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

(Stock Code: 00323)

2023 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, but has been reviewed by the audit committee of the Company.
- 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
	Secretary of the Board of Directors	Joint Company Secretary	Joint Company Secretary
Name	Ren Tianbao	He Hongyun	Rebecca Chiu
Contact address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC	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	86-555-2888158/2875251	(852)21552649
Fax	86-555-2887284	86-555-2887284	(852)21559568
Email address	mggf@baowugroup.com	mggf@baowugroup.com	rebeccachiu@chiuandco.com

2.2 Major Financial Data of the Company

Unit: Yuan Currency: 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	83,436,327,222	96,887,310,222	-13.88
Net assets attributable to owners of the parent	26,856,392,704	29,194,825,322	-8.01

	Reporting period	Corresponding period of the previous year	Increase/decrease at the reporting period compared to the same period of last year (%)
Revenue	48,980,452,872	56,366,882,559	-13.10
Net profit attributable to owners of the parent	-2,235,498,496	1,427,570,875	-256.59
Net profit excluding non-recurring gains or losses attributable to owners of the parent	-2,628,980,022	1,140,842,321	-330.44
Net cash flows from operating activities	1,910,429,612	3,378,563,965	-43.45
Return on net assets (weighted average) (%)	-7.95	4.44	Decreased by 12.39 percentage points
Basic earnings per share (RMB/share)	-0.289	0.185	-256.22
Diluted earnings per share (RMB/share)	-0.289	0.185	-256.22

2.3 Shareholding of the top ten shareholders

Unit: Share

Total number of shareholders at the end of the reporting period 158,403

Shareholding of the top ten shareholders

Name of Shareholder	Shareholder Nature	Shareholding Ratio (%)	Number of Shares	No. of Share under Restricted Condition for Sales	Number of Shares Pledged, Marked or Frozen	
Magang (Group) Holding Co., Limited	State-owned shareholder	47.17	3,664,749,615	-	None	-
Hong Kong Securities Clearing Company (Nominees) Limited	Unknown	22.09	1,716,669,128	-	Unknown	Unknown
Central Huijin Investment Ltd.	State-owned shareholder	1.79	139,172,300	-	Unknown	Unknown
China Merchants Bank Ltd. – SSE Dividend Index ETF	Unknown	1.25	97,079,948	-	Unknown	Unknown
Hong Kong Securities Clearing Company Ltd.	Unknown	0.92	71,481,323	-	Unknown	Unknown

Shareholding of the top ten shareholders

Name of Shareholder	Shareholder Nature	Shareholding Ratio (%)	Number of Shares	No. of Share under Restricted Condition for Sales	Number of Shares Pledged, Marked or Frozen
China Life Pension Strategy No. 4 Equity Pension Product – Industrial and Commercial Bank of China Limited	Unknown	0.44	34,531,120	–	Unknown
Beijing Guoxing Real Estate Management Co., Ltd.	Unknown	0.42	32,463,300	–	Unknown
Zhang Wu	Unknown	0.35	27,000,000	–	Unknown
Industrial and Commercial Bank of China Limited – Fullgoal China Securities Dividend Index Enhanced Securities Investment Fund EIF	Unknown	0.33	25,989,300	–	Unknown
Shenwan Hongyuan Securities Co., Ltd.	Unknown	0.28	21,639,961	–	Unknown

Notes on the above shareholders' affiliated relation or concerted action

Magang (Group) Holding Co., Limited has no affiliated relation with any of the other foregoing shareholders, nor is 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 1,716,669,128 H Shares of the Company, which were held on behalf of its customers, including 358,950,000 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 2023, the Company faced a challenging market environment externally and a rigorous test of “four phases” internally, including strategic transformation, project construction, product mix upgrading, and operating quality improvement in industry winter, causing immense pressure in production and operation. By firmly adhering to “focus on performance, responsibility, strict execution, and performance-based assessment” as the main thread of work, the Company conducted comprehensive benchmarking, optimized variety structure, strengthened technological support, and innovated institutional mechanisms, however, the overall operational performance did not meet expectations.

During the reporting period, the Group produced 9.39 million tons of pig iron, produced 10.29 million tons of crude steel and produced 10.13 million tons of steel, representing a year-on-year decrease of 2.39%, 6.28% and 5.33%, 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 RMB48,980 million, representing a year-on-year decrease of 13.1%; net loss attributable to shareholders of the listed company amounted to RMB2,235 million, representing a year-on-year decrease of 256.59%; basic earnings per share amounted to RMB-0.289, representing a year-on-year decrease of 256.22%. As at the end of the reporting period, the Group’s total assets amounted to RMB83,436 million, representing a year-on-year decrease of 13.88%; net assets attributable to shareholders of the listed company amounted to RMB26,856 million, representing a year-on-year decrease of 8.01%.

2. Main tasks and results

- (1) Pursuing the ultimate efficiency. Firstly, the Company leveraged the synergy of gap-filling projects to pursue ultimate efficiency in the production line. The Blast Furnaces A and B achieved a breakthrough in daily production, surpassing 11,000 tonnes, with an annual production capacity of 4 million tonnes; the daily steel production of the No. 4 Steel Rolling Plant reached 106 furnaces; the monthly production of Special Steel Company reached 208,000 tonnes; the sales volume of wheels in the first half of the year was 298,500 pieces, representing a year-on-year increase of 12.34%. Secondly, the Company focused on eight core indicators (steel production, cost of molten iron, iron-steel ratio, utilization rate of production capacity, inventory management, temperature drop of molten iron, energy cost reduction, and competitiveness of large round billet of the new special steel). While maintaining stable production, the Company conducted in-depth benchmarking to strengthen organization, identify gaps, establish clear directions and promote overall enhancement, and concentrated its strengths to drive rapid improvement in core indicators, realizing overall improvement through breakthroughs in certain key areas. During the reporting period, the hot charging rate was 75.65%, representing an increase of 2.71 percentage points as compared to the previous year; the TPC turnover rate reached 4.01 times/day per torpedo car, showing an improvement of 11.4% as compared to the previous year; the special steel contract fulfillment rate remained stable at over 95%.
- (2) Optimizing product mix and channels. Firstly, the Company strengthened market tracking, research and judgment, and adopted daily tracking, weekly reporting and monthly evaluation, to dynamically assess the marginal contribution and improve the accuracy of market trend research and judgment for different product categories. Secondly, the Company optimized the variety structure, intensified the integration of production, sales and research, focused on increasing both the volume and profit of eight key products, enhanced high-end product offerings by concentrating its efforts and resources, while ensuring stable product quality and reducing manufacturing costs. Thirdly, the Company expanded market channels, developed key customers,

strategic clients, and high-quality customers, further explored opportunities in overseas markets, facilitating the optimization of both the order structure and customer structure. Fourthly, the Company broadened the resource channels, deepened lean procurement, promoted the ecosystem coordination to reduce costs, and reduce inventory based on achieving economical and safe supply. During the reporting period, the eight quick-win projects of the Company for structural adjustments accumulated a total of 656,000 tonnes in orders, the wheels produced by the Company became an exclusive supply for the first domestic interprovincial inter-city railway, the Chuzhou-Nanjing Inter-City Railway, the first batch of 32 pieces of wheels for type C regional EMUs were successfully delivered, low-temperature resistant rebar was applied in multiple LNG projects, and supply for two new automotive manufacturers with 17 galvanized outer plate components were secured.

- (3) Accelerating the transformation and upgrading. During the reporting period, key projects such as the section steel upgrading project in the southern area of Masteel – 2# continuous casting machine and the new special steel project (Phase I) were successfully completed and put into production, laying a crucial foundation for accelerating the transformation and upgrading of the Company, building a differentiated competitive advantage for new special steel products and cultivating a new growth point of efficiency. Especially the new special steel project (Phase I) put into production on 6 June 2023 achieved monthly production target in the first month. At present, the Company implements the variety structure quantity ramp-up plan focusing on “key products and high-end products” of new special steel production line. As at the end of June 2023, the Company has developed 27 new products and obtained certification for 25 new products.
- (4) Insisting on the green development. Firstly, in accordance with the relevant requirements of the Ministry of Ecology and Environment, the Company has undertaken further optimization and rectification measures for the exhaust emissions from heating furnaces. By implementing optimization of operations and improving gas balance, the Company achieved a continuous and stable ultra-low emission, which was recognized by the Ministry of Ecology and Environment and the China Iron and Steel Association. Secondly, to consolidate the achievements in ultra-low emission, the Company developed a standardized operational management plan. Weekly inspections were conducted for the simultaneous operation of on-site environmental protection facilities, ultra-low

emission compliance operation, unorganized emission control, and the on-site overall environmental renovation. During the reporting period, the Company and Changjiang Steel achieved A-class environmental performance enterprise creation, signifying a new milestone in the journey towards green development of the Company. The Company was selected as one of the “China ESG Leading 100 Listed Companies” issued by China Media Group’s Economic and Financial Program Center in collaboration with the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), All-China Federation of Industry and Commerce (ACFIC) and the Chinese Academy of Social Sciences (CASS).

- (5) Reinforcing technological support. The Company placed technological innovation at the core of high-quality development, continuously shaping new drivers and advantages for its growth. The Company supported benefit creation of new products, proactively promoted the production of new high-benefit products, and made efforts to accelerate the ramp-up of production of new special steel products, aiming to achieve benefit creation through the means of technology; the Company supported the solution of on-site problems, and established teams dedicated to tackling issues related to bottleneck and constraints such as ultimate efficiency, manufacturing cost reduction, quality improvement, and energy conservation and strived to make technological breakthroughs, driving improvements in key indicators; the Company supported process optimization, and the technical units provided technological support in various areas such as product design, casting and rolling of billets, improvement of billet quality, transition from electric furnaces to convertor for special steels, and hot charging and hot delivery processes; the Company supported market expansion, and deepened EVI technology services to build a differentiated competitive advantage.

- (6) Deepening mechanism reform. The Company adopted an overall approach featuring clear goals, problem-orientation, accountability, and result applications, vigorously promoted the incentive mechanism reform. The Company insisted on the performance-oriented principle and value creation, focused on the main and key tasks and quickly made breakthroughs, adhered to traditional practice while applying innovation, employed a systematic approach to make an overall plan, emphasized rigorous execution linking up with performance assessment, and followed the principle of mass line to cultivate a collaborative atmosphere. In the new round of mechanism reform, the Company placed a strong emphasis on key areas and priorities, enhanced competition, established clear rankings, emphasized the application and fostered a positive atmosphere. The Company cultivated a performance-oriented culture themed “strivers-, performance- and results-based appraisal”, providing a platform for those who are motivated, creating opportunities for those with capabilities, and rewarding those who achieve outstanding results.

3.2 Financial position and exchange risks

As of 30 June 2023, the total loans of the Group were denominated in RMB with an aggregate amount of RMB19.152 billion, including short-term loans of RMB8.774 billion and long-term loans of RMB10.378 billion (including RMB3.128 billion of long-term loans due within one year). Among the Renminbi denominated loans of the Group, loans amounting to RMB14.986 billion carried fixed interest rates and loans amounting to RMB4.166 billion carried floating interest rates. At the end of the reporting period, the Group’s asset liability ratio was 63.37%, representing a decrease of 2.23 percentage points as compared with the end of 2022.

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 RMB71.917 billion, of which the unutilised facilities amounted to approximately RMB37.461 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, US dollars paid for imported raw materials were settled by handling forward foreign exchange as necessary while locking the purchase exchange rate of U.S.. 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 internally 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 of production and operation.

The Audit Committee reviewed the 2022 internal audit work report of the Company on 18 January 2023, agreeing to the internal audit work arrangements for 2022 and submitted it to the Board for consideration. The Board reviewed the 2022 anti-fraud work report and 2023 work arrangements on 10 March 2023.

The Board reviewed the 2022 Internal Control Evaluation Report on 30 March 2023, confirming that the Company has implemented an effective internal control over all important aspects pursuant to the Basic Internal Control Norms for Enterprises and other relevant requirements in 2022. The Company appointed Ernst & Young Hua Ming as our auditor to audit the effectiveness of our internal control related to financial report as at 31 December 2022 and issued a standard unqualified internal control audit report. During the reporting period, the Company continued to improve the internal control system to ensure that its internal control always remains effective.

The Board heard the 2022 Comprehensive Risk Management and Internal Control Work Report on 30 March 2023 and reviewed 2023 Comprehensive Risk Management and Internal Control Work Promotion Plan, 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 2022 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.

The Board heard the comprehensive risk management and internal control work reports for the first quarter and the first half of 2023 on 27 April and 30 August 2023, respectively.

3.4 Operating results

Unit: Yuan Currency: RMB

Accounts	Amount of the current period	Amount of the same period of last year	Change (%)
Revenue	48,980,452,872	56,366,882,559	-13.10
Cost of sales	49,523,478,031	52,616,766,538	-5.88
Selling expenses	177,901,863	128,478,727	38.47
General and administrative expenses	456,380,406	628,974,051	-27.44
Financial expenses	178,963,793	324,095,963	-44.78
R&D expenses	643,423,988	663,418,837	-3.01
Net cash flows from operating activities	1,910,429,612	3,378,563,965	-43.45
Net cash flows from investing activities	3,103,866,889	-2,139,922,312	N/A
Net cash flows from financing activities	-4,186,460,774	-770,441,348	N/A
(Losses)/gains on the changes in fair value	-34,558,767	56,378,972	-161.30
Credit impairment gains/(losses)	40,958,117	10,845,117	277.66
Gains from disposal of assets	16,883,791	420,584,323	-95.99
Operating (losses)/profit	-2,362,608,534	1,947,036,359	-221.34
(Losses)/profit before tax	-2,361,338,152	1,873,342,133	-226.05
Income tax expense	72,049,656	257,565,942	-72.03
Net (losses)/profit	-2,433,387,808	1,615,776,191	-250.60
Net profit/(losses) attributable to owners of the parent	-2,235,498,496	1,427,570,875	-256.59
Profit or loss attributable to non-controlling interests	-197,889,312	188,205,316	-205.15

Revenue decrease by 13.10% as compared with the same period of last year, mainly due to the year-on-year decrease in steel prices and a slight decrease in steel sales during the period.

Cost of sales decreased by 5.88% as compared with the same period of last year, mainly due to the year-on-year decrease in the prices of raw material and steel sales during the period.

Selling expenses increased by 38.47% as compared with the same period of last year, mainly due to the increase in marketing expenses caused by the Company's efforts to open up markets and expand sales channels, and the increase in the total remuneration resulting from the adjustment of the personnel structure of the marketing center.

Financial expenses decreased by 44.78%, mainly due to the significant fluctuation in exchange rate since last year with the exchange earning of RMB41 million during the period (the same period in 2022: exchange losses of RMB84 million).

Net cash flow from operating activities decreased by 43.45%, mainly due to the decrease in cash received from sale of goods and rendering of services.

The change in net cash flow from investing activities was mainly due to the year-on-year decrease in cash paid for investment by Magang Group Finance Company Limited ("Magang Finance").

The change in net cash flow from financing activities was mainly due to the planned reduction of the size of interest-bearing liabilities according to the Company's business strategy during the period, and the increase of loan repayment amount while ensuring the demand for production and operation funds.

(Losses)/gains on the changes in fair value decreased by 161.30%, mainly due to the significant fluctuation in exchange rate since last year, resulting in losses from the change in fair value of forward foreign exchange contracts held by the Company.

Credit impairment gains/(losses) increased by 277.66%, which was mainly due to the decrease in loans and advances issued by Magang Finance to entities other than the Group as compared with the end of last year, and the corresponding reversal of loan impairment allowances.

Gains from disposal of assets decreased by 95.99%, mainly due to the gains from receipt of the related land resumption by Hefei Iron and Steel, a subsidiary of the Company, as well as gains from disposal of production capacity by Changjiang Steel, a subsidiary of the Company during the same period of last year.

Income tax expense decreased by 72.03%, mainly due to the decrease in taxable income as compared with the same period of last year.

Operating profit, profit before tax, net profit and net profit attributable to owners of the parent decreased by 221.34%, 226.05%, 250.60% and 256.59%, respectively, mainly due to the decrease in gross profit of steel products as compared with the same period of last year resulting from the decreased prices at both ends of the purchase and sale during the period as compared with the same period of last year and the decline of steel prices exceeded the decline of raw material prices under the influence of macro factors such as supply shock, shrinking demand and weakening expectation.

Profit or loss attributable to non-controlling interests decreased by 205.15%, mainly due to the operating losses of certain non-wholly owned subsidiaries during the period.

3.5 The environment for production and operation and coping strategies

In the second half of the year, it is expected that the national economy will continue to recover and show overall improvement. However, the external environment will remain as complex and challenging, domestic demand may still fall short. Regarding the steel industry, seven ministries including the Ministry of Industry and Information Technology, have recently jointly released the “Stable Growth Plan for the Steel Industry” to implement the decisions and arrangements made at the Central Economic Work Conference. The plan clarifies that from 2023 to 2024, efforts will be made from both sides of supply and demand to stabilize operations, expand demand, promote reforms, support enterprises, and enhance the industry’s capabilities, and effective measures will be taken to stabilize the economic performance of the steel industry and accelerate high-quality development. This plan presents both challenges and opportunities for the Company. The Company is currently facing “four phases” including strategic transformation, project construction, product mix upgrading, and operating quality improvement in industry winter, causing immense pressure in production and operation. However, the support from national policies, Baowu, scale platform, a foundation in green development and intelligent manufacturing, the raising fighting spirit and other favorable conditions provide opportunities for the production and operation of the Company in the second half of the year.

The Company will extensively implement the management concept of “4-with” (production with orders, production volume with marginal contributions, sales revenue with profits and profits with cash flow), take “double 8” traction strategy as driving force, optimize the structure, expand channels, improve indicators, reduce costs, and minimize inventory levels, accelerate the improvement of operational performance and strive for significant enhancement of operational performance. The key works include:

Firstly, ensuring stable and efficient production. The Company will maintain stable blast furnace production, and ensure that the daily production of the blast furnaces in the headquarters stabilizes at 44,000 tonnes, to promote cost reduction and efficiency improvement by stable production; adhere to the order-oriented principle, and continuously improve the order fulfillment rate.

Secondly, promoting the implementation of “double 8” traction strategy. The Company will establish a sound evaluation mechanism, and combine the actual situation of each project group to establish a “standard + α ” performance evaluation system that will include mandatory ranking linked with assessments; strengthen collaboration among production, sales and research, to ensure the effective implementation of the 16 cross-department and cross-unit projects associated with the “double 8” traction strategy.

Thirdly, in terms of procurement, the Company will insist on system thinking, plan the work from a holistic perspective, emphasize innovation among all staff, break through the inherent experience through continuous benchmarking, improvement, and conclusion, and strive to make greater progress in areas such as optimizing coal and ore blending, and supporting the reduction of molten iron cost.

Fourthly, strengthening marketing benefit creation, adhering to market segmentation, accurately identifying customer needs, and launching targeted strategies. The Company will enhance collaborative efforts, conduct marketing work jointly with technical, manufacturing teams, align the research, production, and sales to strengthen the benefit creation ability of new products, and continuously enhance the brand capability of Masteel products; actively seize favorable export opportunities and expand the overseas market presence, focus on key markets such as those along “The Belt and Road” initiative, and continue to expand the export volume of key products such as train wheels and H beams.

Fifthly, strengthening capital control. The Company will prioritize the cash flow, maintain a stable cash flow trend in the first half of the year, and solidify capital reserves in the future; strengthen the control of ecosystem costs by cascading cost pressures at various levels and link maintenance and support costs to production line loads; control project investment, make good use of existing assets, and rapidly advance fast-turnover projects.

Sixthly, promoting the production of deep processing products. The Company will pursue ultimate efficiency by allocating resources towards high value-added and high-margin contribution production lines; closely follow market demands and rapidly advance adaptive transformations to support marketing orders.

Seventhly, intensifying the economical operation of energy systems. The Company will shift the mindset, innovate boldly, and achieve new breakthroughs in hot charging and hot delivery; explore the “one furnace to one plant” molten iron distribution model, optimize the interface between iron-making and steel-making and continuously reduce the temperature drop of molten iron; make full use of secondary energy sources such as converter gas, strictly control gas emissions, and increase the proportion of self-generated electricity.

Eighthly, effectively coordinating the special steel management model. The Company will optimize the production organisation mode of electric furnaces and convertors, support stable production in new special steel lines and reduce costs; seize the opportunity of promoting new special steel, accelerate the entry of core products into the market, and strive to achieve monthly profitability as soon as possible.

IV. RELEVANT MATTERS INVOLVING FINANCIAL REPORT

- 4.1 There was 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 did not have significant accounting errors that need to be retrospectively restated.**
- 4.3 During the reporting period, Magang Finance was absorbed and merged by Baowu Group Finance Co., Ltd. and ceased to be included in the scope of consolidation of financial statements of the Company. Apart from the aforementioned change, there was no other 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, Mr. Guan Bingchun and Mr. He Anrui. The Audit Committee has reviewed the 2023 interim results.

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 repurchased and cancelled a total of 5.944 million restricted A shares that were not unlocked by some equity incentive participants under the relevant provisions of the share incentive scheme. In addition, the Company did not redeem any of its listed stocks, nor did the Company and its subsidiaries 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 had 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 2023

Renminbi Yuan

ASSETS	<i>Notes</i>	30 June 2023 Group Unaudited	31 December 2022 Group Audited	30 June 2023 Company Unaudited	31 December 2022 Company Audited
CURRENT ASSETS					
Cash and bank balances		6,360,496,388	6,534,701,307	3,811,878,576	4,947,811,247
Financial assets held for trading		–	625,997,138	–	40,471,388
Notes receivables		524,560,869	1,933,419,913	761,294,000	2,028,976,500
Trade receivables	4	1,552,187,387	1,376,878,400	1,540,186,559	1,554,799,112
Financing receivables	5	2,028,062,545	2,659,676,438	1,567,483,220	2,090,411,894
Prepayments	6	512,349,306	523,771,038	413,580,249	442,776,048
Other receivables		355,359,721	330,510,759	134,792,191	150,558,816
Inventories		10,617,168,517	10,244,541,734	6,950,288,504	7,002,397,080
Financial assets purchased under agreements to resell		–	2,680,209,514	–	–
Loans and advances to customers		–	2,644,197,648	–	–
Other current assets		488,968,879	9,763,174,357	262,843,194	462,906,022
Total current assets		22,439,153,612	39,317,078,246	15,442,346,493	18,721,108,107
NON-CURRENT ASSETS					
Long-term receivables		–	4,136,391	–	–
Long-term equity investments		7,038,429,148	4,449,421,983	12,728,874,113	11,994,505,601
Other equity instrument investments		434,221,236	541,406,510	427,843,107	447,058,919
Investment properties		56,202,287	57,207,919	56,202,287	57,207,919
Property, plant and equipment		41,601,215,751	42,432,233,911	32,654,503,900	33,336,863,387
Construction in progress		9,627,969,434	7,766,555,935	8,374,336,076	6,636,259,808
Right-of-use assets		273,090,065	289,244,099	262,289,554	271,004,308
Intangible assets		1,818,236,594	1,875,095,733	1,332,251,846	1,357,773,436
Deferred tax assets		141,645,283	150,908,792	91,129,722	82,176,642
Other non-current assets		6,163,812	4,020,703	–	–
Total non-current assets		60,997,173,610	57,570,231,976	55,927,430,605	54,182,850,020
TOTAL ASSETS		83,436,327,222	96,887,310,222	71,369,777,098	72,903,958,127

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

As at 30 June 2023

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2023 Group Unaudited	31 December 2022 Group Audited	30 June 2023 Company Unaudited	31 December 2022 Company Audited
CURRENT LIABILITIES					
Customer deposits		–	9,082,110,579	–	–
Repurchase agreements		–	659,635,255	–	–
Short-term loans		8,773,620,958	9,198,483,165	8,236,789,365	9,677,805,231
Notes payable	7	6,224,257,622	5,220,978,025	2,724,382,121	2,468,071,491
Trade payables	8	16,627,260,626	17,224,018,731	14,884,496,636	15,008,917,007
Contract liabilities		5,191,389,696	4,987,638,416	3,751,187,277	4,221,839,659
Payroll and employee benefits payable		166,541,362	488,255,914	70,150,755	354,868,355
Taxes payable		532,936,797	639,849,357	428,963,993	474,452,288
Other payables		2,841,171,373	3,917,090,333	6,194,721,161	3,972,412,391
Non-current liabilities due within one year		3,200,841,489	2,059,412,922	3,199,638,094	2,057,457,424
Provision		29,634,497	25,699,276	–	–
Other current liabilities		674,880,660	648,392,994	487,654,346	548,839,156
Total current liabilities		44,262,535,080	54,151,564,967	39,977,983,748	38,784,663,002
NON-CURRENT LIABILITIES					
Long-term loans		7,250,337,107	7,982,390,765	7,133,337,107	8,214,390,765
Lease liabilities		298,224,844	305,546,394	288,287,192	288,254,300
Long-term payable		105,928,072	168,053,940	105,928,072	168,053,940
Long-term employee benefits payable		17,302,359	16,423,474	–	–
Deferred revenue		943,227,215	933,916,449	729,828,072	692,633,615
Deferred tax liabilities		200,100	3,397,498	–	–
Total non-current liabilities		8,615,219,697	9,409,728,520	8,257,380,443	9,363,332,620
Total liabilities		52,877,754,777	63,561,293,487	48,235,364,191	48,147,995,622

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

As at 30 June 2023

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Notes</i>	30 June 2023 Group Unaudited	31 December 2022 Group Audited	30 June 2023 Company Unaudited	31 December 2022 Company Audited
SHAREHOLDERS' EQUITY					
Share capital		7,769,787,186	7,775,731,186	7,769,787,186	7,775,731,186
Capital reserve		8,434,454,101	8,442,757,852	8,429,681,081	8,447,275,568
Less: Treasury shares		158,252,740	171,864,500	158,252,740	171,864,500
Other comprehensive income		12,340,363	(30,006,411)	141,232,438	132,591,787
Special reserve		108,489,737	107,567,088	64,761,240	69,568,483
Surplus reserve		4,720,262,452	4,720,262,452	3,883,475,865	3,883,475,865
General reserve		–	271,501,110	–	–
Retained earnings		5,969,311,605	8,078,876,545	3,003,727,837	4,619,184,116
Equity attributable to owners of the parent		<u>26,856,392,704</u>	<u>29,194,825,322</u>		
Non-controlling interests		<u>3,702,179,741</u>	<u>4,131,191,413</u>		
Total shareholders' equity		<u>30,558,572,445</u>	<u>33,326,016,735</u>	<u>23,134,412,907</u>	<u>24,755,962,505</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u><u>83,436,327,222</u></u>	<u><u>96,887,310,222</u></u>	<u><u>71,369,777,098</u></u>	<u><u>72,903,958,127</u></u>

CONSOLIDATED AND COMPANY'S INCOME STATEMENT

For the six months ended 30 June 2023

Renminbi Yuan

	Notes	2023 Group Unaudited	2022 Group Unaudited	2023 Group Unaudited	2022 Company Unaudited
Revenue	10	48,980,452,872	56,366,882,559	38,799,331,439	48,775,294,696
Less: Cost of sales	10	49,523,478,031	52,616,766,538	39,777,699,441	46,365,564,775
Taxes and surcharges		218,599,434	257,561,084	145,174,929	182,635,779
Selling expenses		177,901,863	128,478,727	91,435,482	63,910,692
General and administrative expenses		456,380,406	628,974,051	274,438,048	380,380,228
R&D expenses		643,423,988	663,418,837	455,748,145	522,031,407
Financial expenses	11	178,963,793	324,095,963	190,774,860	286,376,561
including: interest expense		231,627,973	261,302,897	236,541,973	235,529,680
interest income		18,849,473	28,366,201	14,774,762	11,603,137
Add: Other income		52,456,933	111,692,169	37,636,283	90,235,269
Investment income		451,989,731	417,913,544	1,195,221,861	2,088,771,774
including: share of profits of associates and joint ventures		84,511,457	315,092,323	79,328,873	309,241,625
Gain on the changes in fair value		(34,558,767)	56,378,972	(40,471,388)	66,851,402
Credit impairment gains/(losses)		40,958,117	10,845,117	9,421,447	(6,246,027)
Assets Impairment losses		(672,043,696)	(817,965,125)	(543,680,703)	(781,555,137)
Gain from disposal of assets	12	16,883,791	420,584,323	10,991,718	57,976,374
Operating profit		(2,362,608,534)	1,947,036,359	(1,466,820,248)	2,490,428,909
Add: Non-operating income	13	2,547,133	1,713,914	1,401,921	866,345
Less: Non-operating expenses	14	1,276,751	75,408,140	712,916	52,034,683
Profit before tax		(2,361,338,152)	1,873,342,133	(1,466,131,243)	2,439,260,571
Less: Income tax expenses	15	72,049,656	257,565,942	(6,070,708)	30,018,968
Net profit		(2,433,387,808)	1,615,776,191	(1,460,060,535)	2,409,241,603
Categorized by operation continuity					
Net profit from continuing operations		(2,433,387,808)	1,615,776,191	(1,460,060,535)	2,409,241,603

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2023

Renminbi Yuan

	<i>Notes</i>	2023 Group Unaudited	2022 Group Unaudited	2023 Group Unaudited	2022 Company Unaudited
Categorized by ownership					
Net profit attributable to owners of the parent		<u>(2,235,498,496)</u>	<u>1,427,570,875</u>		
Net profit attributable to non-controlling interests		<u>(197,889,312)</u>	<u>188,205,316</u>		
Other comprehensive income, net of tax		47,473,110	(26,129,370)	8,640,651	(19,910,020)
Other comprehensive income attributable to owners of the parent, net of tax		47,473,110	(26,129,370)		
Other comprehensive income that will not be reclassified to profit or loss:					
Changes in fair value of other equity investments		(11,689,222)	(30,248,839)	(16,333,440)	(19,981,123)
		(11,689,222)	(30,248,839)	(16,333,440)	(19,981,123)
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		59,162,332	4,119,469	24,974,091	71,103
Changes in fair value of other debt investment		24,974,091	71,103	24,974,091	71,103
Exchange differences on translation of foreign operations		4,076,476	1,942,767	-	-
		30,111,765	2,105,599	-	-
Other comprehensive income attributable to non-controlling interests, net of tax		-	-		
Total comprehensive income		<u>(2,385,914,698)</u>	<u>1,589,646,821</u>	<u>(1,451,419,884)</u>	<u>2,389,331,583</u>

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)*For the six months ended 30 June 2023**Renminbi Yuan*

	<i>Notes</i>	2023 Group Unaudited	2022 Group Unaudited	2023 Group Unaudited	2022 Company Unaudited
Attributable to:					
Owners of the parent		<u><u>(2,188,025,386)</u></u>	<u><u>1,401,441,505</u></u>		
Non-controlling interests		<u><u>(197,889,312)</u></u>	<u><u>188,205,316</u></u>		
EARNINGS PER SHARE:					
Basic earnings per share <i>(cent/share):</i>	16	<u><u>(28.92)</u></u>	<u><u>18.53</u></u>		
Diluted earnings per share <i>(cent/share)</i>	16	<u><u>(28.92)</u></u>	<u><u>18.53</u></u>		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023
Renminbi Yuan

	Attributable to owners of the parent										Total Shareholders' equity
	Share capital	Capital reserve	Treasury shares	Less: Comprehensive income	Special reserve	Surplus reserve	General Reserve	Retained Earnings	Sub-total	Non-controlling interests	
1. Balance at the beginning of the period	7,775,731,186	8,442,757,852	171,864,500	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,078,876,545	29,194,825,322	4,131,191,413	33,326,016,735
2. Increase/(decrease) during the period											
(1) Total comprehensive income	-	-	-	47,473,110	-	-	-	(2,235,498,496)	(2,188,025,386)	(197,889,312)	(2,385,914,698)
(2) Shareholders' contributions and reduction in capital											
1. Capital contributions by shareholders	(5,944,000)	(7,667,760)	(13,611,760)	-	-	-	-	-	-	-	-
2. Changes in the share of other equity of associates and joint ventures	-	(4,388,089)	-	-	-	-	-	-	(4,388,089)	-	(4,388,089)
3. Amount of share-based payments recognized in equity	-	(5,538,638)	-	-	-	-	-	-	(5,538,638)	-	(5,538,638)
(3) Profits appropriation											
1. Distribution to shareholders	-	-	-	-	-	-	-	(155,395,744)	(155,395,744)	(13,913,579)	(169,309,323)
(4) Internal transfer of shareholder's equity											
1. Transfer to general reserve	-	-	-	(9,828,190)	-	-	-	9,828,190	-	-	-
(5) Special reserve											
1. Additions	-	-	-	-	34,386,555	-	-	-	34,386,555	7,920,984	42,307,539
2. Utilisation	-	-	-	-	(38,010,004)	-	-	-	(38,010,004)	(4,047,530)	(42,057,534)
3. Changes in the share of associates and joint ventures' special reserve, net	-	-	-	-	4,546,098	-	-	-	4,546,098	-	4,546,098
(6) Disposal of subsidiaries	-	9,290,736	-	4,701,854	-	-	(271,501,110)	271,501,110	13,992,590	(221,082,235)	(207,089,645)
3. Balance at the end of the period	7,769,787,186	8,434,454,101	158,252,740	12,340,363	108,489,737	4,720,262,452	-	5,969,311,605	26,856,392,704	3,702,179,741	30,558,572,445

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	Treasury shares	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	8,344,594,034	-	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											
1. Capital contributions by shareholders	75,050,000	96,814,500	171,864,500	-	-	-	-	-	-	-	-
2. Changes in the share of other equity of associates and joint ventures	-	(2,625,717)	-	-	-	-	-	-	(2,625,717)	-	(2,625,717)
3. Amount of share-based payments recognized in equity	-	10,942,290	-	-	-	-	-	-	10,942,290	-	10,942,290
(3) Profits appropriation											
1. Distribution to shareholders	-	-	-	-	-	-	-	(2,721,505,915)	(2,721,505,915)	(476,651,458)	(3,198,157,373)
2. Transfer to general reserve	-	-	-	-	-	-	(59,379,089)	59,379,089	-	-	-
(4) Internal transfer of shareholder's equity											
1. Other comprehensive income transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-
(5) Special reserve											
1. Additions	-	-	-	-	46,612,000	-	-	-	46,612,000	8,330,783	54,942,783
2. Utilisation	-	-	-	-	(10,319,531)	-	-	-	(10,319,531)	(3,884,965)	(14,204,496)
3. 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 CASH FLOWS

For the six months ended 30 June 2023

Renminbi Yuan

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of service	44,491,157,473	55,504,379,461
Tax refunds received	758,350,414	1,881,814
Net decrease in deposits in the central bank	249,240,601	38,168,816
Net increase in repurchase agreements	2,680,209,514	–
Net increase in customer deposits and balances from banks and other financial institutions and other financial institutions	–	200,052,340
Net decrease in loans and advances to customers	1,645,825,963	998,558,553
Cash received for interest charges, fees and commissions	93,262,097	148,867,571
Cash received relating to other operating activities	343,059,411	260,645,302
Sub-total of cash inflows	50,261,105,473	57,152,553,857
Cash paid for purchases of goods and services	(41,964,850,644)	(46,358,885,494)
Net decrease in repurchase agreements	(659,635,255)	(816,786,359)
Net increase in buying back the sale of financial assets	–	(2,653,497,995)
Net increase in loans and advances to customers	(2,493,266,501)	–
Cash paid to or on behalf of employees	(2,314,894,462)	(2,149,356,950)
Taxes and surcharges paid	(605,109,251)	(1,397,455,649)
Cash paid for interest charges, fees and commissions	(48,659,682)	(85,776,622)
Cash paid relating to other operating activities	(264,260,066)	(312,230,823)
Sub-total of cash outflows	(48,350,675,861)	(53,773,989,892)
Net cash flows from operating activities	1,910,429,612	3,378,563,965

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2023

Renminbi Yuan

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
2. Cash flows from investing activities		
Cash received from disposal of investments	5,971,251,763	13,014,288,002
Cash received from investment income	37,571,643	68,475,397
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other long-term assets	366,871,777	195,554,394
Net cash received from disposal of subsidiaries and other business units	790,122,876	–
Cash received relating to other investing activities	1,090,209	56,031,856
Sub-total of cash inflows	7,166,908,268	13,334,349,649
Purchases of property, plant and equipment, intangible assets and other long-term assets	(2,250,176,321)	(4,514,685,242)
Cash paid for investments	(1,812,865,058)	(10,959,586,719)
Sub-total of cash outflows	(4,063,041,379)	(15,474,271,961)
Net cash flows used in investing activities	3,103,866,889	(2,139,922,312)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2023

Renminbi Yuan

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
3. Cash flows from financing activities		
Cash received from borrowings	5,570,482,395	10,139,612,273
Cash received from investors	–	171,864,500
Including: Capital injection from a subsidiary's non-controlling interests	–	–
Cash received relating to other financing activities	395,122,276	473,115,130
Sub-total of cash inflows	5,965,604,671	10,784,591,903
Repayment of borrowings	(9,883,271,111)	(10,860,003,538)
Cash paid for distribution of dividends or profits and for interest expenses	(256,096,893)	(672,277,640)
Including: Dividends or profits paid to non-controlling interests by subsidiaries	(13,913,579)	(455,580,143)
Cash paid relating to other financing activities	(12,697,441)	(22,752,073)
Sub-total of cash outflows	(10,152,065,445)	(11,555,033,251)
Net cash flows used in financing activities	(4,186,460,774)	(770,441,348)
4. Effect of foreign exchange rate changes on cash and cash equivalents	28,699,270	40,094,761
5. Net increase in cash and cash equivalents	856,534,997	508,295,066
Add: cash and cash equivalents at the beginning of the period	4,360,738,411	4,223,061,890
6. Cash and cash equivalents at the end of the period	5,217,273,408	4,731,356,956

NOTES TO FINANCIAL STATEMENTS

As at 30 June 2023

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 2023, the net current liabilities of the Group amounted to RMB21,823,381,468. The directors of the Company have considered the availability of funding sources, including but not limited to an unutilized banking facilities of RMB37.5 billion as at 30 June 2023 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 2023 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 2023, and the results of their operations and cash flows for the period ended 30 June 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

Renminbi Yuan

2. SCOPE OF CONSOLIDATION

2.1 Newly established subsidiary

For the period ended 30 June 2023, there was no newly established subsidiary.

2.2 Disposal of a subsidiary

On April 30, 2023, the company transferred 91% of its directly held equity in Masteel Finance to Baowu Finance for a consideration of RMB2.671 billion, in exchange for 29.68% of Baowu Finance's equity. After the completion of the merger, the Group will no longer include Ma Steel Finance in the scope of consolidation.

2.3 Changes in scope of consolidation for other reasons

For the period ended 30 June 2023, 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 FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

Renminbi Yuan

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

	For the six months ended 30 June 2023 (Unaudited)	For the six months ended 30 June 2022 (Unaudited)
External principal operating income		
Mainland China	45,474,348,091	52,152,774,285
Overseas and Hong Kong	2,149,317,458	2,412,786,181
	<u>47,623,665,549</u>	<u>54,565,560,466</u>
Non-current assets	30 June 2023	31 December 2022
	Unaudited	Audited
Mainland China	60,234,312,377	56,696,562,410
Overseas and Hong Kong	186,994,714	177,217,873
	<u>60,421,307,091</u>	<u>56,873,780,283</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 2023

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 2023 Unaudited	31 December 2022 Audited
Within one year	1,541,926,711	1,335,955,228
One to two years	28,258,920	58,996,750
Two to three years	6,774,268	8,591,735
Over three years	53,912,524	49,684,990
	1,630,872,423	1,453,228,703
Less: Provisions for bad debts	78,685,036	76,350,303
	<u>1,552,187,387</u>	<u>1,376,878,400</u>

As of 30 June 2023 and 31 December 2022, there were no trade receivables that were derecognized due to the transfer of financial assets.

As of 30 June 2023 and 31 December 2022, the Group had no assets or liabilities deriving from transferring trade receivables in which the Group is continually involved.

5. FINANCING RECEIVABLES

	30 June 2023 Unaudited	31 December 2022 Audited
Bank acceptance notes	<u>2,028,062,545</u>	<u>2,659,676,438</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

Renminbi Yuan

6. PREPAYMENTS

An ageing analysis of the prepayments is as follows:

	30 June 2023 (Unaudited)		31 December 2022 (Audited)	
	Book value	Ratio (%)	Book value	Ratio (%)
Within one year	503,996,364	98	512,652,749	98
One to two years	8,352,942	2	11,067,029	2
Two to three years	–	–	51,260	–
	<u>512,349,306</u>	<u>100</u>	<u>523,771,038</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 2023 Unaudited	31 December 2022 Audited
Bank acceptance notes	<u>6,224,257,622</u>	<u>5,220,978,025</u>

As of 30 June 2023 and 31 December 2022, 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 2023 Unaudited	31 December 2022 Audited
Within one year	16,327,184,679	16,875,547,891
One to two years	173,283,842	295,571,029
Two to three years	117,792,496	46,629,163
Over three years	8,999,609	6,270,648
	<u>16,627,260,626</u>	<u>17,224,018,731</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

Renminbi Yuan

9. DIVIDENDS

According to the “2022 Annual Profit Distribution Plan” approved by the Company’s 2022 Annual General Meeting on 17 June 2023, the Group would distribute dividends to all shareholders at RMB0.02 per share (tax included) (2022: RMB0.35 per share), for 7,769,787,186 shares amounting to RMB155,395,744 (2022: RMB2,721,505,915). As at 30 June 2023, 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 2023 (Unaudited)		For the six months ended 30 June 2022 (Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	47,623,665,549	48,193,565,776	54,565,560,466	51,206,894,998
Other operating income	<u>1,356,787,323</u>	<u>1,329,912,255</u>	<u>1,801,322,093</u>	<u>1,409,871,540</u>
	<u>48,980,452,872</u>	<u>49,523,478,031</u>	<u>56,366,882,559</u>	<u>52,616,766,538</u>

Revenue is presented as follows :

	For the six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Revenue from contracts with customers	48,882,476,827	56,083,599,575
Rental income	4,946,850	7,780,561
Interest income	<u>93,029,195</u>	<u>275,502,423</u>
	<u>48,980,452,872</u>	<u>56,366,882,559</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

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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	
	2023	2022
	Unaudited	Unaudited
At a point in time		
Sale of steel products	44,999,428,562	52,225,504,819
Sale of other products	3,833,254,486	3,728,885,768
Over time		
Processing	37,538,001	24,645,747
Packaging services	–	13,094,237
Others	12,255,778	91,469,004
	<u>48,882,476,827</u>	<u>56,083,599,575</u>

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

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
Revenue from contracts with customers	<u>4,968,555,294</u>	<u>5,723,864,852</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	
	2023	2022
	Unaudited	Unaudited
Within one year	<u>5,191,389,696</u>	<u>5,009,662,433</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

Renminbi Yuan

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 providing 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	
	2023	2022
	Unaudited	Unaudited
Interest expense (Note)	242,673,047	261,302,897
Less: interest income	18,849,473	28,366,201
Less: capitalized interest expense	11,045,074	–
Exchange loss	(40,613,997)	84,341,527
Others	6,799,290	6,817,740
	<u>178,963,793</u>	<u>324,095,963</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	
	2023	2022
	Unaudited	Unaudited
Gain on disposal of property, plant and equipment	(6,781,735)	64,605,923
Gain on disposal of intangible assets	5,659,537	362,607,802
Loss on disposal of construction in progress	18,005,989	(6,629,402)
	<u>16,883,791</u>	<u>420,584,323</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

Renminbi Yuan

13. NON-OPERATING INCOME

	For the six months ended		Included in
	2023	2022	30 June 2023
	Unaudited	Unaudited	Non-recurring Gains and losses Unaudited
Government grants not related to the ordinary course of business	–	300,000	–
Scrap gains of property, plant and equipment	–	–	–
Others	2,547,133	1,413,914	2,547,133
	<u>2,547,133</u>	<u>1,713,914</u>	<u>2,547,133</u>

14. NON-OPERATING EXPENSES

	For the six months ended		Included in
	2023	2022	30 June 2023
	Unaudited	Unaudited	Non-recurring Gains and losses Unaudited
Scrap losses of property, plant and equipment	3,318	74,433,636	3,318
Penalty expenditure	335,871	385	335,871
Charity donation	536,849	395,550	536,849
Others	400,713	578,569	400,713
	<u>1,276,751</u>	<u>75,408,140</u>	<u>1,276,751</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

Renminbi Yuan

15. INCOME TAX EXPENSES

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
Mainland China current income tax expense	78,771,313	229,932,159
Hong Kong current income tax expense	(7,426,694)	–
Overseas current income tax expense	16,449,435	15,226,710
Deferred tax expense	(15,744,398)	12,407,073
	<u>72,049,656</u>	<u>257,565,942</u>

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

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
Profit before tax	(2,361,338,152)	1,873,342,133
Tax at the applicable tax rate of 25% (Note)	(590,334,538)	468,335,533
Effect of different tax rates of subsidiaries	254,570,365	1,683,971
Non-deductible expenses	14,314,079	18,079,381
Adjustment of income tax of prior period	(1,670,777)	(611,691)
Other tax preference	(69,389,924)	(242,256,986)
Income not subject to tax	(85,702,726)	(6,584,699)
Unrecognised deductible temporary difference and tax losses	567,749,455	98,056,026
Utilised previous years' tax losses	–	(362,512)
Share of profit or loss of joint ventures and associates	(17,486,278)	(78,773,081)
Tax charge at the Group's effective rate	<u>72,049,656</u>	<u>257,565,942</u>
The Group's effective rate	0.00%	13.75%

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 FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

Renminbi Yuan

16. EARNINGS PER SHARE

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
	2023	2022
Basic earnings per share Continuing operations	<u>(28.92)</u>	<u>18.53</u>
Diluted earnings per share Continuing operations	<u>(28.92)</u>	<u>18.53</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.

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

	For the six months ended 30 June	
	2023	2022
	Unaudited	Unaudited
Earnings		
Profit attributable to owners of the parent Continuing operations	(2,235,498,496)	1,427,570,875
Less: profit attributable to restricted Shares which is expected to be unlocked	<u>(8,717,990)</u>	<u>973,639</u>
Adjusted profit attributable to owners of the parent	<u>(2,226,780,506)</u>	<u>1,426,597,236</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)

As at 30 June 2023

Renminbi Yuan

16. EARNINGS PER SHARE (CONTINUED)

Due to net loss in 2023, potential ordinary share is anti-dilutive. Diluted earnings per share equals to basic earnings per share.

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 2023 the Group and the Company did not have significant pending litigations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2023

Renminbi Yuan

18 EVENTS AFTER THE BALANCE SHEET DATE

Until the approval date of 2023 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 2023

Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include executive directors Ding Yi, Mao Zhanhong and Ren Tianbao; and independent non-executive directors Zhang Chunxia, Zhu Shaofang, Guan Bingchun and He Anrui.