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

(Stock Code: 00323)

2022 INTERIM RESULTS ANNOUNCEMENT

I. IMPORTANT NOTICE

- 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.
- 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.
- 3 All directors attended the board meeting.
- 4 The financial report for the interim report has not been audited.
- 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	Stock Exchange for Listing of Shares	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	Joint Company Secretary	
Name	He Hongyun	Rebecca Chiu	
Office 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 Des Voeux Road Central, Hong Kong, PRC	
Telephone	86-555-2888158/2875251	(852)21552649	
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2.2 Major Financial Data of the Company

	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	94,890,097,747	91,207,743,018	4.04
Net assets attributable to owners of the parent	31,483,568,153	32,752,858,934	-3.88

Unit: RMB

	Reporting period	Corresponding period of the previous year	Increase/decrease at the reporting period compared to the same period of last year (%)
Revenue	56,366,882,559	56,863,615,397	-0.87
Net profit attributable to owners of the parent	1,427,570,875	4,643,787,117	-69.26
Net profit excluding non-recurring gains or losses attributable to owners of the parent	1,140,842,321	4,751,908,439	-75.99
Net cash flows from operating activities	3,378,563,965	11,280,586,519	-70.05
Return on net assets (weighted average) (%)	4.44	15.36	Decreased by 10.92 percentage points
Basic earnings per share (RMB/share)	0.1853	0.6030	-69.27
Diluted earnings per share (RMB/share)	0.1853	0.6030	-69.27

2.3 Shareholding of the top ten shareholders

Unit: Share

Total number of shareholders at the end of the reporting period 168,574

Shareholding of the top ten shareholders

Name of Shareholder	Shareholder Nature	Shareholding Ratio (%)	Number of Shares	No. of Shares under Restricted Condition for Sales	Number of Shares Pledged, Marked or Frozen	
Magang (Group) Holding Co., Limited	State-owned shareholder	45.095	3,506,467,456	-	None	-
Hong Kong Securities Clearing Company (Nominees) Limited	Unknown	22.086	1,717,328,520	-	Unknown	Unknown
Magang Group Investment Co., Ltd.	State-owned shareholder	2.036	158,282,159	-	None	-
Central Huijin Investment Ltd.	State-owned shareholder	1.790	139,172,300	-	Unknown	Unknown

Shareholding of the top ten shareholders

Name of Shareholder	Shareholder Nature	Shareholding Ratio (%)	Number of Shares	No. of Shares under Restricted Condition for Sales	Number of Shares Pledged, Marked or Frozen
China Merchants Bank Ltd. – SSE Dividend Index ETF	Unknown	1.195	92,954,869	–	Unknown
Hong Kong Securities Clearing Company Ltd.	Unknown	0.970	75,386,019	–	Unknown
China Life Pension Strategy No. 4 Equity Pension Product – Industrial and Commercial Bank of China Limited	Unknown	0.444	34,531,120	–	Unknown
Beijing Guoxing Real Estate Management Co., Ltd.	Unknown	0.437	33,970,600	–	Unknown
Zhang Wu	Unknown	0.273	21,200,000	–	Unknown
Industrial and Commercial Bank of China Limited – Yinhua Xinsheng Flexible Allocation Hybrid Securities Investment Fund (LOF)*	Unknown	0.241	18,705,100	–	Unknown

Notes on the above shareholders' affiliated relation or concerted action

As at the end of the reporting period, Magang (Group) Holding Co., Limited is the controlling shareholder of Magang Group Investment Co., Limited, and they are persons acting in concerted action. Magang (Group) Holding Co., Limited has no affiliated relation with any of the other foregoing shareholders, nor is 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.

Note : As at the end of the reporting period, Hong Kong Securities Clearing Company (Nominees) Limited held 1,717,328,520 H Shares of the Company, which were held on behalf of its customers, including 377,400,000 H Shares of the Company held on behalf of Baosteel Hong Kong Investment Co., Limited.

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 Operating results and measures on main tasks

1. *Operating results*

In the first half of 2022, the Company strengthened the operating strategy of “safety, balance, stability and efficiency” under tremendous pressure, and focused on the key tasks of “Cost reduction by increasing production, applying economical furnace burden and pursuing energy-saving and carbon emission reduction, profit increase by differentiated premium products and professional integration” in accordance with the requirements of “stabilizing production, ensuring supply, controlling costs, preventing risks, improving quality, and stabilizing benefits”, carefully planned and deployed, and all staff have strived for the first place. The production, operation and construction of the Company maintained extremely efficient momentum since last year. All work have achieved the goal of improvement while maintaining stable, with improvement rate of benchmarking indicators of 83.28%, the rate of reaching the standard of 72.13%, and the completion rate of benchmarking improvement projects of 129.21%.

During the reporting period, the Group produced 9.62 million tons of pig iron, representing a year-on-year increase of 2.23%, produced 10.98 million tons of crude steel and 10.70 million tons of steel, representing a year-on-year decrease of 2.05% and 0.47%, respectively (of which the Company produced 7.83 million tons of pig iron, representing a year-on-year increase of 4.82%, produced 8.71 million tons of crude steel, representing a year-on-year decrease of 1.91%, and produced 8.47 million tons of steel, representing a year-on-year increase of 2.05%). Calculated in accordance with Chinese Accounting Standards for Business Enterprises, the Group’s revenue for the reporting period amounted to RMB56,367 million, representing a year-on-year decrease of 0.87%; net profit attributable to shareholders of the listed company amounted to RMB1,428 million, representing a year-on-year decrease of 69.26%; basic earnings per share amounted to RMB0.185, representing a year-on-year decrease of 69.27%. As at the end of the reporting period, the Group’s total assets amounted to RMB94,890 million, representing a year-on-year increase of 4.04%; net assets attributable to shareholders of the listed company amounted to RMB31,484 million, representing a year-on-year decrease of 3.88%.

2. Main tasks and results

During the reporting period, the Company focused on three aspects of “**stabilizing growth, promoting transformation, and grasping reform**”.

Firstly, in terms of stabilizing growth, the Company adhered to the principle of stability and sought progress while maintaining stability, strengthened the operating strategy of “safety, balance, stability and efficiency”, conducted benchmarking to identify differences through self-pressurization, and made every effort to improve the quality and efficiency of economic operation.

Pursuing the ultimate efficiency. From January to June, the Company broke the monthly production record 33 times and the daily production record 121 times; the daily production of molten iron in the headquarters stabilized at 44,000 tonnes, representing a year-on-year increase of 4.85%; the three converters of the No. 4 Steel Rolling Plant stabilized at more than 90 furnaces per day, representing a year-on-year increase of 3.4%. The No. 4 Steel Rolling Plant and the Cold Rolling Plant have reached the level of annual output of 10 million tonnes and 6 million tonnes, respectively; the annual output of coke of Coal Coking Company reached the level of 5 million tonnes, representing a year-on-year increase of 16.95%; the accumulated purchased steel billet was 459,000 tonnes, representing a year-on-year increase of 137%.

Strengthening energy conservation and carbon reduction. Through measures such as improving the TPC turnover rate and capping torpedo tanks, the temperature drop of molten iron in June lowered to 135 ℃, representing a year-on-year decrease of 22 ℃; optimizing the steel rolling interface, the integrated hot charging rate of plates and strips reached 79.23% in June, representing a year-on-year increase of 21.03 percentage points; fully recovering the residual heat and energy resources, and achieving 100% recovery target for gas recovery and steam recovery in the converter area of No. 4 Steel Rolling Plant; reducing purchased energy, the proportion of self-generating electricity in the first half of the year was 71.07%, representing a year-on-year increase of 12.98 percentage points; and the green power generation was 17.7 million kWh, which was the best in history.

Deepening structural adjustment. The Company accelerated the development of new products, and four new products such as -60 °C low-temperature-resistant hot-rolled section steel and continuous casting billets for X80 grade thick-walled seamless steel pipes applied to LNG stations made their debut in China. We reinforced profit increases by differentiated products, selling 2.12 million tonnes of strategic, unique and leading products, representing a year-on-year increase of 12%. The sales volume of heavy-duty H-beams accounted for 29.7% of the sales of section steels, representing a year-on-year increase of 8.7 percentage points. The sales volume of train wheel products were 263,900 pieces, representing a year-on-year increase of 40.69%. The high-speed train wheels were applied in batches (120 pieces for 2 trains). The sales volume of special steel products were 760,000 tonnes, representing a year-on-year increase of 3.64%. The 42CrMo round billet for wind power bearings successfully obtained the supply qualification of Luoyang LYC Precision Bearing Co., Ltd., breaking the market monopoly of the industry peers. The Company received an order of 500 tonnes of 42CrMo4-Mod round billet for wind power spindles from Xuzhou Rothe Erde Slewing Bearing Co., Ltd., breaking the reliance on imported raw materials for domestic wind power spindles and becoming the only domestic supplier of raw materials for wind power spindles. Magang Transportation Material became the first domestic enterprise to obtain the Russian national quality standard certification for T-material wheels. The outer plate of automobile passed the quality verification of General Motors for the first time, and the galvanized automobile sheet entered the CATL market for the first time.

Strengthening security control. The Company improved the safety management and control system, established a list of safety performance of personnel at all levels, and a safety-related guarantee system for leaders at two levels, strengthened safety concepts, and implemented the safety oath for employees before work. The Company comprehensively investigated safety risks, carried out 125 safety inspection activities, such as the annual special action for safety production improvement and safety production inspection, checked and corrected 3,888 problems of its own, identified 584 problems of cooperative units, dismissed 3 companies and suspend qualifications of 4 companies; set up 8 safety work supervisory teams and carried out on-site safety inspections on 11 key projects. The Company deepened and implemented safety process management and control, established a safety violation scoring system, and scored 1,267 points for grassroots units and 1,615 points for cooperative units, which have been included in relevant assessments. The Company continuously increased safety accountability, with 34 people being held accountable in the first half of the year.

Secondly, in terms of promoting transformation, the Company anchored on the strategic positioning of specialized platform company and high-quality base of excellent special steel, accelerated the pace of “second-time entrepreneurship, transformation and upgrading”, and unswervingly built a new Masteel with strong stamina.

Accelerating the transformation and upgrading. The Company adhered to the principle of “safety and quality first, effective construction period control, tight and orderly construction, and clean and thorough projects”, made every effort to overcome the adverse impact of the pandemic, and carefully organized and promoted the production line upgrade project group in the southern area represented by the new special steel project, and the project group of filling-capacity-gap in the northern area represented by the B blast furnace overhaul. The new special steel project has entered the equipment installation stage, and the B blast furnace has completed the basic construction of key facilities.

Promoting brand operation. The Company accelerated the layout of domestic excellent and special long products market, rapidly promoted the construction of “brand operation + base management” network steel mills, signed Network Steel Mill Agreements with 3 companies, including Jinnan Steel, cultivated and expanded regional advanced steel production clusters, and jointly built steel ecosystem; organized a roundtable on network steel mill cooperation to jointly promote the high-quality and sustainable development of Masteel and its strategic partners.

Comprehensive green intelligence empowerment. According to the idea of “one breakthrough in a year, making progress every year”, the Company continued to promote green development and intelligent manufacturing. Adhering to green development, in order to built a comprehensive environmental performance A-class enterprise, the Company set up and implemented 17 “three governance” projects, and launched a 100-day campaign of creating A-class enterprise. The Company continued to promote the improvement of the plant environment, implemented comprehensive optimization of the plant environment, and opened a 3A-level tourist attraction. As for intelligent manufacture, the second phase of the intelligent control center of Changjiang Steel was put into operation; the remote technical support platform of blast furnace was successfully put into operation, which realized the connectivity of production data between the headquarters and the blast furnace of Changjiang Steel. The “10,000 Robots Plan” of Baowu was implemented, and 506 new “BaoRobots” were planned for the year.

Thirdly, the Company grasped reform, adhered to the top-level design and systematic promotion, and implemented the three-year action of state-owned enterprise reform in high-quality in accordance with the node.

Exploring and deepening of the “one headquarters with multiple bases” control model. The Company systematically built “standard + α ” control mode, strengthened “two coverage, two penetration” (full coverage of information control platform and professional management, and penetration of cultural system and supervision and inspection), sorted out and clarified 107 control lists to build the management system of “one headquarters and multiple bases”. The Company promoted the extension of “concentrated and consistent” vigorously, focused on molten iron cost and promoted consistent management of smooth operation of blast furnace in pre-iron-making; focused on customer satisfaction in after-steel-making, implementation of consistent management of plate and strip, long products and special steel. Product profitability was approved through consistent production quality design and process separation.

Continuously optimizing and improving the performance assessment and evaluation mechanism. The Company highlighted the strong performance orientation. At the work level, the Company improved the evaluation criteria of the striving for excellence award, and standardized the issuance of various awards; at the organizational performance level, the Company added the strategic progress award and the Party building excellence award, and implemented the “one vote veto” for safety and environmental protection. The Company has promoted the mechanism of “selecting the best candidates via open competition mechanism”, strictly set up “selecting the best candidates via open competition mechanism” project, and standardized the project promotion. The number of company-level projects reached 71.

Creating a benchmark for mixed ownership reform enterprises.

On the basis of maintaining the relatively flexible and autonomous operation mode of Changjiang Steel, the Company has strengthened Party building leadership, plan coordination, resource sharing, system consistency, culture penetration, green intelligence and common platform to fully exploit the synergy effect. For example, during the reporting period, Changjiang Steel supplied 16,400 tons of sinter ore, 19,700 tons of iron and 134,800 tons of steel billets to the headquarters; relying on the headquarters' advantage of centralized raw fuel procurement, 800,000 tons of imported ore from the long-term contract were used.

3.2 Financial position and exchange risks

As of 30 June 2022, the total loans of the Group were equivalent to RMB15.102 billion, including short-term loans of RMB8.387 billion and long-term loans of RMB6.715 billion (including RMB0.151 billion of long-term loans due within one year). The loans included foreign currency loans of USD136 million (of which USD55 million are import bills), and the rest were Renminbi denominated loans. Among the Renminbi denominated loans of the Group, loans amounting to RMB8.328 billion carried fixed interest rates and loans amounting to RMB5.864 billion carried floating interest rates. Among loans denominated in foreign currencies, loans amounting to USD76 million carried fix interest rates and loans amounting to USD60 million carried floating interest rates. At the end of the reporting period, the Group's asset liability ratio was 62.21%, representing an increase of 3.23 percentage points as compared with the end of 2021.

The amount of all loans of the Group changed with the scale of production and construction. At present, the Company finances its construction projects mainly with its own funds. There was no overdue loan during the reporting period. At the end of the reporting period, banking facilities available to the Group amounted to approximately RMB54.485 billion, of which the unutilised facilities amounted to approximately RMB28.334 billion.

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, most of the US dollars paid for imported raw materials were settled through trade financing. However, US dollar financing was greatly affected by exchange rate fluctuations. In order to avoid exchange rate risk, the Company mainly took the following countermeasures: 1. using financial derivatives to control the risk of exchange rate changes. For the U.S. dollar financing, choosing the time for forward purchase of foreign exchange, locking the exchange rate hedge, controlling the cost impact risk of import procurement due to exchange rate changes. 2, reasonable allocation of U.S. dollar assets, liabilities structure, hedging exchange rate risk. 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 2021 internal audit work report of the Company on 27 January 2022, agreeing to the internal audit work arrangements for 2021 and submitted it to the Board for consideration. The Audit Committee heard the 2021 anti-fraud work report on 28 February 2022.

The Board reviewed and approved the 2021 Comprehensive Risk Management and Internal Control Work Report on 23 March 2022. The report confirms that the Company implemented an effective internal control 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 2021 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 “2021 Risk Supervision and Evaluation Report” by the Board of Directors was made on 23 March 2022, 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 2020 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	56,366,882,559	56,863,615,397	-0.87
Cost of sales	51,215,621,556	47,466,425,673	7.90
Selling expenses	128,478,727	126,960,070	1.20
General and administrative expenses	628,974,051	707,192,699	-11.06
R&D expenses	2,064,563,819	2,046,087,559	0.90
Financial expenses	324,095,963	383,493,033	-15.49
Other income	111,692,169	60,339,953	85.10
Credit impairment reversal/(losses)	10,845,117	-6,742,752	N/A
Asset impairment losses	-817,965,125	-26,303,476	N/A
Gain from disposal of assets	420,584,323	1,219,470	34,389.11
Operating profit	1,947,036,359	6,252,951,393	-68.86
Non-operating income	1,713,914	60,126,166	-97.15
Non-operating expense	75,408,140	29,469,788	155.88
Profit before tax	1,873,342,133	6,283,607,771	-70.19
Income tax expense	257,565,942	1,245,769,164	-79.32
Net profit	1,615,776,191	5,037,838,607	-67.93
Net profit attributable to owners of the parent	1,427,570,875	4,643,787,117	-69.26
Profit or loss attributable to non- controlling interests	188,205,316	394,051,490	-52.24
Net cash flows from operating activities	3,378,563,965	11,280,586,519	-70.05
Net cash flows from investing activities	-2,139,922,312	-7,965,903,886	N/A
Net cash flows from financing activities	-770,441,348	-1,358,524,522	N/A

Revenue decrease by 0.87% as compared with the same period of last year, mainly due to the decrease in average steel prices during the period as steel market prices gradually cooled after a brief rebound in the first quarter.

Cost of sales increased by 7.90% as compared with the same period of last year, mainly due to the increase in fuel costs for steel production during the period.

Other income increased by 85.10% as compared with the same period of last year, mainly due to the receipt of incentive funds for enterprises with special contribution to intelligent manufacturing demonstration during the period.

The credit impairment reversal was approximately RMB10.8 million as compared with the credit impairment loss of approximately RMB6.7 million in the corresponding period of the previous year, mainly due to the reversal of the provision for loan impairment measured by Magang Group Finance Co. Ltd. (“Finance Company”), a subsidiary of the Company, in accordance with the model during the period.

Asset impairment losses were approximately RMB818 million, compared with approximately RMB26 million in the same period of previous year, mainly due to the sharp decrease in steel prices in June and the lack of significant recovery in July, which resulted in an increase in the provision for decline in value of inventories.

Gain on disposal of assets increased by 34,389.11% compared with the the same period of last year, mainly due to the receipt of compensation for the related land resumption by Ma Steel (Hefei) Iron & Steel Co., Ltd., a subsidiary of the Company, and the transfer of ironmaking capacity by Anhui Changjiang Steel Co., Ltd..

Operating profit, profit before tax, net profit and net profit attributable to owners of the parent decreased by 68.86%, 70.19%, 67.93% and 69.26%, respectively, as compared with 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-operating income decreased by 97.15% as compared with the same period of last year, mainly due to the gains from disposal of certain scrapped old equipment for the new production line in the same period of the previous year.

Non-operating expenses increased by 155.88% as compared with the same period of last year, mainly due to the losses of certain scrapped fixed assets during the period.

Income tax expense decreased by 79.32% as compared with the same period of last year, mainly due to the decrease in the profit of the Company and the year-on-year decrease in taxable income.

Net profit attributable to non-controlling interests decreased by 52.24% 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.

The change in net cash flow from operating activities was mainly due to the following reasons: firstly, the increase of bonds reverse repurchase business of Finance Company and the year-on-year decrease in the amount of funds pledges to other financial institutions; secondly, the year-on-year decrease in net cash inflow from purchase and sale business due to the continued high prices of major fuels and the increase in procurement costs.

The change in net cash flow from investing activities was mainly due to the year-on-year decrease in cash paid for investment by Finance Company during the period.

The change in net cash flow from financing activities was mainly due to the increase in funds absorbed from the offering of restricted shares under the Share Incentive Scheme during the period and the decrease in net outflow of borrowing facilities 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 Company will carry out the important instruction of General Secretary Xi Jinping on “preventing the pandemic, stabilizing the economy, and securing the development”, and make every effort to fight the battle of “preserving survival in the current period and promoting development in the long run”, so as to cultivate new opportunities in the crisis and open a new game in the changing situation.

1. *Focusing on the ““preserving survival in the current period” and on the “seven enhancements”*

Enhancing capital risk prevention and control. The Company will strengthen the regular control of “inventories and receivables” and cash flow, firmly establish the management concept of “pursuing the ultimate efficiency and all costs are reducible”, optimize the turnover efficiency of the “inventories and receivables”, and promote the ultimate operation of funds. The Company will strictly control the risk of funds and goods, comprehensively sort out the risk points of capital and cargo operation to ensure the safety of cargo and capital, optimize financing structure, and reduce financing cost.

Enhancing market tracking of sales and marketing. The Company will strengthen the linkage between production and sales. According to market changes, the Company will establish daily cost measurement model, dynamically measure marginal contribution, optimize resource allocation in time, and promote economic and efficient production organization under low load operation. The Company will optimize sales strategy, and leaders will take the initiative to visit users, serve customers, seize effective orders, meet production demand, and prevent losses caused by rapid market changes.

Enhancing the product structure adjustment to increase efficiency. The Company will adhere to improve profit by high-grade steel, expand the proportion of enamel steel, high-grade steel and other high-profit products, increase the production of advantageous products, tilt resources to special steel, automotive plates and other advantageous product lines; make good use of the national tax refund policy and increase the export of H-beam. The Company will accelerate the replacement of localization of strategic products, track the progress of high-speed railway wheel fabrication, actively strive for application tracking and communication and coordination, and accelerate the process of localization batch application.

Enhancing the procurement operation to create efficiency. The Company will keep low inventory operation to reduce capital pressure; strengthen economic procurement, measure by outperforming the general market, adjust raw material structure in accordance with the principle of high cost performance, explore variety substitution, and support economic furnace burden cost reduction; strengthen procurement synergy and carry out joint price negotiation to improve bargaining power and effectiveness.

Enhancing cost reduction of manufacturing system. The Company will fully release the efficiency of key production lines, adhere to the principle of efficiency first, dynamically optimize the economic iron-steel ratio, continue to reduce the cost of iron and improve the profit per ton of steel; deepen the system energy cost reduction, continue to reduce the temperature drop of hot metal at the iron-steel interface, improve the hot charging and hot delivery rate, and strengthen residual heat and residual energy recovery; strengthen horizontal benchmarking, focus on the industry's top enterprises, and continue to improve efficiency and effectiveness.

Enhancing the regional industrial synergy. Based on long-term win-win and long-term development, the Company will fully consider the realistic need to cope with the severe market and the reasonable profit of the ecosystem enterprises, and dynamically optimize the pricing mechanism of products and services through in-depth communication and detailed calculations, so as to find the best balance point that fits the policy orientation of the Company, meets the interests of all parties and meets the long-term win-win cooperation principle.

Enhancing the effort of seeking support of government policy. The Company will strengthen communication with local governments, make full use of existing policies, and seek government policy support for the Company in industrial development, smart manufacturing, and stable employment.

2. *Focusing on the “long-term development” and the “three implementations”*

Create high-quality projects. The Company will strive to basically complete the first phase of the new special steel project within the year, appropriately advance the B blast furnace overhaul project, and commission the coke oven off-site overhaul project as early as possible.

Enhancing development momentum. The Company will focus on green development, push forward the 100-day campaign of “Creating A-class enterprise to Realize the Dream”, strive to fully complete the ultra-low emission control project by the end of September, and complete the clean transportation public announcement within the year with site-assessment conditions. Adhering to the intelligent upgrade, the Company will accelerate the construction of the intelligent control center of new special steel and “steel industry brain” intelligent steelmaking project, and continue to promote the “BaoRobots” on the job.

Improving system effectiveness. The Company will continue to strengthen safety management, enhance safety production management by strengthening safety process control and collaborative safety management; thoroughly implement the three-year action plan for reform to ensure 100% completion of key tasks within the year; explore various ways to accelerate human resources optimization around the annual personnel efficiency improvement target; promote institutional reform, further optimize functional modules and dynamically promote the determination of the number of employees in alignment with the targeting; cultivate talent team and select a number of young cadres for training in emergency and critical front-line positions.

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 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 2022 financial report for the interim report.

5.2 Significant Events Affecting the Group after the Reporting Period

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

5.3 Purchase, Sale or Redemption of Listed Securities

During the reporting period, the Company did not redeem any of its listed stocks, nor did the Group purchase or resale any of the listed stocks.

5.4 Pre-emptive Rights

There are no requirements under Chinese laws and the Articles of Association of the Company 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 Hong Kong Stock Exchange.

5.6 Model Code for Securities Transactions by Directors of Listed Issuers

During the reporting period, all the Directors of 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 2022

Renminbi Yuan

ASSETS	<i>Notes</i>	30 June 2022 Group Unaudited	31 December 2021 Group Audited	30 June 2022 Company Unaudited	31 December 2021 Company Audited
CURRENT ASSETS					
Cash and bank balances		7,225,308,196	6,667,853,614	5,415,199,016	2,580,562,187
Financial assets held for trading		3,742,190,534	5,732,467,255	60,700,654	–
Notes receivables		2,104,554,357	466,956,969	1,039,572,532	670,651,738
Trade receivables	4	1,325,672,268	1,107,071,353	2,069,325,678	2,370,751,287
Financing receivables	5	2,813,267,598	4,795,905,782	1,870,338,213	2,178,463,701
Prepayments	6	1,326,592,063	1,534,440,838	1,347,426,600	860,597,030
Other receivables		711,064,497	310,005,481	446,953,749	260,814,759
Inventories		13,499,132,079	12,463,004,529	8,533,030,277	8,376,609,561
Financial assets purchased under agreements to resell		3,438,089,887	784,602,397	–	–
Loans and advances to customers		3,752,613,367	4,726,693,965	–	–
Other current assets		4,017,750,240	4,669,834,825	657,767,399	1,236,749,828
Total current assets		43,956,235,086	43,258,837,008	21,440,314,118	18,535,200,091
NON-CURRENT ASSETS					
Long-term receivables		7,681,457	11,142,621	–	–
Long-term equity investments		4,791,106,690	5,158,883,895	12,697,575,409	13,247,074,179
Other equity instrument investments		604,281,327	641,943,339	523,475,916	550,164,412
Investment properties		59,964,698	60,811,604	59,964,698	60,811,604
Property, plant and equipment		30,397,615,778	28,605,250,896	22,715,877,495	20,624,876,783
Construction in progress		12,661,177,187	10,999,333,300	11,404,416,494	10,187,178,312
Right-of-use assets		298,335,380	568,919,288	279,746,383	551,147,382
Intangible assets		1,945,461,675	1,727,329,824	1,383,260,693	1,085,272,031
Deferred tax assets		164,640,851	171,800,693	62,423,318	85,734,913
Other non-current assets		3,597,618	3,490,550	–	–
Total non-current assets		50,933,862,661	47,948,906,010	49,126,740,406	46,392,259,616
TOTAL ASSETS		94,890,097,747	91,207,743,018	70,567,054,524	64,927,459,707

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

As at 30 June 2022

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2022 Group Unaudited	31 December 2021 Group Audited	30 June 2022 Company Unaudited	31 December 2021 Company Audited
CURRENT LIABILITIES					
Customer deposits		9,453,109,631	9,253,057,291	-	-
Repurchase agreements		108,679,593	925,465,952	-	-
Short-term loans		8,387,230,131	8,952,209,045	9,375,487,639	9,812,742,107
Financial liabilities held for trading		-	31,663,498	-	31,663,498
Notes payable	7	7,155,680,843	3,953,458,712	3,939,209,452	397,205,795
Trade payables	8	12,150,630,980	10,437,709,731	10,822,667,665	9,662,660,374
Contract liabilities		5,009,662,433	5,741,241,284	3,668,495,382	4,313,631,584
Payroll and employee benefits payable		165,848,311	349,524,741	41,026,211	240,906,555
Taxes payable		650,141,050	1,073,613,979	335,903,231	805,680,949
Other payables		7,143,003,297	3,954,899,554	7,104,114,518	3,808,000,336
Non-current liabilities due within one year		158,304,938	1,358,293,333	157,034,411	1,357,008,967
Provision		33,341,775	37,618,128	-	-
Other current liabilities		651,256,117	746,361,366	476,904,402	560,772,106
Total current liabilities		51,066,889,099	46,815,116,614	35,920,842,911	30,990,272,271
NON-CURRENT LIABILITIES					
Long-term loans		6,563,232,765	5,452,250,052	6,563,232,765	5,452,250,052
Lease liabilities		313,049,892	571,979,597	295,113,263	554,191,729
Long-term payable		171,864,500	-	171,864,500	-
Long-term employee benefits payable		25,032,518	28,537,508	301,720	2,499,619
Deferred revenue		877,051,239	911,424,466	742,276,187	763,616,571
Deferred tax liabilities		15,085,361	17,251,303	-	-
Total non-current liabilities		7,965,316,275	6,981,442,926	7,772,788,435	6,772,557,971
Total liabilities		59,032,205,374	53,796,559,540	43,693,631,346	37,762,830,242

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

As at 30 June 2022

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2022 Group Unaudited	31 December 2021 Group Audited	30 June 2022 Company Unaudited	31 December 2021 Company Audited
SHAREHOLDERS' EQUITY					
Share capital		7,775,731,186	7,700,681,186	7,775,731,186	7,700,681,186
Capital reserve		8,449,725,107	8,344,594,034	8,454,242,823	8,349,111,750
Less: Treasury shares		171,864,500	–	171,864,500	–
Other comprehensive income		(13,858,001)	12,271,369	173,474,900	193,384,920
Special reserve		87,884,690	45,427,634	52,411,759	19,760,287
Surplus reserve		4,688,014,995	4,688,014,995	3,851,228,408	3,851,228,408
General reserve		240,955,417	300,334,506	–	–
Retained earnings		<u>10,426,979,259</u>	<u>11,661,535,210</u>	<u>6,738,198,602</u>	<u>7,050,462,914</u>
Equity attributable to owners of the parent		<u>31,483,568,153</u>	<u>32,752,858,934</u>		
Non-controlling interests		<u>4,374,324,220</u>	<u>4,658,324,544</u>		
Total shareholders' equity		<u>35,857,892,373</u>	<u>37,411,183,478</u>	<u>26,873,423,178</u>	<u>27,164,629,465</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>94,890,097,747</u></u>	<u><u>91,207,743,018</u></u>	<u><u>70,567,054,524</u></u>	<u><u>64,927,459,707</u></u>

CONSOLIDATED AND COMPANY'S INCOME STATEMENT

For the six months ended 30 June 2022

Renminbi Yuan

	Notes	2022 Group Unaudited	2021 Group Unaudited	2022 Company Unaudited	2021 Company Unaudited
Revenue	10	56,366,882,559	56,863,615,397	48,775,294,696	48,734,989,252
Less: Cost of sales	10	51,215,621,556	47,466,425,673	45,236,619,820	41,687,791,715
Taxes and surcharges		257,561,084	363,172,255	182,635,779	264,124,709
Selling expenses		128,478,727	126,960,070	63,910,692	64,188,384
General and administrative expenses		628,974,051	707,192,699	380,380,228	497,746,664
R&D expenses		2,064,563,819	2,046,087,559	1,650,976,362	1,578,945,775
Financial expenses	11	324,095,963	383,493,033	286,376,561	354,589,912
including: interest expense		261,302,897	352,060,365	235,529,680	325,078,941
interest income		28,366,201	9,195,165	11,603,137	6,211,643
Add: Other income		111,692,169	60,339,953	90,235,269	41,469,740
Investment income		417,913,544	388,274,825	2,088,771,774	1,055,277,477
including: share of profits of associates and joint ventures		315,092,323	387,184,713	309,241,625	384,177,631
gain on the changes in fair value		56,378,972	65,879,265	66,851,402	66,632,058
Credit impairment gains/(losses)		10,845,117	(6,742,752)	(6,246,027)	4,837,299
Assets Impairment losses		(817,965,125)	(26,303,476)	(781,555,137)	(32,096,255)
Gain from disposal of assets	12	420,584,323	1,219,470	57,976,374	70,289,895
Operating profit		1,947,036,359	6,252,951,393	2,490,428,909	5,494,012,307
Add: Non-operating income	13	1,713,914	60,126,166	866,345	57,611,312
Less: Non-operating expenses	14	75,408,140	29,469,788	52,034,683	6,957,195
Profit before tax		1,873,342,133	6,283,607,771	2,439,260,571	5,544,666,424
Less: Income tax expenses	15	257,565,942	1,245,769,164	30,018,968	889,915,517
Net profit		1,615,776,191	5,037,838,607	2,409,241,603	4,654,750,907
Categorized by operation continuity					
Net profit from continuing operations		1,615,776,191	5,037,838,607	2,409,241,603	4,654,750,907

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)*For the six months ended 30 June 2022**Renminbi Yuan*

	<i>Notes</i>	2022	2021	2022	2021
		Group	Group	Company	Company
		Unaudited	Unaudited	Unaudited	Unaudited
Categorized by ownership					
Net profit attributable to owners of the parent		<u>1,427,570,875</u>	<u>4,643,787,117</u>		
Net profit attributable to non-controlling interests		<u>188,205,316</u>	<u>394,051,490</u>		
Other comprehensive income, net of tax		(26,129,370)	(2,248,257)	(19,910,020)	23,695,721
Other comprehensive income attributable to owners of the parent, net of tax		(26,129,370)	(2,248,257)		
Other comprehensive income that will not be reclassified to profit or loss:					
Changes in fair value of other equity investments		(30,248,839)	23,174,957	(19,981,123)	23,174,957
		(30,248,839)	23,174,957	(19,981,123)	23,174,957
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		4,119,469	(25,423,214)	71,103	520,764
Exchange differences on translation of foreign operations		71,103	520,764	71,103	520,764
Changes in fair value of other debt investments		2,105,599	(27,620,789)		
		1,942,767	1,676,811		
Other comprehensive income attributable to non-controlling interests, net of tax		—	—		
Total comprehensive income		<u>1,589,646,821</u>	<u>5,035,590,350</u>	<u>2,389,331,583</u>	<u>4,678,446,628</u>

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)*For the six months ended 30 June 2022**Renminbi Yuan*

	<i>Notes</i>	2022	2021	2022	2021
		Group	Group	Company	Company
		Unaudited	Unaudited	Unaudited	Unaudited
Attributable to:					
Owners of the parent		<u>1,401,441,505</u>	<u>4,641,538,860</u>		
Non-controlling interests		<u>188,205,316</u>	<u>394,051,490</u>		
EARNINGS PER SHARE:					
Basic earnings per share (cent/share)	16	<u>18.53</u>	<u>60.30</u>		
Diluted earnings per share (cent/ share)	16	<u>18.53</u>	<u>60.30</u>		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022
Renminbi Yuan

	Attributable to owners of the parent										Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Reserve	Retained Earnings	Sub-total			
1. Balance at the beginning of the period	7,700,681,186	8,344,594,034	-	12,271,369	45,427,634	4,688,014,995	300,334,506	11,661,535,210	32,752,858,934	4,658,324,544	37,411,183,478	
2. Increase/(decrease) during the period												
1) Total comprehensive income	-	-	-	(26,129,370)	-	-	-	1,427,570,875	1,401,441,505	188,205,316	1,589,646,821	
2) Shareholders' contributions and reduction in capital												
(i) Capital contributions by shareholders	75,050,000	96,814,500	171,864,500	-	-	-	-	-	-	-	-	
(ii) Changes in the share of other equity of associates and joint ventures	-	(2,625,717)	-	-	-	-	-	-	(2,625,717)	-	(2,625,717)	
(iii) Amount of share-based payments recognised in equity	-	10,942,290	-	-	-	-	-	-	10,942,290	-	10,942,290	
3) Profits appropriation												
(i) Distribution to shareholders	-	-	-	-	-	-	-	(2,721,505,915)	(2,721,505,915)	(476,651,458)	(3,198,157,373)	
(ii) Transfer to general reserve	-	-	-	-	-	-	(59,379,089)	59,379,089	-	-	-	
4) Special reserve												
(i) Additions	-	-	-	-	46,612,000	-	-	-	46,612,000	8,330,783	54,942,783	
(ii) Utilisation	-	-	-	-	(10,319,531)	-	-	-	(10,319,531)	(3,884,965)	(14,204,496)	
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	-	6,164,587	-	-	-	6,164,587	-	6,164,587	
3. Balance at the end of the period	7,775,731,186	8,449,725,107	171,864,500	(13,858,001)	87,884,690	4,688,014,995	240,955,417	10,426,979,259	31,483,568,153	4,374,324,220	35,857,892,373	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2022
Renminbi Yuan

	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 beginning of the period	7,700,681,186	8,361,457,903	(23,151,783)	37,295,614	4,687,127,180	248,156,969	7,374,557,923	28,386,124,992	4,225,060,973	32,611,185,965
2. Increase/(decrease) during the period										
1) Total comprehensive income	-	-	(2,248,257)	-	-	-	4,643,787,117	4,641,538,860	394,051,490	5,035,590,350
2) Shareholders' contributions and reduction in capital										
(i) Capital contributions by shareholders	-	-	-	-	-	-	-	-	-	-
(ii) Changes in the share of other equity of associates and joint ventures	-	1,147,250	-	-	-	-	-	1,147,250	-	1,147,250
3) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	(1,001,088,554)	(1,001,088,554)	(236,624,809)	(1,237,713,363)
4) Special reserve										
(i) Additions	-	-	-	45,193,058	-	-	-	45,193,058	1,947,222	47,140,280
(ii) Utilisation	-	-	-	(13,563,964)	-	-	-	(13,563,964)	-	(13,563,964)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	4,878,004	-	-	-	4,878,004	-	4,878,004
3. Balance at the end of the period	7,700,681,186	8,362,605,153	(25,400,040)	73,802,712	4,687,127,180	248,156,969	11,017,256,486	32,004,229,646	4,384,434,876	36,448,664,522

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

Renminbi Yuan

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	55,504,379,461	56,703,182,393
Tax refunds received	1,881,814	937,173
Net decrease in deposits in the central bank	38,168,816	–
Net increase in repurchase agreements	–	356,782,462
Net decrease in financial assets purchased under agreements to resell	–	1,346,743,604
Net increase in customer deposits and balances from banks and other financial institutions and other financial institutions	200,052,340	2,933,206,054
Net decrease in loans and advances to customers	998,558,553	–
Cash received for interest charges, fees and commissions	148,867,571	210,780,490
Cash received relating to other operating activities	260,645,302	160,080,223
Sub-total of cash inflows	57,152,553,857	61,711,712,399
Cash paid for purchases of goods and services	(46,358,885,494)	(45,077,268,193)
Net increase in deposits in central bank	–	(99,173,001)
Net decrease in repurchase agreements	(816,786,359)	–
Net decrease in customer deposits and balances from banks and other financial institutions	(2,653,497,995)	–
Net increase in loans and advances to customers	–	(616,828,480)
Cash paid to or on behalf of employees	(2,149,356,950)	(2,545,095,520)
Taxes and surcharges paid	(1,397,455,649)	(1,664,109,422)
Cash paid for interest charges, fees and commissions	(85,776,622)	(84,452,912)
Cash paid relating to other operating activities	(312,230,823)	(344,198,352)
Sub-total of cash outflows	(53,773,989,892)	(50,431,125,880)
Net cash flows from operating activities	3,378,563,965	11,280,586,519

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2022

Renminbi Yuan

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
2. Cash flows from investing activities		
Cash received from disposal of investments	13,014,288,002	13,008,836,113
Cash received from investment income	68,475,397	98,680,140
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other long-term assets	195,554,394	33,221,561
Cash received relating to other investing activities	56,031,856	–
Sub-total of cash inflows	13,334,349,649	13,140,737,814
Purchases of property, plant and equipment, intangible assets and other long-term assets	(4,514,685,242)	(2,846,413,330)
Cash paid for investments	(10,959,586,719)	(18,213,779,330)
Cash paid relating to other investing activities	–	(46,449,040)
Sub-total of cash outflows	(15,474,271,961)	(21,106,641,700)
Net cash flows used in investing activities	(2,139,922,312)	(7,965,903,886)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2022

Renminbi Yuan

3. Cash flows from financing activities

Cash received from borrowings	10,139,612,273	7,896,208,250
Cash received from investors	171,864,500	–
Including: Capital injection from a subsidiary's non-controlling interests	–	–
Cash received relating to other financing activities	473,115,130	–
Sub-total of cash inflows	10,784,591,903	7,896,208,250
Repayment of borrowings	(10,860,003,538)	(8,658,473,101)
Cash paid for distribution of dividends or profits and for interest expenses	(672,277,640)	(579,325,052)
Including: Dividends or profits paid to non-controlling interests by subsidiaries	(455,580,143)	(236,624,809)
Cash paid relating to other financing activities	(22,752,073)	(16,934,619)
Sub-total of cash outflows	(11,555,033,251)	(9,254,732,772)
Net cash flows used in financing activities	(770,441,348)	(1,358,524,522)
4. Effect of foreign exchange rate changes on cash and cash equivalents	40,094,761	(23,517,507)
5. Net increase in cash and cash equivalents	508,295,066	1,932,640,604
Add: cash and cash equivalents at the beginning of the period	4,223,061,890	3,123,596,841
6 Cash and cash equivalents at the end of the period	4,731,356,956	5,056,237,445

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2022

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 2022, the net current liabilities of the Group amounted to RMB7,110,654,013. The directors of the Company have considered the availability of funding sources, including but not limited to an unutilized banking facilities of RMB28.3 billion as at 30 June 2022 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 period ended 30 June 2022 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 2022, and the results of their operations and cash flows for the period ended 30 June 2022.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

Renminbi Yuan

2. SCOPE OF CONSOLIDATION

2.1 Newly established subsidiary

For the period ended 30 June 2022, there was no newly established subsidiary.

2.2 Disposal of a subsidiary

For the period ended 30 June 2022, there was no disposal of a subsidiary.

2.3 Changes in scope of consolidation for other reasons

For the period ended 30 June 2022, there were no changes in scope of consolidation for other reasons.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

Renminbi Yuan

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Other information

Product and service information

External principal operating income	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Sale of steel products	50,697,988,969	51,747,958,799
Sale of steel billets and pig iron	1,527,515,850	2,177,617,139
Sale of coke by-products	36,854,196	80,768,722
Others	2,303,201,451	1,818,519,536
	<u>54,565,560,466</u>	<u>55,824,864,196</u>

Geographical information

External principal operating income	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Mainland China	52,152,774,285	53,242,811,253
Overseas and Hong Kong	2,412,786,181	2,582,052,943
	<u>54,565,560,466</u>	<u>55,824,864,196</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

Renminbi Yuan

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Other information (continued)

	30 June 2022 Unaudited	31 December 2021 Audited
Non-current assets		
Mainland China	50,014,835,107	46,978,671,717
Overseas and Hong Kong	142,423,919	145,347,640
	<u>50,157,259,026</u>	<u>47,124,019,357</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.

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 2022 Unaudited	31 December 2021 Audited
Within one year	1,313,886,637	1,098,242,556
One to two years	17,768,412	13,779,855
Two to three years	17,855,412	14,707,402
Over three years	40,034,121	37,241,496
	1,389,544,582	1,163,971,309
Less: Provisions for bad debts	63,872,314	56,899,956
	<u>1,325,672,268</u>	<u>1,107,071,353</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

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4. TRADE RECEIVABLES (CONTINUED)

As of 30 June 2022 and 31 December 2021, there were no trade receivables that were derecognized due to the transfer of financial assets.

As of 30 June 2022 and 31 December 2021, the Group had no assets or liabilities deriving from transferring trade receivables in which the Group is continuingly involved.

5. FINANCING RECEIVABLES

	30 June 2022 Unaudited	31 December 2021 Audited
Bank acceptance notes	<u>2,813,267,598</u>	<u>4,795,905,782</u>

The undue notes discounted or endorsed were as follows :

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	<u>10,697,027,390</u>	<u>520,444,341</u>	<u>16,485,699,230</u>	<u>439,842,307</u>

As of 30 June 2022 and 31 December 2021, there were no trade receivables transferred from notes receivable because of the drawers' inability to pay.

The Group derecognised notes receivable discounted to financial institutions amounting to RMB1,177,753,113 (for the six months ended 30 June 2021: RMB3,039,706,963), and recognised discount expense amounting to RMB16,218,017 (for the six months ended 30 June 2021: RMB31,989,141).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

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6. PREPAYMENTS

An ageing analysis of the prepayments is as follows:

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Book value	Ratio (%)	Book value	Ratio (%)
Within one year	1,324,704,647	100	1,513,789,753	99
One to two years	1,887,416	-	17,249,774	1
Two to three years	-	-	3,401,311	-
	<u>1,326,592,063</u>	<u>100</u>	<u>1,534,440,838</u>	<u>100</u>

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

7. NOTES PAYABLE

	30 June 2022 Unaudited	31 December 2021 Audited
Bank acceptance notes	<u>7,155,680,843</u>	<u>3,953,458,712</u>

As of 30 June 2022 and 31 December 2021, 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 2022 Unaudited	31 December 2021 Audited
Within one year	12,106,994,392	10,379,620,559
One to two years	35,443,868	51,751,662
Two to three years	1,978,676	3,264,523
Over three years	<u>6,214,044</u>	<u>3,072,987</u>
	<u>12,150,630,980</u>	<u>10,437,709,731</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

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9. DIVIDENDS

According to the “2021 Annual Profit Distribution Plan” approved by the Company’s 2021 Annual General Meeting on 23 June 2022, the Group would distribute dividends to all shareholders at RMB0.35 per share (tax included) (2021: RMB0.13 per share), for 7,775,731,186 shares amounting to RMB2,721,505,915 (2021: RMB1,001,088,554). As at 30 June 2022, dividends had not been paid and it was included in other payables of the financial statements.

10. REVENUE AND COST OF SALES

	For the six months ended 30 June 2022 (Unaudited)		For the six months ended 30 June 2021 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	54,565,560,466	49,805,750,016	55,824,864,196	46,648,453,597
Other operating income	1,801,322,093	1,409,871,540	1,038,751,201	817,972,076
	<u>56,366,882,559</u>	<u>51,215,621,556</u>	<u>56,863,615,397</u>	<u>47,466,425,673</u>

Revenue is presented as follows:

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Revenue from contracts with customers	56,083,599,575	56,650,103,349
Rental income	7,780,561	2,731,558
Interest income	275,502,423	210,780,490
	<u>56,366,882,559</u>	<u>56,863,615,397</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

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10. REVENUE AND COST OF SALES (CONTINUED)

Timing of revenue recognition from contracts with customers:

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
At a point in time		
Sale of steel products	52,225,504,819	53,925,575,938
Sale of other products	3,728,885,768	2,552,459,319
Over time		
Processing	24,645,747	42,834,353
Packaging services	13,094,237	46,654,941
Others	91,469,004	82,578,798
	<u>56,083,599,575</u>	<u>56,650,103,349</u>

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

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Revenue from contracts with customers	<u>5,723,864,852</u>	<u>4,329,736,982</u>

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

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Within one year	<u>5,009,662,433</u>	<u>5,589,750,054</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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10. REVENUE AND COST OF SALES (CONTINUED)

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.

11. FINANCIAL EXPENSES

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Interest expense (<i>Note</i>)	261,302,897	352,060,365
Less: interest income	28,366,201	9,195,165
Exchange loss	84,341,527	35,274,931
Others	6,817,740	5,352,902
	<u>324,095,963</u>	<u>383,493,033</u>

Note: The Group's interest expenses included interests on bank loans, lease liabilities and discounted notes.

12. GAIN FROM DISPOSAL OF ASSETS

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Gain on disposal of property, plant and equipment	64,605,923	1,219,470
Gain on disposal of intangible assets	362,607,802	–
Loss on disposal of construction in progress	(6,629,402)	–
	<u>420,584,323</u>	<u>1,219,470</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

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13. NON-OPERATING INCOME

	For the six months ended 30 June		Included in 2022
	2022 Unaudited	2021 Unaudited	Non-recurring gains and losses Unaudited
Government grants not related to the ordinary course of business	300,000	–	300,000
Scrap gains of property, plant and equipment	–	47,629,832	–
Others	1,413,914	12,496,334	1,413,914
	<u>1,713,914</u>	<u>60,126,166</u>	<u>1,713,914</u>

14. NON-OPERATING EXPENSES

	For the six months ended 30 June		Included in 2022
	2022 Unaudited	2021 Unaudited	Non-recurring gains and losses Unaudited
Scrap losses of property, plant and equipment	74,433,636	17,009,074	74,433,636
Penalty expenditure	385	3,782,462	385
Charity donation	395,550	230,000	395,550
Others	578,569	8,448,252	578,569
	<u>75,408,140</u>	<u>29,469,788</u>	<u>75,408,140</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

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15. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Mainland China current income tax expense	229,932,159	1,275,768,356
Hong Kong current income tax expense	–	–
Overseas current income tax expense	15,226,710	15,677,369
Deferred tax expense	12,407,073	(45,676,561)
	<u>257,565,942</u>	<u>1,245,769,164</u>

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

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Profit before tax	1,873,342,133	6,283,607,771
Tax at the applicable tax rate of 25% (Note)	468,335,533	1,570,901,943
Effect of different tax rates of subsidiaries	1,683,971	(757,275)
Non-deductible expenses	18,079,381	29,443,434
Adjustment of income tax of prior period	(611,691)	100,427,621
Other tax preference	(242,256,986)	(208,629,174)
Income not subject to tax	(6,584,699)	(18,765,654)
Unrecognised deductible temporary difference and tax losses	98,056,026	66,184,821
Utilised previous years' tax losses	(362,512)	(196,240,374)
Share of profit or loss of joint ventures and associates	(78,773,081)	(96,796,178)
Tax charge at the Group's effective rate	<u>257,565,942</u>	<u>1,245,769,164</u>
The Group's effective rate	13.75%	19.83%

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

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16. EARNINGS PER SHARE

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
	cent/share	cent/share
Basic earnings per share		
Continuing operations	<u>18.53</u>	<u>60.30</u>
Diluted earnings per share		
Continuing operations	<u>18.53</u>	<u>60.30</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).

The numerator of diluted earnings per share equals to profit attributable to owners of the parent.

The denominator of diluted earnings per share equals to the sum of: (1) the weighted average number of ordinary shares in issue of basic earnings per share (2) the weighted average number of ordinary shares increased by assuming that diluted potential ordinary shares are converted into ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

Renminbi Yuan

16. EARNINGS PER SHARE (CONTINUED)

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

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Earnings		
Profit attributable to owners of the parent		
Continuing operations	1,427,570,875	4,643,787,117
Less: profit attributable to restricted Shares which is expected to be unlocked	<u>973,639</u>	<u>–</u>
Adjusted profit attributable to owners of the parent	<u><u>1,426,597,236</u></u>	<u><u>4,643,787,117</u></u>
Number of shares		
Weighted average number of ordinary shares in issue during the period	<u><u>7,700,681,186</u></u>	<u><u>7,700,681,186</u></u>

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

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Earnings		
Profit attributable to owners of the parent		
Continuing operations	<u><u>1,427,570,875</u></u>	<u><u>4,643,787,117</u></u>
Number of shares		
Weighted average number of ordinary shares in issue during the period	7,700,681,186	7,700,681,186
Dilutive effect – weighted average number of ordinary shares		
Restricted Shares	<u><u>5,255,643</u></u>	<u><u>–</u></u>
Adjusted weighted average number of ordinary shares in issue during the period	<u><u>7,705,936,829</u></u>	<u><u>7,700,681,186</u></u>

NOTES TO THE 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. Then, the Company and the tax authorities had a comprehensive communication and according to the tax authorities, the applicable corporate income tax rate in 2007 was 33%, which was adjusted from 15%. The Company has not been charged of prior period income taxes arising from difference in income tax rates.

In view of above, the director of the Company believed that it is uncertain whether the tax authorities will chase 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 2022, the Group and the Company did not have significant pending litigations.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2022

Renminbi Yuan

18. EVENTS AFTER THE BALANCE SHEET DATE

Until the approval date of 2022 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
Maanshan Iron & Steel Company Limited
Ding Yi
Chairman

30 August 2022

Maanshan City, Anhui Province, the PRC

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