tax assets		187,936,741	213,036,331	102,359,138	125,314,560
Total non-current assets		41,417,193,665	39,799,985,719	40,264,596,535	38,528,790,533
TOTAL ASSETS		80,707,266,366	86,322,043,538	60,229,561,661	62,444,988,565

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

As at 30 June 2020

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2020 Group Unaudited	31 December 2019 Group Audited	30 June 2020 Company Unaudited	31 December 2019 Company Audited
CURRENT LIABILITIES					
Deposits and balances from banks and other financial institutions		200,000,000	400,031,889	-	-
Customer deposits		8,463,368,095	10,964,896,002	-	-
Repurchase agreements		99,068,750	1,386,580,448	-	-
Short-term loans		15,154,498,596	12,880,053,159	14,783,359,207	10,776,844,475
Financial liabilities held for trading		668,202	2,258,750	668,202	2,258,750
Notes payable	7	3,529,740,685	7,313,729,148	1,126,239,166	5,085,093,096
Trade payables	8	6,516,224,240	6,130,327,006	6,991,318,118	7,478,411,251
Contract liabilities		3,903,969,212	3,765,254,551	2,776,777,128	2,455,027,803
Payroll and employee benefits payable		493,568,240	691,976,938	359,437,326	540,612,797
Taxes payable		538,394,013	547,209,418	266,490,324	232,319,349
Other payables		4,653,824,896	4,294,496,279	4,003,787,148	3,793,893,919
Non-current liabilities due within one year		967,429,543	1,677,068,898	1,763,437,440	3,612,706,920
Accrued liabilities		25,766,294	22,664,675	-	-
Total current liabilities		44,546,520,766	50,076,547,161	32,071,514,059	33,977,168,360
NON-CURRENT LIABILITIES					
Long-term loans		3,287,700,000	3,468,200,000	3,487,700,000	4,098,200,000
Lease liabilities		403,037,327	411,432,835	357,253,921	363,877,690
Long-term employee benefits payable		93,204,237	101,327,703	64,223,807	71,919,779
Deferred revenue		1,381,741,590	1,402,283,687	726,330,121	736,754,692
Deferred tax liabilities		20,217,333	21,500,325	-	-
Total non-current liabilities		5,185,900,487	5,404,744,550	4,635,507,849	5,270,752,161
Total liabilities		49,732,421,253	55,481,291,711	36,707,021,908	39,247,920,521

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

As at 30 June 2020

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)	Notes	30 June	31 December	30 June	31 December
		2020	2019	2020	2019
		Group	Group	Company	Company
		Unaudited	Audited	Unaudited	Audited
SHAREHOLDERS' EQUITY					
Share capital		7,700,681,186	7,700,681,186	7,700,681,186	7,700,681,186
Capital reserve		8,353,499,761	8,353,499,761	8,358,017,477	8,358,017,477
Other comprehensive income		(89,850,382)	(99,760,804)	20,920,928	22,196,339
Special reserve		52,432,383	35,484,176	30,450,170	13,711,365
Surplus reserve		4,651,252,494	4,651,252,494	3,814,465,907	3,814,465,907
General reserve		325,786,322	325,786,322	-	-
Retained earnings		6,162,506,946	5,966,218,930	3,598,004,085	3,287,995,770
Equity attributable to owners of the parent		27,156,308,710	26,933,162,065		
Non-controlling interests		3,818,536,403	3,907,589,762		
Total shareholders' equity		30,974,845,113	30,840,751,827	23,522,539,753	23,197,068,044
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		80,707,266,366	86,322,043,538	60,229,561,661	62,444,988,565

CONSOLIDATED AND COMPANY'S INCOME STATEMENT

For the six months ended 30 June 2020

Renminbi Yuan

	Notes	For the six months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
		Group	Group	Company	Company
		Unaudited	Unaudited	Unaudited	Unaudited
Revenue	10	37,429,035,554	37,026,693,821	31,014,552,959	30,129,367,348
Less: Cost of sales	10	34,203,030,172	33,672,424,605	29,249,524,299	28,182,436,294
Taxes and surcharges		266,001,123	281,198,990	201,787,501	207,179,728
Selling expenses		530,439,865	431,513,432	201,264,104	181,424,163
General and administrative expenses		692,664,296	711,335,104	449,822,150	508,793,639
R&D expenses		636,396,202	354,535,705	500,142,055	305,314,452
Financial expenses	11	290,762,915	390,006,931	325,013,474	329,234,762
including: interest expense		335,172,239	415,505,618	346,073,726	358,986,995
interest income		26,639,917	51,850,462	27,818,360	54,012,992
Add: Other income		41,630,457	48,434,334	24,732,855	38,452,855
Investment income		231,959,570	410,893,019	688,950,161	1,147,520,945
including: share of profits of associates and joint ventures		163,604,830	311,705,507	161,374,556	301,512,152
gain from derecognition of financial assets measured at amortized cost		33,748,637	38,277,492	-	-
Gain on the changes in fair value		29,311,320	26,280,702	398,849	12,493,247
Credit impairment losses		(8,030,101)	(43,977,242)	(3,643,894)	16,643,156
Assets impairment losses		(73,128,980)	(241,775,610)	(56,423,169)	(726,383,165)
Loss from disposal of assets	12	(62,159,618)	(936,915)	(39,955,791)	(191,167)
Operating profit		969,323,629	1,384,597,342	701,058,387	903,520,181
Add: Non-operating income	13	254,176,550	274,306,453	250,176,058	176,255,495
Less: Non-operating expenses	14	2,909,067	1,610,123	1,791,075	71,550
Profit before tax		1,220,591,112	1,657,293,672	949,443,370	1,079,704,126
Less: Income tax expenses	15	222,966,726	239,613,971	23,380,560	25,331,463
Net profit		997,624,386	1,417,679,701	926,062,810	1,054,372,663
Categorized by operation continuity					
Net profit from continuing operations		997,624,386	1,417,679,701	926,062,810	1,054,372,663

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2020

Renminbi Yuan

	<i>Notes</i>	For the six months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
		Group	Group	Company	Company
		Unaudited	Unaudited	Unaudited	Unaudited
Categorized by ownership					
Net profit attributable to owners of the parent		<u>812,342,511</u>	<u>1,144,660,011</u>		
Net profit attributable to non-controlling interests		<u>185,281,875</u>	<u>273,019,690</u>		
Other comprehensive income, net of tax		9,910,422	(2,179,461)	(1,275,411)	1,824,313
Other comprehensive income attributable to owners of the parent, net of tax		9,910,422	(2,179,461)		
Other comprehensive income that will not be reclassified to profit or loss:					
Changes in fair value of other equity investments		(1,269,965)	1,158,600	(1,275,411)	1,158,600
Other comprehensive income that may be reclassified to profit or loss:					
Other comprehensive income using the equity method that may be reclassified to profit or loss		-	665,713	-	665,713
Exchange differences on translation of foreign operations		11,180,387	(4,003,774)	-	-
Other comprehensive income attributable to non-controlling interests, net of tax		-	-		

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)*For the six months ended 30 June 2020**Renminbi Yuan*

		For the six months ended 30 June		For the six months ended 30 June	
	<i>Notes</i>	2020	2019	2020	2019
		Group	Group	Company	Company
		Unaudited	Unaudited	Unaudited	Unaudited
Total comprehensive income		<u>1,007,534,808</u>	<u>1,415,500,240</u>	<u>924,787,399</u>	<u>1,056,196,976</u>
Attributable to:					
Owners of the parent		<u>822,252,933</u>	<u>1,142,480,550</u>		
Non-controlling interests		<u>185,281,875</u>	<u>273,019,690</u>		
EARNINGS PER SHARE:					
Basic earnings per share (cent/share)	16	<u>10.55 Cents</u>	<u>14.86 Cents</u>		
Diluted earnings per share (cent/share)	16	<u>10.55 Cents</u>	<u>14.86 Cents</u>		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020
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 shareholders' equity
1. Balance at the end of previous year	7,700,681,186	8,353,499,761	(99,760,804)	35,484,176	4,651,252,494	325,786,322	5,966,218,930	26,933,162,065	3,907,589,762	30,840,751,827
2. Increase/(decrease) during the period										
1) Total comprehensive income	-	-	9,910,422	-	-	-	812,342,511	822,252,933	185,281,875	1,007,534,808
2) Shareholders' contributions and reduction in capital										
(i) Capital contributions by shareholders	-	-	-	-	-	-	-	-	13,125,000	13,125,000
3) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	(616,054,495)	(616,054,495)	(285,955,218)	(902,009,713)
4) Special reserve										
(i) Additions	-	-	-	36,257,044	-	-	-	36,257,044	7,066,994	43,324,038
(ii) Utilisation	-	-	-	(26,155,858)	-	-	-	(26,155,858)	(8,572,010)	(34,727,868)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	6,847,021	-	-	-	6,847,021	-	6,847,021
3. Balance at the end of the period	7,700,681,186	8,353,499,761	(89,850,382)	52,432,383	4,651,252,494	325,786,322	6,162,506,946	27,156,308,710	3,818,536,403	30,974,845,113

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2020
Renminbi Yuan

For the six months ended 30 June 2019
(Unaudited)

	Attributable to owners of the parent							Total shareholders' equity		
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings		Sub-total	Non-controlling interests
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
2. 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) Shareholders' contributions and reduction in capital										
(i) Capital contributions by shareholders	-	-	-	-	-	-	-	-	9,375,000	9,375,000
3) Profits appropriation										
(i) 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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

Renminbi Yuan

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	42,521,239,846	38,463,652,824
Tax refunds received	507,600	116,620
Net decrease in deposits in central bank	–	8,703,151
Net increase in repurchase agreements	–	151,259,660
Net increase in customer deposits and balances from banks and other financial institutions	–	2,431,408,134
Net decrease in loans and advances to customers	110,135,314	–
Net decrease in financial assets purchased under agreements to resell	1,579,976,436	2,233,558,356
Cash received for interest charges, fees and commissions	167,331,978	103,886,118
Cash received relating to other operating activities	633,974,979	277,674,501
Sub-total of cash inflows	45,013,166,153	43,670,259,364
Cash paid for purchases of goods and services	(36,140,092,608)	(32,731,554,800)
Net increase in deposits in central bank	(335,930,540)	–
Net decrease in repurchase agreements	(1,287,511,698)	–
Net decrease in customer deposits and balances from banks and other financial institutions	(2,701,559,796)	–
Net increase in loans and advances to customers	–	(2,900,254,785)
Cash paid to or on behalf of employees	(2,266,071,870)	(2,427,413,311)
Taxes and surcharges paid	(994,813,398)	(2,234,715,773)
Cash paid for interest charges, fees and commissions	(78,834,835)	(53,936,919)
Cash paid relating to other operating activities	(262,604,412)	(349,370,994)
Sub-total of cash outflows	(44,067,419,157)	(40,697,246,582)
Net cash flows from operating activities	945,746,996	2,973,012,782
2. Cash flows from investing activities		
Cash received from disposal of investments	12,326,891,853	24,461,251,512
Cash received from investment income	100,295,318	150,773,649
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets	84,791,996	23,140,945
Sub-total of cash inflows	12,511,979,167	24,635,166,106

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2020

Renminbi Yuan

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
2. Cash flows from investing activities (continued)		
Purchases of property, plant and equipment, intangible assets and other non-current assets	(2,864,306,125)	(1,642,283,538)
Cash paid for investments	(10,111,867,800)	(23,438,965,013)
Cash paid relating to other investing activities	(54,631,062)	(40,515,624)
	<u>(13,030,804,987)</u>	<u>(25,121,764,175)</u>
Sub-total of cash outflows		
	<u>(13,030,804,987)</u>	<u>(25,121,764,175)</u>
Net cash flows used in investing activities	<u>(518,825,820)</u>	<u>(486,598,069)</u>
3. Cash flows from financing activities		
Cash received from borrowings	6,604,241,946	5,043,044,347
Cash received from investors	13,125,000	9,375,000
Including: capital injection from a subsidiary's non-controlling interests	13,125,000	9,375,000
Cash received relating to other financing activities	102,230,000	3,471,463
	<u>6,719,596,946</u>	<u>5,055,890,810</u>
Sub-total of cash inflows		
	<u>6,719,596,946</u>	<u>5,055,890,810</u>
Repayment of borrowings	(5,342,610,627)	(6,457,398,006)
Cash paid for distribution of dividends or profits and for interest expenses	(635,840,386)	(974,255,130)
Including: dividends or profits paid to non-controlling interests by subsidiaries	(277,635,590)	(533,932,888)
Cash paid relating to other financing activities	(18,937,361)	(203,007,190)
	<u>(5,997,388,374)</u>	<u>(7,634,660,326)</u>
Sub-total of cash outflows		
	<u>(5,997,388,374)</u>	<u>(7,634,660,326)</u>
Net cash flows generated from/(used in) financing activities	<u>722,208,572</u>	<u>(2,578,769,516)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	<u>29,334,217</u>	<u>4,753,512</u>
5. Net increase/(decrease) in cash and cash equivalents	1,178,463,965	(87,601,291)
Add: cash and cash equivalents at the beginning of the period	7,239,650,634	6,934,175,776
6. Cash and cash equivalents at the end of the period	<u>8,418,114,599</u>	<u>6,846,574,485</u>

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2020

Renminbi Yuan

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

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

The financial statements are prepared on a going concern basis.

As of 30 June 2020, the net current liabilities of the Group amounted to RMB5,256,448,065. The directors of the Company have considered the availability of funding sources, including but not limited to an unutilised banking facilities of RMB30.9 billion as at 30 June 2020 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 2020 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 present truly and completely the financial position of the Company and the Group as of 30 June 2020, and the results of their operations and cash flows for the six months ended 30 June 2020.

2. SCOPE OF CONSOLIDATION

There is no change in the scope of consolidation in the current period.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

Renminbi Yuan

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	
	2020 Unaudited	2019 Unaudited
Sale of steel products	34,133,876,189	33,635,909,225
Sale of steel billets and pig iron	1,217,189,948	1,205,907,865
Sale of coke by-products	36,036,055	–
Others	1,393,302,202	1,544,361,518
	<u>36,780,404,394</u>	<u>36,386,178,608</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

Renminbi Yuan

3. OPERATING SEGMENT INFORMATION (Continued)

Geographical information

External principal operating income	For the six months ended 30 June	
	2020 Unaudited	2019 Unaudited
Mainland China	34,924,802,538	33,941,755,844
Overseas and Hong Kong	<u>1,855,601,856</u>	<u>2,444,422,764</u>
	<u>36,780,404,394</u>	<u>36,386,178,608</u>

Non-current assets	30 June	31 December
	2020 Unaudited	2019 Audited
Mainland China	40,735,008,911	39,090,556,947
Overseas and Hong Kong	<u>217,364,791</u>	<u>217,815,932</u>
	<u>40,952,373,702</u>	<u>39,308,372,879</u>

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

Renminbi Yuan

4. TRADE RECEIVABLES

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 analyzed below:

	30 June 2020 Unaudited	31 December 2019 Audited
Within one year	1,113,566,889	1,076,796,471
One to two years	23,734,317	14,798,803
Two to three years	29,772,694	26,523,395
Over three years	34,592,168	27,217,799
	1,201,666,068	1,145,336,468
Less: Provisions for bad debts	62,983,424	52,406,346
	<u>1,138,682,644</u>	<u>1,092,930,122</u>

As of 30 June 2020 and 31 December 2019, there was no trade receivables that were derecognized due to the transfer of financial assets.

As of 30 June 2020 and 31 December 2019, the Group had no assets or liabilities deriving from transferring trade receivables in which the Group is continuingly involved.

5. FINANCING RECEIVABLES

	30 June 2020 Unaudited	31 December 2019 Audited
Bank acceptance notes	7,248,286,411	11,097,821,345
Commercial acceptance notes	–	878,076
	<u>7,248,286,411</u>	<u>11,098,699,421</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

Renminbi Yuan

5. FINANCING RECEIVABLES (CONTINUED)

As of 30 June 2020, the Group pledged the bank acceptance notes of RMB969,602,720 (31 December 2019: RMB4,470,011,632) to issue notes payable and the bank acceptance notes of RMB102,230,000 (31 December 2019: RMB127,316,634) to pledge for the short-term loan.

The undue notes endorsed or discounted were as follows :

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Derecognized	Not derecognized	Derecognized	Not derecognized
Bank acceptance notes	<u>5,336,830,302</u>	<u>402,321,976</u>	<u>2,076,771,934</u>	<u>127,789,539</u>

As of 30 June 2020 and 31 December 2019, 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 RMB452,575,699 (2019: RMB4,189,003,767), and recognized discount expense amounting to RMB4,439,321 (2019: RMB49,959,470).

6. PREPAYMENTS

The ageing analysis of the prepayments is as follows:

	30 June 2020 (Unaudited)		31 December 2019 (Audited)	
	Book value	Ratio (%)	Book value	Ratio (%)
Within one year	703,299,903	99	946,842,275	96
One to two years	2,160,000	1	27,222,230	3
Two to three years	1,885,150	-	88,508	-
Over three years	<u>1,293,993</u>	<u>-</u>	<u>7,290,562</u>	<u>1</u>
	<u>708,639,046</u>	<u>100</u>	<u>981,443,575</u>	<u>100</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

Renminbi Yuan

7. NOTES PAYABLE

	30 June 2020 Unaudited	31 December 2019 Audited
Bank acceptance notes	<u>3,529,740,685</u>	<u>7,313,729,148</u>

As of 30 June 2020 and 31 December 2019, the ageing of the Group's notes payable was all within six months, and there were no overdue notes.

8. TRADE PAYABLES

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

The ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2020 Unaudited	31 December 2019 Audited
Within one year	6,480,482,538	5,994,021,801
One to two years	19,055,619	114,525,131
Two to three years	4,832,543	10,584,079
Over three years	<u>11,853,540</u>	<u>11,195,995</u>
	<u>6,516,224,240</u>	<u>6,130,327,006</u>

9. DIVIDENDS

According to the "2019 Annual Profit Distribution Plan" approved by the Company's 2019 Annual General Meeting on 29 June 2020, the Company would distribute dividends to all shareholders at RMB0.08 per share (tax included) (2019: RMB0.31 per share), for 7,700,681,186 shares amounting to RMB616,054,495 (2019: RMB2,387,211,168). The dividends had not been paid by 30 June 2020 and was included in the financial statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

Renminbi Yuan

10. REVENUE AND COST OF SALES

	For the six months ended 30 June 2020		For the six months ended 30 June 2019	
	(Unaudited)		(Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	36,780,404,394	33,632,240,893	36,386,178,608	33,073,018,737
Other operating income	<u>648,631,160</u>	<u>570,789,279</u>	<u>640,515,213</u>	<u>599,405,868</u>
	<u>37,429,035,554</u>	<u>34,203,030,172</u>	<u>37,026,693,821</u>	<u>33,672,424,605</u>

Revenue is presented as follows:

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
Revenue from contracts with customers	37,257,186,422	36,920,235,838
Rental income	4,517,154	2,680,771
Interest income	<u>167,331,978</u>	<u>103,777,212</u>
	<u>37,429,035,554</u>	<u>37,026,693,821</u>

Timing of revenue recognition from contracts with customers :

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
At a point in time		
Sale of steel products	35,351,066,137	34,841,817,090
Sale of other products	<u>1,792,501,354</u>	<u>1,979,462,798</u>
Over time		
Processing	38,120,343	46,009,187
Packaging services	31,433,082	18,021,441
Others	<u>44,065,506</u>	<u>34,925,322</u>
	<u>37,257,186,422</u>	<u>36,920,235,838</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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10. REVENUE AND COST OF SALES (CONTINUED)

Revenue recognised that was included in contract liabilities at the beginning of the period:

	For the six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Revenue	<u>3,723,552,719</u>	<u>3,520,862,245</u>

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at the period end is expected to be recognised as revenue as follows

	For the six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
Within one year	<u>3,903,969,212</u>	<u>3,765,254,551</u>

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

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11. FINANCIAL EXPENSES

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
Interest expenses (<i>Note</i>)	335,172,239	415,505,618
Less: interest income	26,639,917	51,850,462
Less: capitalized interest	–	–
Exchange (gain)/loss	(28,788,425)	7,701,744
Others	11,019,018	18,650,031
	<u>290,762,915</u>	<u>390,006,931</u>

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

12. LOSS FROM DISPOSAL OF ASSETS

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
Loss on disposal of fixed assets	<u>62,159,618</u>	<u>936,915</u>

13. NON-OPERATING INCOME

	For the six months ended		Included in 2020 non-recurring gains and losses Unaudited
	30 June		
	2020	2019	
	Unaudited	Unaudited	Unaudited
Government grants not related to the ordinary course of business	251,011,204	271,900,265	251,011,204
Others	3,165,346	2,406,188	3,165,346
	<u>254,176,550</u>	<u>274,306,453</u>	<u>254,176,550</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

Renminbi Yuan

13. NON-OPERATING INCOME (CONTINUED)

The government grants not related to the ordinary course of business are as follows:

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
Compensation for settlement of employees	250,175,531	175,815,265
Grants for reduction of overcapacity	–	95,885,000
Others	835,673	200,000
	<u>251,011,204</u>	<u>271,900,265</u>

14. NON-OPERATING EXPENSES

	For the six months ended		Included in 2020 non-recurring gains and losses
	30 June		
	2020	2019	
	Unaudited	Unaudited	Unaudited
Charity donation	337,249	311,800	337,249
Penalty expenditure	1,958,373	1,225,770	1,958,373
Others	613,445	72,553	613,445
	<u>2,909,067</u>	<u>1,610,123</u>	<u>2,909,067</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

Renminbi Yuan

15. INCOME TAX EXPENSES

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
Mainland China current income tax expense	194,310,119	215,832,933
Hong Kong current income tax expense	3,868,481	3,934,644
Overseas current income tax expense	548,207	2,689,879
Deferred tax expense	24,239,919	17,156,515
	<u>222,966,726</u>	<u>239,613,971</u>

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

	For the six months ended	
	30 June	
	2020	2019
	Unaudited	Unaudited
Profit before tax	1,220,591,112	1,657,293,672
Tax at the applicable tax rate of 25% (Note)	305,147,778	414,323,418
Effect of different tax rates of some subsidiaries	(3,997,314)	(5,140,443)
Non-deductible expenses	21,636,437	29,911,164
Adjustments in respect of current income tax of previous periods	(12,046,686)	(9,619,042)
Other tax preference	(77,592,438)	(57,429,156)
Income not subject to tax	(9,266,505)	(8,707,094)
Unrecognized deductible temporary difference and tax losses	114,923,641	108,968,932
Utilised previous years' tax losses and the reversal of deductible temporary difference unrecognized in previous period	(73,277,589)	(152,886,967)
Share of profit and loss of joint ventures and associates	(42,560,598)	(79,806,841)
	<u>222,966,726</u>	<u>239,613,971</u>
Tax charge at the Group's effective rate	<u>222,966,726</u>	<u>239,613,971</u>
The Group's effective rate	<u>18%</u>	<u>14%</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

Renminbi Yuan

15. INCOME TAX EXPENSES (CONTINUED)

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.

16. EARNINGS PER SHARE

	For the six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	cent/share	cent/share
Basic earnings per share		
Continuing operations	<u>10.55</u>	<u>14.86</u>
Diluted earnings per share		
Continuing operations	<u>10.55</u>	<u>14.86</u>

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 2020 and 2019, 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 the six months ended 30 June	
	2020	2019
	Unaudited	Unaudited
	cent/share	cent/share
Earnings		
Profit attributable to owners of the parent		
Continuing operations	<u>812,342,511</u>	<u>1,144,660,011</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period	<u>7,700,681,186</u>	<u>7,700,681,186</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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17. 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 overseas 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, the director of the Company believed that 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 2020, the Group and the Company did not have significant pending litigation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2020

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18. EVENTS AFTER THE BALANCE SHEET DATE

As of the approval date of the financial statements, there are no other significant events after the balance sheet date that need to be disclosed by the Group.

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

26 August 2020

Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include executive directors Ding Yi, Wang Qiangmin, Ren Tianbao and Zhang Wenyang; non-executive director Qian Haifan; and independent non-executive directors Zhang Chunxia, Zhu Shaofang and Wang Xianzhu.