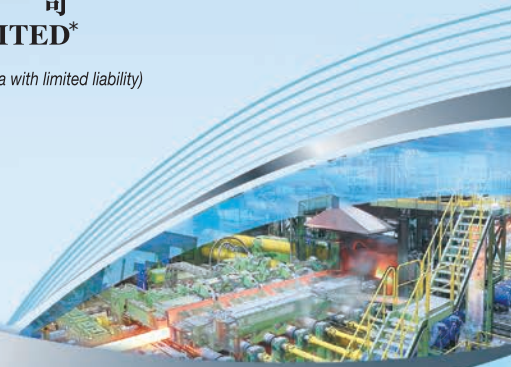




鞍 鋼 股 份 有 限 公 司
ANGANG STEEL COMPANY LIMITED*

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

Stock Code: 00347



2023
INTERIM REPORT

* For identification purposes only

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Important Notice and Definitions

IMPORTANT NOTICE

The Board of Directors (the “Board”), the Supervisory Committee, the Directors and the Supervisors and the senior management of the Company confirm that there are no false representations or misleading statements contained in, or material omissions from, this interim report, and jointly and severally assume responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

Mr. Wang Yidong, the Chairman of the Company, Mr. Wang Baojun, Chief Accountant and the person-in-charge of accounting as well as Mr. You Yu, person in charge of the accounting institution guarantee the truthfulness, accuracy and completeness of the financial statements in this interim report.

The Company proposed not to distribute cash dividends, issue bonus shares or convert capital reserve into share capital for the interim period.

The 2023 interim financial report of the Company is unaudited.

The 2023 interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises of the PRC.

DEFINITIONS

In this report, the following expressions shall have the following meanings unless otherwise stated:

Term	Meaning
“Angang”	Angang Group Company Limited* (鞍鋼集團有限公司), the de facto controller of the Company
“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
“Angang Group”	Angang and the companies in which it holds 30% or above interests (excluding the Group)

Important Notice and Definitions (Continued)

Term	Meaning
“Angang Holding”	Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司), the controlling shareholder of the Company
“Angang International Trade”	Angang Group International Economic and Trade Co., Ltd.* (鞍鋼集團國際經濟貿易有限公司)
“Anshan Iron & Steel Group Complex”	Angang Holding and the companies in which it holds 30% or above interests (excluding the Group)
“Bayuquan Branch Company”	Bayuquan Iron & Steel Branch Company* of Angang Steel (鞍鋼股份鮫魚圈鋼鐵分公司)
“Chaoyang Iron and Steel”	Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司)
“Company” or “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司)
“Financial Service Agreement (2022–2024)”	the Financial Service Agreement (2022–2024) entered into between the Company and Angang Financial Company, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Group”	Angang Steel Company Limited* and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

Important Notice and Definitions (Continued)

Term	Meaning
“Hong Kong Stock Exchange Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團鈮鈦資源股份有限公司)
“Reporting Period”	half year ended 30 June 2023
“Supply Chain Financial Service Agreement (2022–2024)”	the Supply Chain Financial Service Agreement (2022–2024) entered into between the Company and Angang Group Capital Holding Co., Ltd., which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Supply of Materials Agreement (2022–2024)”	the Supply of Materials Agreement (2022–2024) entered into between the Company and Pangang Vanadium & Titanium, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Supply of Materials and Services Agreement (2022–2024)”	the Supply of Materials and Services Agreement (2022–2024) entered into between the Company and Angang Group, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021

I. CORPORATE INFORMATION

Stock Exchange of Listing	Shenzhen Stock Exchange
Stock Abbreviation	Angang Steel Stock Code (A share) 000898
Stock Exchange of Listing	Hong Kong Stock Exchange
Stock Abbreviation	Angang Steel Stock Code (H share) 00347
Chinese Name of the Company	鞍鋼股份有限公司
Chinese Name Abbreviation	鞍鋼股份
English Name of the Company	Angang Steel Company Limited
English Name Abbreviation	ANSTEEL
Legal Representative of the Company	Wang Yidong

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Securities Affairs Representative
Name	Wang Baojun	Qu Shengyu
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	0412-8417273 0412-6751100
Fax	0412-6727772	0412-6727772
E-mail	wangbaojun@ansteel.com.cn	qushengyu@ansteel.com.cn

III. OTHER INFORMATION

1. Contact methods of the Company

There was no change in registered address, business address and postal code, website and email address of the Company during the Reporting Period. Please refer to the annual report for 2022 of the Company for details.

2. Information disclosure and place for inspection

There was no change in the Company's designated newspapers for disclosure of information, website for publication of interim report designated by the CSRC and place for inspection of the Company's interim report during the Reporting Period. Please refer to the annual report for 2022 of the Company for details.

3. Other relevant information

There was no change in other relevant information during the Reporting Period.

Summary of Accounting Figures and Financial Indicators

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP

Whether the Company needs to retroactively adjust or restate the accounting data for previous year

Yes No

Unit: RMB million

Item	During the Reporting Period (from January to June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared with the corresponding period of the previous year (%)
Operating income	58,825	70,294	-16.32
Net profit attributable to the shareholders of the Company	-1,346	1,716	-178.44
Net profit attributable to the shareholders of the Company after deduction of non-recurring gains or losses items	-1,355	1,669	-181.19
Net cash flow from operating activities	2,415	4,140	-41.67
Basic earnings per share (RMB/share)	-0.143	0.182	-178.57
Diluted earnings per share (RMB/share)	-0.143	0.182	-178.57
Returns on net assets on weighted average basis (%)	-2.34	2.84	Decreased by 5.18 percentage points

Summary of Accounting Figures and Financial Indicators (Continued)

I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP (CONTINUED)

Item	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared with the end of the previous year (%)
Total assets	95,754	96,935	-1.22
Owner's equity attributable to shareholders of the Company	56,826	58,140	-2.26

Total share capital of the Company as of 30 August 2023:

Total share capital of the Company (<i>shares</i>)	9,399,442,527
Fully diluted earnings per share calculated based on the latest share capital (<i>RMB/share</i>)	-0.143

Summary of Accounting Figures and Financial Indicators (Continued)

II. NON-RECURRING GAINS OR LOSSES ITEMS

Unit: RMB million

Item	Amount
Gains/losses from disposal or retirement of non-current assets	3
Government grant recorded in profit/loss for current period except those relevant to enterprise operation and in compliance with government policies and continuously entitled for standard amount or quantities	21
Changes in fair value of other non-current financial assets	4
Other non-current liabilities-part of embedded derivative financial instruments, derivative financial liabilities-changes in fair value of foreign exchange swap contracts and related gains and losses on disposal	-37
Reversal of the allowance for impairment of receivables that is individually tested for impairment	19
Other non-operating revenue and expenses except those mentioned above	2
Less: Effect of income tax	3
Total	9

Particulars of other gains or losses items within the definition of extraordinary gains or losses:

Applicable Not applicable

No particulars of other gains or losses items within the definition of extraordinary gains or losses applied to the Company.

Summary of Accounting Figures and Financial Indicators (Continued)

Notes on the extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses defined as recurring gain or loss items:

Applicable Not applicable

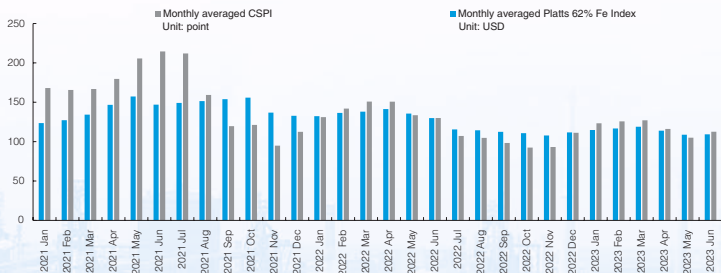
No extraordinary gain or loss items as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses were defined by the Company as its recurring gain or loss items.

I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD

(I) Industry overview of the Company during the Reporting Period

Since the beginning of this year, China's national economy has continued to recover, showing a recovering and improving trend on an overall basis, with steadily improving development quality. However, due to the downward fluctuation of the world economy, coupled with the decline in domestic demand for steel, China's iron and steel industry has entered a period of deep adjustment. In the first half of the year, the iron and steel industry presented an operational trend of "supply being stronger than demand, prices falling year-on-year, profits declining significantly, losses expanding". Especially since the entering into of the second quarter, the contradiction between the supply and the demand has become prominent, with the steel prices fluctuating and operating at low levels, and steel enterprises have been facing increasing production and operation pressure. Statistics from China Iron and Steel Association show that the costs for purchasing ore fines by China's key statistical iron and steel enterprises decreased by RMB33/tonne in the first half of the year, representing a year-on-year decline of 3.64%; the averaged China Steel Price Index (CSPI) recorded a year-on-year decline of 21.6 points, or 15.9% from January to June.

Platts 62% Fe Index and Composite Steel Price Index



I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

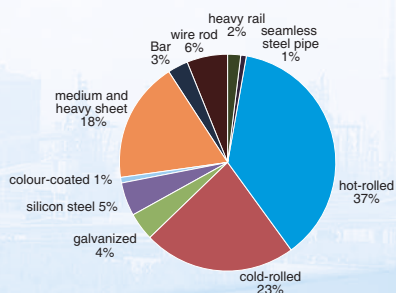
(I) Industry overview of the Company during the Reporting Period (Continued)

The national economic data released by the National Bureau of Statistics for the first half of 2023 showed that, at home, the output of crude steel in the first half of the year was 536 million tonnes, representing a year-on-year increase of 1.3%; the output of pig iron was 452 million tonnes, representing a year-on-year increase of 2.7%; and the output of steel was 677 million tonnes, representing a year-on-year increase of 4.4%. Domestic iron and steel output still recorded a growth despite of the complex domestic and international economic situation, showing that China's economic development is resilient. Meanwhile, the international competitiveness of domestic high-end products further strengthened, and China's steel exports recorded a year-on-year increase of 31.3% in the first half of the year. The green and low-carbon development of steel enterprises continued to advance, and the ultra-low emission transformation had significantly accelerated. The promotion of high-quality development of China's steel industry in an in-depth manner continued to be furthered.

I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period

The Company is mainly engaged in the steel manufacturing industry, while focusing on the development of steel processing and distribution, chemical industry, green energy, e-commerce, clean power generation and other industries related to its main steel industry. The Company has three major production bases in Anshan, Yingkou and Chaoyang, as well as processing and distribution or sales service agencies in Dalian, Shenyang, Changchun, Tianjin, Shanghai, Wuhan, Hefei, Zhengzhou, Guangzhou and other cities. It relies on Angang Steel Group's overseas sales agencies to carry out international operations. The Company's management model of "coordination among bases and concentration within bases" is adopted to develop a multi-base development pattern with complementary advantages and efficient coordination. The Company has a diverse product structure, with a relatively complete product series such as hot-rolled sheet, medium and heavy sheet, cold-rolled sheet, galvanized sheet, color-coated sheet, cold-rolled silicon steel, heavy rail, profiles, seamless steel pipe, and wire rods, which are widely applied in such industries as machinery, metallurgy, petroleum, chemical, coal, electric power, railway, ship, automobile, construction, home appliances, and aviation. Having brands with high popularity and reputation, the Company owns a series of "knock-out products", quality steel products applied for automobiles, shipbuilding and ocean engineering, railways, home appliances, containers, energy, bridges, high-end metal products and steel for moulds. Angang's heavy rail and steel for nuclear power were rated as the most competitive products in China's metallurgical industry in 2022.



Sales percentage by types in the first half of 2023

I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

During the first half of the year, in the face of the severe and complicated market situation, the Company continued to deepen reform and innovation, increased market development efforts, efficiently organized production, intensified quality improvement and efficiency enhancement, and dug deep into cost reduction potential to solidly and effectively promote various work.

1. Enhancing lean management and continuing to improve operational efficiency. The Company strengthened coordination among bases, organised production meticulously, tightened the connection between production and sales, and enhanced quality control to pursue ultimate efficiency. During the first half of the year, the production of iron, steel and rolled steel reached 13,215,700 tonnes, 13,825,400 tonnes and 12,622,100 tonnes, respectively, representing an increase of 0.72%, 2.44% and a decrease of 0.35%, respectively, as compared with the corresponding period of the previous year. The sales volume of rolled steel was 12,787,000 tonnes, representing a decrease of 1.95% as compared with the corresponding period of the previous year, achieving a sales-output ratio of 101.31% for rolled steel. The comprehensive yield ratio of rolled steel increased by 0.24 percentage point as compared with the corresponding period of the previous year, achieving the best level in history; the rate of defection or degradation of rolled steel decreased by 0.13 percentage point as compared with the corresponding period of the previous year; new breakthroughs were made in the production of non-oriented silicon steel for new energy vehicles, with the yield ratio of the original product increasing by 55.4 percentage points from last year, reaching a historic high; the output of high-magnetic oriented silicon steel increased by 36% as compared with the corresponding period of the previous year, and the yield ratio increased by 3.32 percentage points as compared with the corresponding period of the previous year.

I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

2. Focusing on cost reduction and efficiency enhancement to continue deepening cost reform. With all-around benchmarking as the starting point, and supported by the intelligent integrated operation system, the Company made breakthroughs in key measures to ensure the realization of cost reduction targets. The Company improved the consumption quota system with the goal of cost advancement, refined the cost quota standards, and carried out cost control over the entire business chain, entire cost elements and full life cycle. Adhering to the goal-oriented, problem-oriented and result-oriented approach and taking finance as the core, the Company conducted all-round benchmarking around procurement, sales, logistics, energy and key production processes involving the participation of all staff and all levels, made continuous optimization of the production and operation indexes, and expanded a new way to reduce costs to the extreme. During the first half of the year, the cost for per ton of steel of the whole process and operation decreased by RMB85, the three items of expenses for per ton of steel decreased by 3.75% year on year, and the cost of purchased energy for per ton of steel decreased by 7.37% year on year. During the first half of the year, the Company successfully held the 2023 Supplier Conference, and laid the foundation for the Company to expand channels and reduce purchase cost by optimizing the supplier access mechanism, establishing a supplier coordination platform and cultivating strategic suppliers.

I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

3. Vigorous market development and continuous improvement in marketing capabilities. The Company strengthened technology marketing, took the customer-oriented approach, expanded the scope of technical services, and made customized professional products for customers, promoting 26 new varieties and signing 103 technical agreements. The proportion of direct supply increased by 3.93 percentage points during the first half of the year as compared with the same period of the previous year; the proportion of key products increased by 4 percentage points as compared with the same period of the previous year; and the sales volume of engineering increased by 22.9% as compared with the same period of the previous year. During the first half of the year, the sales volume of automotive high-strength steel products increased by 3.7% year on year, and new breakthroughs were achieved in the sales volume of silicon steel, spring steel and aluminum-plated silicon new products for new energy vehicles. The Company actively participated in the construction of the Belt and Road Initiative and strengthened the development of overseas markets for variety steel. In the first half of the year, export orders increased by 17.2% year on year, and breakthroughs were made in the export of variety steel such as steel for EPS automobiles, steel rail, shipbuilding plates, and home appliances.

I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

4. Deepening reform and innovation to activate the development momentum of enterprise. The Company formulated an implementation plan for creating a source of original and innovative technology, issued the second batch of scientific research projects of the source, and accelerated the pace of research and development of key core technologies. The 690 MPa-level low-temperature steel for the liquid cargo tank of carbon dioxide carriers made its premiere; the project of “Research on Key Technologies and Service Reliability of 1,000 MPa-level Galvanized Automotive Steel Manufacturing” was selected as a key project of the National Natural Science Foundation – Regional Innovation and Development Joint Fund; and the first roll of aluminum-plated silicon and hot-formed commercial steel roll with the world’s highest strength of 2,000 MPa for automotive use was delivered. The Company continued to deepen the market-oriented reform, and signed market-oriented operation contracts with its subordinated 10 units and 2 production lines to stimulate internal vitality. Two subordinated units including Chaoyang Iron and Steel were selected into the “Double-Hundred Enterprises” list. The Company promoted the professional integration of the steel scrap industry and established Angang Steel Green Gold Industry Development Co., Ltd.* (鞍鋼綠金產業發展有限公司) to improve the control of steel scrap resources.

I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

5. Accelerating the construction of digital Angang Steel and achieving new results in digital and intellectual development. The Company comprehensively promoted intelligent operation, intelligent factory and data governance. During the first half of the year, the Company passed 22 informationization and intelligent investment projects, such as “intelligent ironmaking big data application platform, virtual factory of 5500 production line of thick plate department in Bayuquan”; 21 projects such as hot rolling mill 2150 production line digital twin project, Bayuquan 5G+ intelligent inspection robot, Chaoyang Iron and Steel Digital Intelligence Control Center, etc. were put into operation; and the replacement rate of 3D posts by machines in the Bayuquan Branch Company increased to 51%. The Company won two third-class awards in the first professional competition on digital scene innovation for state-owned enterprises; the “Building an Integrated Control Platform for Quality Analysis of the Whole Process to Enhance the Ability of Intelligent Production Control” was awarded the “Best Case” by the Ministry of Industry and Information Technology of China for the implementation of the I&I Integration Management System; the 5G projects of steel mill of Angang Steel and Bayuquan Branch Company were selected as the 5G Fully-Connected Factory Pilot Demonstration in 2023 in Liaoning Province.

I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

6. Accelerating ultra-low-emission renovation and promoting green and low-carbon development on an ongoing basis. The Company coordinated the promotion of the ultra-low emission renovation project, and the Bayuquan Branch Company completed the ultra-low emission renovation project and achieved stable operation of the entire system. The Company vigorously promoted green power trading, with an estimated volume of 830 million kWh in 2023, representing an increase of 56.6% over last year. The Company promoted the construction of the carbon emission and product life cycle assessment (LCA) platform project, built a comprehensive life cycle assessment system for steel products that complies with the ISO14040 series of standards, and developed a product environmental performance index model and a comprehensive environmental performance index model for steel enterprises; completed the LCA reports for four types of automotive steels, namely ultra-low-carbon steels, bake-hardening steels, low-alloy steels and dual-phase steels, which have met the needs of downstream automobile users. The construction of the pilot base of the project “Research on Fluidized Hydrogen Ironmaking Process Technology” has been carried forward in an orderly manner.

I. PRINCIPAL BUSINESS OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

7. Adhering to the bottom-line mentality and strengthening the ability to prevent risks continuously. The Company strictly controlled capital risk and strengthened capital control, and maintained a stable operation in cash flow during the first half of the year, with cumulative net operating cash flow amounting to RMB2,415 million. The Company strictly and conscientiously strengthened safety management, reinforced accountability towards safe production, increased efforts into hidden danger management, strived to strengthen the management of related parties, and carried out comprehensive emergency response drills for safety accidents to comprehensively improve the level of safety management. The Company continued to strengthen the foundation of cybersecurity, enhanced network security monitoring, promoted unified convergence of Internet outlets to improve the ability to prevent and control cybersecurity.

II. ANALYSIS OF THE CORE COMPETITIVENESS

(I) In terms of brand influence

Brand popularity and influence continue to increase. The Company has strong technical reserves, excellent product quality, strong ability on product R&D and innovation, a complete quality assurance system and national certification qualifications. It has a leading position in producing steel for shipbuilding and marine engineering, automotive steel plates, home appliance plates, container plates and heavy rails. Its railway steel, container steel and shipbuilding plates won the title of “China Famous Brand Products”. 16 products such as hot rolling pickling steel plates, dip aluminized and galvanized plates and steel for bridges are awarded as “Gold Cup”. It won CIMC Container 2022 Outstanding Supplier Award, Hisense Group 2022 Strategic Partner Award, Hisense Home Appliances Group 2022 Strategic Mutual Trust Award, and Haier Smart Home 2023 Excellent Partner Award.

II. ANALYSIS OF THE CORE COMPETITIVENESS (CONTINUED)

(II) Product competitiveness

The steel products are comprehensive in types and specifications with a relatively high market share. Steel for shipbuilding, steel for bridges, steel for nuclear power, steel for pipelines, steel for railways and steel for home appliances are the traditional advantageous products of the Company, with a relatively high market share, and are well recognised and praised by downstream end customers. In particular, the market share of corrosion-resistant steel for railways has been maintained at over 40% for a long time, ranking first in the industry for 19 consecutive years; steel for pipelines is at the leading level in the oil and gas pipeline industry, and steel for X80 high-end pipeline ranks first in terms of market share; the market share of cold-rolled steel products for home appliances has ranked top in the industry for a long time. The low-carbon emission hot-rolled hot-forming steel for automobiles achieved its national debut and the development and manufacturing of high-performance 1180HE-GA products was successful, the low-density steel passed the certification for domestic automobile OEMs, providing better solutions for vehicle body lightweighting; the Company vigorously promoted aluminized silicon and EPS products, with 8 new customers, expanding the overseas sales channels simultaneously. New achievements have been made in the development of silicon steel for drive motor of new energy vehicles, 30ADG1500, 35ADG1700, 35ADG1900(B) have passed customer verification and achieved batch supply. In the first half of 2023, the Company completed the research and development of 690 MPa cryogenic steel P690QL2 for CO₂ carriers' liquid cargo tanks, the classification society certification, the application performance evaluation and the batch supply and the technological work on the whole chain including production, learning, research, inspection and application and obtained the first P690QL2 classification society approval certificate for CO₂ carriers and all the orders for the first international production of steels for two CO₂ liquid cargo tanks, which has achieved its global debut, and its performance meets the -35 degrees anti-cracking performance index proposed for the first time in the world, which fills the international gaps in the field of liquefied carbon dioxide storage materials, and achieves international leadership.

II. ANALYSIS OF THE CORE COMPETITIVENESS (CONTINUED)

- (III) In terms of intellectual property rights. The Company obtained the state acceptance of application for 449 patents, including 318 invention patents, accounting for 70.8%; obtained the acceptance of application for 5 PCT international invention patents; obtained 233 patents authorised by the state, including 152 invention patents, accounting for 65.2%; and 49 identified filed proprietary technologies. It approved and initiated 6 patent navigation projects, including “high manganese steel for shipbuilding and marine engineering”, and completed the acceptance inspection of the patent navigation project of “research and development of process and technology for automobiles”. The Company actively applied for core patents, and formed patent clusters comprising 12 inventions in the fields of “automotive steel for new energy battery shells” and “Cu-containing low alloy high-strength steel and its manufacturing method”. It also completed the registration and filing of 10 product patents with the “National Pilot Platform for the Filing and Identification of Patent-intensive Products”, including “Tool Steel for Key Components of Agricultural Machinery and Horticulture”, and completed the registration of 15 computer software copyrights including “high-strength duplex steel phase ratio analysis system for automobiles”.

III ANALYSIS OF PRINCIPAL BUSINESSES

During the first half of the year, the Group achieved operating income of RMB58,825 million, representing a decrease of 16.32% over the corresponding period of the previous year. The total profit reached RMB-1,773 million, representing a decrease of 180.37% over the corresponding period of the previous year. The net profit attributable to shareholders of the Company was RMB-1,346 million, representing a decrease of 178.44% over the corresponding period of the previous year. The basic earnings per share were RMB-0.143 per share, representing a decrease of 178.57% over the corresponding period of the previous year. The sales profit margin was -3.01%, representing a decrease of 6.15 percentage points over the corresponding period of the previous year.

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

1. Year-on-year changes in principal financial data

Unit: RMB million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Operating income	58,825	70,294	-16.32	
Operating costs	58,966	66,613	-11.48	
Marketing expenses	288	309	-6.80	
Administrative expenses	755	659	14.57	
Financial expenses	155	277	-44.04	Financial expenses decreased by RMB122 million as compared with the same period of the previous year, mainly due to the increase in exchange gains on the H shares convertible bonds as compared to the corresponding period of the previous year as well as the decrease in interest rates of bank borrowings.

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

1. Year-on-year changes in principal financial data (Continued)

Unit: RMB million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Income tax expenses	-438	475	-192.21	Income tax expenses decreased by RMB913 million as compared with the same period of the previous year, mainly due to (i) a year-on-year decrease in the profits of the Company, resulting in a year-on-year decrease of RMB348 million in income tax expenses for the current period; and (ii) a year-on-year decrease of RMB565 million in deferred income tax expenses resulting from deferred income tax assets recognized for offsetting losses formed in the Reporting Period.
Research and development expenses	245	395	-37.97	Research and development expenses decreased by RMB150 million as compared to the same period of the previous year, mainly due to the decrease in trial production expenses for new products.

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

1. Year-on-year changes in principal financial data (Continued)

Unit: RMB million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Total profit	-1,773	2,206	-180.37	In the first half of 2023, the steel industry continued with its weak performance momentum, with downstream demand remaining sluggish and steel prices fluctuating at a low level. While the prices of iron ore followed a consequent downward trend, the decrease was much smaller as compared to the decline in the prices of finished steel products. Faced with the challenging market conditions, the Company employed multiple measures to expand the market, actively expanded sources with serious measures taken for procurement, and implemented system-wide cost reduction efforts. However, the rapid narrowing of price differentials between the supply and demand ends led to a decrease in gross profit contribution. As a result, the Company's performance continued to decline, resulting in losses. Both the total profit and the net profit attributable to the shareholders of the Company showed a significant year-on-year decrease.
Net profit attributable to the shareholders of the Company	-1,346	1,716	-178.44	

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

1. Year-on-year changes in principal financial data (Continued)

Unit: RMB million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from operating activities	2,415	4,140	-41.67	Net cash inflow from operating activities decreased by RMB1,725 million as compared to the same period of the previous year, mainly due to (i) the decrease of RMB7,841 million in the cash received from sales of goods and rendering of services as compared to the same period of the previous year; (ii) the decrease of RMB3,752 million in the cash paid for goods purchased and services received as compared to the same period of the previous year; (iii) the decrease of RMB1,114 million in the payment for various taxes as compared to the same period of the previous year; and (iv) the decrease of RMB1,042 million in cash payment for other operating activities as compared to the same period of the previous year.

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

1. Year-on-year changes in principal financial data (Continued)

Unit: RMB million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from investing activities	-1,410	-2,215	36.34	Net cash outflow from investing activities decreased by RMB805 million as compared to the same period of the previous year, mainly due to the decrease of RMB915 million in cash payment for the purchase and construction of fixed assets, intangible assets and other long-term assets as compared to the same period of the previous year.
Net cash flow from financing activities	-2,409	-2,627	8.30	-

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

1. Year-on-year changes in principal financial data (Continued)

Unit: RMB million

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net increase in cash and cash equivalents	-1,371	-702	-95.30	Net increase in cash and cash equivalents decreased by RMB669 million as compared to the same period of the previous year, due to (i) the decrease of RMB1,725 million in the net cash inflow from operating activities as compared to the same period of the previous year; (ii) the decrease of RMB805 million in the net cash outflow from investing activities as compared to the same period of the previous year; (iii) the decrease of RMB218 million in the net cash outflow from financing activities as compared to the same period of the previous year; and (iv) the increase of RMB33 million in the effect of exchange rate changes on cash as compared to the same period of the previous year.

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

2. Significant change in profit composition or source of profit of the Company during the Reporting Period

Applicable Not applicable

During the Reporting Period, there was no significant change in profit composition or sources of profit of the Company.

3. Composition of operating income

Unit: RMB million

Item	The Reporting Period		Corresponding period of the previous year		
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	Year-on-year increase/decrease (%)
Total operating Income	58,825	100	70,294	100	-16.32
By industry					
Steel pressing and processing industry	58,733	99.84	70,105	99.73	-16.22
Others	92	0.16	189	0.27	-51.32
By product					
Steel products	53,442	90.85	64,258	91.41	-16.83
Others	5,383	9.15	6,036	8.59	-10.82
By geographical location					
China	55,068	93.61	66,837	95.08	-17.61
Export sales	3,757	6.39	3,457	4.92	8.68

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

3. Composition of operating income (Continued)

Industries, products and geographical locations accounting for more than 10% of the operating income or operating profit of the Company

Applicable Not applicable

Unit: RMB million

Item	Operating income	Operating costs	Gross profit margin	Increase/ decrease in operating income as compared with the	Increase/ decrease in operating costs as compared with the	Increase/ decrease in gross profit margin as compared with the
				corresponding period of the previous year	corresponding period of the previous year	corresponding period of the previous year
			(%)	(%)	(%)	(percentage point)
By industry						
Steel pressing and processing industry	58,733	58,878	-0.25	-16.22	-11.38	-5.48
By product						
Hot-rolled sheets products	17,612	17,887	-1.56	-17.28	-9.76	-8.46
Cold-rolled sheets products	19,282	19,332	-0.26	-18.32	-12.35	-6.82
Medium-thick plates	10,515	10,258	2.44	-22.19	-21.87	-0.40
By geographical location						
China	54,976	55,057	-0.15	-17.51	-13.00	-5.20
Export sales	3,757	3,821	-1.70	8.68	21.03	-10.38

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

3. Composition of operating income (Continued)

In case of adjustment in statistical calibers of principal businesses of the Company during the Reporting Period, the principal businesses data of the Company in the latest period according to adjusted calibers at the end of the Reporting Period

Applicable Not applicable

4. Liquidity and financial resources

As of 30 June 2023, the Group had long-term loans (exclusive of loans due within one year) of RMB3,130 million with average interest rate of 2.74% and a term of 3 years. These loans, which will fall due no later than 2026, are mainly used for production and operation of the Group. The Group's long-term loans due within one year amounted to RMB50 million.

As of 30 June 2023, the Group's fixed interest rate borrowings amounted to RMB1,700 million.

With good credit standing, the Group was reviewed and assigned a long-term credit rating of "AAA" by the rating committee of China Chengxin International Credit Rating Co., Ltd. in 2023. The Group is able to repay its debts as they fall due.

III ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

4. Liquidity and financial resources (Continued)

As of 30 June 2023, the Group had a total capital commitment of RMB3,183 million, which was primarily attributable to the investment contracts of RMB14 million entered into but not yet performed or partially performed and construction and renovation contracts of RMB3,169 million entered into but not yet performed or partially performed.

5. Foreign exchange risk

The Group carries out import and export through agent trade by Angang International Trade for its main foreign currency transactions, including the export of sales products, import of raw materials for production and engineering equipment. Foreign currency risk is mainly reflected in the impact of exchange rate changes when settling through agent on sales and procurement costs.

IV ANALYSIS OF NON-PRINCIPAL BUSINESSES

Unit: RMB million

Item	Amount	As a percentage of total profit (%)	Reasons	Sustainable or not
Investment income	109	N/A	Mainly included income from long-term equity investments accounted for using equity method and investment income from other equity instrument investments during the holding period.	Yes
Gains or losses arising from changes in fair value	53	N/A	Included changes in fair value of derivative financial instruments and other non-current financial assets.	Yes
Asset impairment losses	26	N/A	Included reversal of provisions for impairment on inventories.	No
Credit impairment loss	19	N/A	Included reversal of provision for credit impairment losses on receivables.	No
Other gains	16	N/A	Mainly included gains on government grants.	No
Asset disposal income	25	N/A	Included gain on disposal of intangible assets.	No
Non-operating income	14	N/A	Mainly included gain on retirement of non-current assets, gains on government grants and indemnity income.	No
Non-operating expenses	29	N/A	Mainly included losses on scrap of non-current assets.	No

Management Discussion and Analysis (Continued)

V ASSETS AND LIABILITIES

1. Significant changes in composition of assets

Unit: RMB million

Item	As at the end of the Reporting Period		As at the end of the previous year		Increase/ decrease (percentage point)	Explanation for significant changes
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	3,722	3.89	5,093	5.25	-1.36	-
Accounts receivables	3,721	3.89	2,838	2.93	0.96	-
Inventories	14,022	14.64	13,575	14.00	0.64	-
Long-term equity investments	3,141	3.28	3,169	3.27	0.01	-
Fixed assets	46,899	48.98	46,985	48.47	0.51	-
Construction in progress	6,646	6.94	6,732	6.94	0.00	-
Right-of-use assets	679	0.71	761	0.79	-0.08	-
Short-term loans	1,243	1.30	1,579	1.63	-0.33	-
Contract liabilities	7,188	7.51	6,393	6.60	0.91	-
Long-term loans	3,130	3.27	600	0.62	2.65	-
Lease liabilities	63	0.07	226	0.23	-0.16	-

2. Information on main overseas assets

Applicable Not applicable

V ASSETS AND LIABILITIES (CONTINUED)
3. Assets and liabilities measured at fair value
 Applicable Not applicable

Unit: RMB million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Changes in fair value included in equity	Impairment provision made for the period	Purchases during the period	Disposals during the period	Other changes	Closing balance
Financial assets Including:								
1. Financial assets held for trading (excluding derivative financial assets)								
2. Derivative financial assets	37	-37						0
3. Other debt investment								
4. Other equity instrument investments	641		256					694
5. Other non-current financial assets	33	4						37
Sub-total of financial assets	711	-33	256					731
Investment properties								
Productive biological assets								
Others								
Total	711	-33	256					731
Financial liabilities	41	-41						0

V ASSETS AND LIABILITIES (CONTINUED)

3. Assets and liabilities measured at fair value (Continued)

Material changes in measurement of major assets of the Company during the Reporting Period

Yes No

4. Gearing ratio

As at 30 June 2023 and 31 December 2022, the Group's equity-to-debt ratio was 1.50 times and 1.54 times, respectively.

5. Restrictions on assets as at the end of the Reporting Period

In 2022, the Group transferred accounts receivable of RMB399 million to financial institutions through factoring business to obtain the proceeds of RMB399 million from the transfer. At the same time, the Group undertook to settle the payment obligation of the buyer if the buyer fails to fulfill the payment obligation when due. The Group considers that the risks and rewards of the accounts receivable have not been transferred and therefore the proceeds from the transfer were recognised as pledged borrowings. As at 30 June 2023, the Group had outstanding pledged borrowings of RMB203 million under such business.

6. Contingent liabilities

As at 30 June 2023, the Group had no contingent liabilities.

VI. ANALYSIS OF INVESTMENTS

1. Overview

Investments for the Reporting Period <i>(RMB million)</i>	External investments Investments for the corresponding period of the previous year <i>(RMB million)</i>	Change <i>(%)</i>
0	362	-100

2. Significant equity investments made during the Reporting Period

Applicable Not applicable

3. Significant non-equity investments being conducted during the Reporting Period

Applicable Not applicable

Management Discussion and Analysis (Continued)

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments

(1) Securities investments

Unit: RMB million

Stock type	Stock code	Stock abbreviation	Initial investment cost	Accounting measurements	Book value at the beginning of the period	Gains or losses on fair value change for the current period	Accumulative changes in fair value included in equity	Purchase amount for the current period	Disposal amount for the current period	Loss or gain during the Reporting Period	Book value at the end of the period	Accounting item	Source of funds
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	33	4	-	-	-	4	37	Financial asset held for trading	Self-owned funds

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments

1) Derivatives investments for hedging purposes during the Reporting Period

Applicable Not applicable

Unit: RMB million

Type of Derivatives investment	Initial investment amount	Gains or losses on fair value change for the current period	Accumulative changes in fair value included in equity	Purchase amount during the Reporting Period	Disposal amount during the Reporting Period	Amount at the end of the period	Proportion of investments at the end of the period to net assets of the Company at the end of the Reporting Period (%)
Futures hedging	1	32	-	561	676	396	0.7
Foreign exchange swap	-	17	-	-	-	-	-
Total	1	49	-	561	676	396	0.7

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

Explanation as to whether there has been a material change in the accounting policy and specific accounting and auditing principles for the hedging business during the Reporting Period as compared to last reporting period

N/A

Explanation of actual profit or loss during the Reporting Period

1. The actual profit or loss on futures hedging during the Reporting Period was RMB65 million. (Source of spot price data: Wind)
2. The actual profit or loss on foreign exchange hedging during the Reporting Period was RMB-27 million.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

Explanation of hedging effectiveness

1. During the Reporting Period, there was a high correlation between the hedged items of futures hedging and the hedging instruments, and the hedging effect was relatively good at both futures and spot ends, and the hedging function could be better performed.
2. During the Reporting Period, there was a high correlation between the exchange rate exposure of the hedged items of foreign exchange hedging – H-share convertible bonds and the hedging instruments – foreign exchange swaps, and the risk of exchange rate exposure of foreign currency debt was effectively controlled, and the hedging function could be better performed.

Source of funds for derivative investments

Self-owned funds

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)

❖Futures hedging:

- (1) Market risk exists when the position held by the Company is related to the steel products industry, which is highly relevant to spot commodity operated by the Company. Although the Company makes regular analysis and forecast on the market, the judgment on the market may be deviated, resulting in potential risk. However, the risk is controllable after futures hedging with spot commodities.
- (2) As the category of position held has sufficient liquidity, there is no liquidity risk.
- (3) The futures exchange provides credit guarantee for the category of position held, thus the credit risk minimal.
- (4) The Company carries out such business in strict compliance with the relevant requirements of hedging and the total holding position and term are in line with the Company's approval.

The Company has performed evaluation of relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

❖ Foreign exchange hedging:

The hedging process is to first enter into a swap contract with a bank and purchase foreign currency at the agreed price at maturity. The purpose of the transaction is to prevent against the exchange rate risk arising from the repayment for the matured H Shares convertible bonds in May 2023. The transaction is simple and convenient to conduct and there exists no significant risk.

Control measures:

- (1) In order to regulate the behavior of foreign exchange derivatives trading and strengthen the supervision and management of foreign exchange derivatives trading business, the Company has issued the Foreign Exchange Capital Management Measures on the basis of relevant laws, regulations and policies, which makes detailed provisions for the principles, conditions and implementation of trading, capital management and position management of the foreign exchange derivatives trading, as well as the corresponding approval process and authority.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

(2) The Company strengthens the management of bank accounts and funds, strictly complies with the approval procedures for the allocation and use of funds, arranges full-time personnel, clarifies job responsibilities, and strictly engages in the above business within the scope of authorization. The Company properly arranges funds for completion to ensure delivery on schedule; in case a special circumstance requires early completion through swap transactions, extension or adoption of other methods acceptable to counterparties, etc., relevant procedures should be completed in accordance with the regulations of foreign exchange derivatives transactions.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

Changes in market price or product fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value

❖Futures hedging:

Iron ore, coking coal and coke quoted on the Dalian Commodity Exchange; on 3 January 2023, the settlement prices of main connected contracts of iron ore, coking coal and coke were RMB849.5/ton, RMB1,812/ton and RMB2,610/ton, respectively; on 30 June 2023, the settlement prices of main connected contracts of iron ore, coking coal and coke were RMB833/ton, RMB1,345.5/ton and RMB2,117/ton, respectively. The changes in fair values of iron ore, coking coal and coke were RMB-16.5/ton, RMB-466.5/ton and RMB-493/ton, respectively.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

❖ Foreign exchange hedging:

At the time of entering into the 2020 contracts, an exchange rate of 0.866 HKD/RMB was adopted as the settlement price on 18 May 2021. The Company paid interest to the bank on the principal amount of HK\$1 billion (converted to RMB866 million at the settlement price of 0.866 at maturity) at an annualized interest rate of 3.58% based on the actual number of subsisting days of the contracts. The Company extended the term of the contracts upon the expiry of the term of such contracts in May 2021, and an exchange rate of 0.866 HKD/RMB was adopted as the settlement price on 18 May 2023. On 18 May 2023, the Company paid interest of RMB54.61 million to the bank on the principal amount of HK\$1 billion (converted to RMB866 million at the settlement price of 0.866 at maturity) at an annualized interest rate of 3.11% based on the actual number of subsisting days of the contracts.

Litigation case (if applicable) N/A

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

Date of the announcement disclosing the approval of derivatives investment by the Board (if any)	On 30 March 2023, the Resolution in relation to the Company's 2023 Annual Hedging Business Amount was approved at the 14th meeting of the ninth session of the Board.
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On 29 October 2020, the Resolution in relation to the Carrying out of Foreign Exchange Hedging Business by the Company was approved at the 29th meeting of the eighth session of the Board.

Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting (if any)	On 29 May 2023, the Resolution in relation to the Company's 2023 Annual Hedging Business Amount was approved at the 2022 annual general meeting of the Company.
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VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

Specific opinions of independent directors on the derivatives investment and risk control of the Company

❖Futures hedging:

(1) The Company utilized the self-owned funds for the development of futures hedging business on the basis of ensuring its normal production and operation, and performed the related approval procedures in compliance with relevant requirements of the relevant laws, regulations and the Articles of Association, which was beneficial to the reduction of operating risks of the Company, without prejudice to the interests of the Company and shareholders as a whole.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

(2) The Company established the “Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging*” (《鞍鋼股份有限公司商品期貨套期保值管理辦法》), and clearly specified internal control procedures such as the business operation procedures, approval process and risks prevention and control, offering protection to the Company against futures risks.

(3) The Company confirmed that the maximum amount and the types for trading of the annual hedging guarantees were reasonable and in compliance with the actual situation of production and operation of the Company, and were conducive to reasonably controlling risks by the Company.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

❖ Foreign exchange hedging:

- (1) In order to prevent foreign exchange risks, the Company has carried out foreign exchange hedging business and fulfilled the relevant approval procedures, which are in compliance with the relevant national laws, regulations and the relevant provisions of the Articles of Association, and are conducive to reducing operating risks of the Company, without prejudice to the interests of the Company and its shareholders.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

1) Derivatives investments for hedging purposes during the Reporting Period (Continued)

(2) The Company has formulated the “Measures for the Management of Foreign Exchange Funds of Angang Steel Company Limited*” (《鞍鋼股份有限公司外匯資金管理辦法》), which provides clear regulations on the principles of foreign exchange derivatives trading, trading process, internal control and risk prevention measures, and plays a protective role in controlling the risk of foreign exchange derivatives trading by the Company.

(3) The types and quantities of foreign exchange hedging trading determined by the Company are in line with the business requirements of the Company and are conducive to reasonably controlling risks by the Company.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

2) Derivatives investments for speculative purposes during the Reporting Period

Applicable Not applicable

There were no derivatives investments for speculative purposes during the Reporting Period.

5. Use of proceeds

Applicable Not applicable

VII. DISPOSAL OF MAJOR ASSETS AND EQUITY INTERESTS

1. Disposal of major assets

Applicable Not applicable

2. Disposal of major equity interests

Applicable Not applicable

VIII. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

Major subsidiaries and investees accounting for over 10% of the net profit of the Company:

Unit: RMB million

Name of companies	Type of companies	Principal activities	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Chaoyang Iron and Steel	Manufacturing enterprise	Steel pressing and processing	8,000	6,159	4,570	4,461	-50	-71

Acquisition and disposal of subsidiaries during the Reporting Period:

Applicable Not applicable

IX. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Applicable Not applicable

X. WORK AND RISKS FACED IN THE SECOND HALF OF THE YEAR

(I) Work Plan for the Second Half of 2023

In 2023, affected by uncertainties such as the ongoing conflicts in certain international regions, high inflation rate in the United States and other developed economies, interest rate hike by the Federal Reserve, global economic recovery remaining weak, which will have various impacts on China's economic development and the operation of the steel industry. In terms of the domestic economic situation, the long-term positive fundamentals of China's economy remain unchanged. The meeting of Political Bureau of the Central Committee of the CPC proposed to continue implementing a proactive fiscal policy and a prudent monetary policy, focus on expanding domestic demand, boost confidence and prevent risks. With the gradual implementation of various economic support policies and measures to stabilize growth, China's economy will continue to grow in a restorative manner, and the role of the steel industry in the overall economic and social development will be further developed, and the demand for steel will gradually recover. In the second half of the year, the profit of the steel industry will maintain at a relatively low level, coupled with energy consumption, environmental protection control and other policy regulations, the steel production may fall. It is expected that steel supply and demand will generally remain at a weak state of equilibrium in the second half of the year, and steel prices are expected to rebound on the basis of the first half of the year under the support of the gradual recovery of demand and the supporting policies. However, with the downward trend of global economic volatility unchanged and the impact of fluctuations in the industrial chain, the overall development of the market may be volatile.

X. WORK AND RISKS FACED IN THE SECOND HALF OF THE YEAR (CONTINUED)

(I) Work Plan for the Second Half of 2023 (Continued)

Facing the complex market situation, the Company will deeply explore extreme potential, enhance extreme efficiency, pursue extreme cost reduction, and strive to complete the various production and operation tasks. In the second half of the year, the Company will focus on the following works:

1. Strengthen the budget leadership, promote extreme cost reduction, and thoroughly explore the system's capabilities to reduce costs and improve efficiencies;
2. Adhere to lean manufacturing, and coordinate and linkage to ensure stable production and quality improvement of economic operation;
3. Vigorously explore the market, optimize the variety structure, and strive to improve the capabilities of creating benefits through marketing;
4. Strengthen scientific and technological innovation, intensify research and development efforts, and continuously enhance the capabilities of creating benefits through science and technology;
5. Strengthen the bottom-line thinking, strengthen the concept of system, and strive to consolidate the risk prevention capability;
6. Accelerate ultra-low-emission renovation, promote extreme energy efficiency, and enhance the capability for green and low-carbon development.

X. WORK AND RISKS FACED IN THE SECOND HALF OF THE YEAR (CONTINUED)

(II) Risks faced by the Company and countermeasures thereof

Under the influence of international geopolitical conflicts, inflationary pressure, banking crisis and other factors, global demand growth momentum continues to be insufficient, and economic recovery is still difficult. Affected by the world economy, as well as the decline in domestic demand for steel, supply and demand conflicts remain prominent, China's iron and steel industry has entered into a period of deep adjustment. At the same time, under the supervision of energy consumption and environmental control policies, iron and steel enterprises are facing tremendous pressure in production and operation.

The Company will focus on the primary task of high-quality development, maintain strategic strengths, carry forward fighting spirit, and strive to enhance the core competitiveness of the enterprise. By adhering to lean manufacturing and intensive production, we will strengthen co-ordination, linkage and close integration to ensure orderly production and economic operation. We continue to promote extreme cost reduction by accelerating and intensifying the implementation of cost reduction and efficiency initiatives, and continuously improving production and operation indicators. Meanwhile, we accurately study the market and dynamically optimise strategies to ensure that procurement costs outperform the market; strengthen the reform of the marketing system, intensify market development and product adjustment for enhancing the ability to create product value; expand overseas marketing channels and focus on the demand alongside the "Belt & Road" Initiative, thus to strengthen the export competitiveness. In addition, we will accelerate the reform of institutions and mechanisms, and strengthen the support of science and technology innovation, so as to stimulate the intrinsic energy and vitality of enterprises. Also, we will firmly establish the concept of safe development by further strictly controlling the appropriation of "two funds", enhancing capital management and preventing capital risks.

XI. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

On 10 February 2023, the Company completed the repurchase and cancellation of 2,040,931 restricted shares held by 12 incentive participants which had been granted but not yet unlocked, with an aggregate price of RMB3,972,198.54 for the repurchase and cancellation of the restricted shares. For the movement in share capital related to the incentive scheme, please refer to “Corporate Governance” in this report.

On 29 May 2023, the Resolution on the Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Share Incentive Scheme but not yet Unlocked (《關於2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票回購註銷的議案》) and the Resolution on the Cancellation of Shares in the Designated Security Account for the Repurchase of the Company (《關於註銷公司回購專用證券賬戶股份的議案》) were considered and approved at the 2022 annual general meeting, the 2023 first A shareholders' class meeting and the 2023 first H shareholders' class meeting of the Company. On 21 July 2023, the Company completed the repurchase and cancellation of 1,128,370 restricted shares held by 12 incentive participants which had been granted but not yet unlocked, with an aggregate price of RMB2,216,868.80 for the repurchase and cancellation of the restricted shares. On 21 July 2023, the Company completed the cancellation of 408,623 treasury shares remaining in the repurchase security account. For the movement in share capital related to the incentive scheme, please refer to “Corporate Governance” in this report.

On 25 May 2018, the Company issued HK\$1,850,000,000 zero coupon convertible bonds on the Hong Kong Stock Exchange. In accordance with the relevant terms of the issuance of the bonds, the Company redeemed the bonds with the remaining principal amount of HK\$1,818,000,000 on 25 May 2023 (i.e., the maturity date of the convertible bonds), and the convertible bonds were fully redeemed.

Save for the aforementioned matters, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any securities of the Company during the Reporting Period.

XII. SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the relevant code of conduct for directors' securities transactions for the purpose of complying with the Hong Kong Listing Rules. In response to the Company's specific enquiries with all Directors, the Directors have confirmed that they have complied with the standards set out in Appendix 10 to the Listing Rules.

The Company has also adopted a code of conduct governing securities transactions by the employees of the Company who may possess or have access to price sensitive information in relation to the Company or its securities.

XIII. INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the Reporting Period, the Board had been in compliance with Rule 3.10(1) of the Hong Kong Listing Rules, which requires a company to maintain at least three independent non-executive directors, and Rule 3.10(2) of the Hong Kong Listing Rules, which requires one of the independent non-executive directors to possess professional qualifications or accounting or related financial management expertise.

XIV. AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Hong Kong Listing Rules.

The Audit Committee and the management have reviewed the accounting standards, principles and treatments adopted by the Company, and considered the related audit, internal control and the unaudited interim financial report for the six months ended 30 June 2023.

XV. CHAPTER 13 DISCLOSURE OF THE HONG KONG STOCK EXCHANGE LISTING RULES

The Directors confirmed that there was no matter occurring for the six months ended 30 June 2023 which would have given rise to a disclosure required under Rules 13.13 to 13.19 of the Hong Kong Stock Exchange Listing Rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor did the Company sign loan agreements imposing specific performance obligations on the controlling shareholders.

XVI. SUFFICIENT PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company had been maintaining sufficient public float as required by the Hong Kong Stock Exchange Listing Rules during the six months ended 30 June 2023.

XVII. FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

As of the date of this report, there were no plans for material investments or acquisition of capital assets approved by the Board.

I. INFORMATION ON CORPORATE GOVERNANCE

In compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Stock Exchange Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the Corporate Governance Guideline of Listed Companies and other requirements, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system. There is no difference between the Company's corporate governance practice and that as required under the Company Law and the relevant provisions of the CSRC.

With shares listed on both Hong Kong and Shenzhen stock exchanges, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for establishing good corporate governance practices and procedures and the strict implementation of such practices and procedures, so as to ensure the interests of the shareholders and to create value for the shareholders in the long term.

The Company has adopted the code provisions set out in Appendix 14 to the Hong Kong Stock Exchange Listing Rules as currently in force. The Company has periodically reviewed its corporate governance practices. During the six months ended 30 June 2023, the Company had complied with all the code provisions of the Corporate Governance Code which were effective during the Reporting Period except the following.

Pursuant to provision F.2.2 as set out in Appendix 14 to the Hong Kong Listing Rules, "The chairman of the board shall attend the annual general meeting.".

In 2023, Mr. Wang Yidong, the Chairman, was unable to attend the annual general meeting of the Company in person due to other business engagements, and had authorized Mr. Zhang Hongjun, a Director, to attend and preside over the annual general meeting.

II. INFORMATION ON THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS HELD IN THE REPORTING PERIOD

1. General meetings held in the Reporting Period

Session of Meeting	Type of Meeting	Proportion of investors involvement	Date of convening	Date of disclosure	Meeting resolutions
2023 First Extraordinary General Meeting	Extraordinary General Meeting	57.95%	22 March 2023	23 March 2023	<ol style="list-style-type: none"> Election of Mr. Zhang Hongjun as an Executive Director of the Ninth Session of the Board of Directors. Election of Mr. Cao Yuhui as the Shareholder Representative Supervisor of the Ninth Session of the Supervisory Committee.
2022 Annual General Meeting	Annual General Meeting	58.32%	29 May 2023	30 May 2023	<ol style="list-style-type: none"> Passed the 2022 Annual Report on the Work of the Board of Directors. Passed the 2022 Annual Report on the Work of the Supervisory Committee. Passed the 2022 Annual Report and Its Summary. Passed the 2022 Audited Financial Report. Passed the 2022 Profit Distribution Plan. Passed the Resolution on the Remuneration of Directors and Supervisors in 2022. Passed the Resolution on the Appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the Company's Auditor in 2023. Passed the Resolution on the 2023 Annual Hedging Business Amount. Passed the Resolution on the Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Share Incentive Scheme but not yet Unlocked. Passed the Resolution on the Cancellation of Shares in the Designated Security Account for the Repurchase of the Company. Passed the Resolution on Changing the Registered Capital of the Company and Amendments to the Articles of Association.

II. INFORMATION ON THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS HELD IN THE REPORTING PERIOD (CONTINUED)

2. Request for convening of extraordinary general meeting by preferred shareholders with restored voting rights

Applicable Not applicable

III. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	Position	Category	Date	Reason
Zhang Hongjun	Director	Elected	22 March 2023	-
Cao Yuhui	Supervisor, Chairman of the Supervisory Committee	Elected	22 March 2023	-
Shen Changchun	Supervisor, Chairman of the Supervisory Committee	Resigned	22 March 2023	Resignation due to change of job

Save as disclosed above, as far as is known to the Company, during the six months ended 30 June 2023, there were no changes to information that were required to be disclosed by the Directors, Supervisors and chief executives pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Hong Kong Stock Exchange Listing Rules.

IV. PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL DURING THE REPORTING PERIOD

The Company will not distribute cash dividend or bonus share, or conduct conversion of capital reserves into share capital for the Reporting Period.

V. IMPLEMENTATION OF THE SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY

1. Share incentive scheme

On 23 November 2022, the eighth meeting of the ninth session of the Board of Directors and the fourth meeting of the ninth session of the Supervisory Committee of the Company considered and approved the Resolution on the Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Share Incentive Scheme but not yet Unlocked.

On 19 December 2022, the 2022 third extraordinary general meeting, the 2022 second domestic shareholders' class meeting and the 2022 second foreign shareholders' class meeting of the Company considered and approved the Resolution on the Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Share Incentive Scheme but not yet Unlocked.

On 10 February 2023, the Company completed the Repurchase and Cancellation of 2,040,931 Restricted Shares granted but not yet unlocked to 12 original incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and upon completion of the cancellation, the total share capital of the Company was reduced from 9,403,020,451 shares to 9,400,979,520 shares.

On 30 March 2023, the 14th meeting of the ninth session of the Board and the seventh meeting of the ninth session of the Supervisory Committee of the Company considered and approved the Resolution on the Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Share Incentive Scheme but not yet Unlocked and the Resolution on the Fulfilment of the Unlocking Conditions for the First Unlocking Period under the First Grant of the 2020 Restricted Share Incentive Scheme.

V. IMPLEMENTATION OF THE SHARE INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

1. Share incentive scheme (Continued)

On 18 April 2023, the restricted shares for the first unlocking period under the first grant of the Company's 2020 restricted share incentive scheme were listed and put into circulation, and there was a total of 172 incentive participants who fulfilled the unlocking conditions, and the number of restricted shares to be unlocked was 14,779,050 shares.

On 29 May 2023, the 2022 annual general meeting, the 2023 first domestic shareholders' class meeting and the 2023 first foreign shareholders' class meeting of the Company considered and approved the Resolution on the Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Share Incentive Scheme but not yet Unlocked.

On 21 July 2023, the Company completed the Repurchase and Cancellation of 1,128,370 Restricted Shares granted but not yet unlocked to 12 incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, and upon completion of the cancellation, the total share capital of the Company was reduced from 9,400,979,520 shares to 9,399,851,150 shares.

2. Implementation of employee stock ownerships scheme

Applicable Not applicable

3. Other employee incentive measures

Applicable Not applicable

VI. EMPLOYEES OF THE COMPANY

Composition of employees of the Company as of 30 June 2023:

Number of current employees in the Company (<i>person</i>)	24,211
Number of current employees in major subsidiaries (<i>person</i>)	3,810
Total number of current employees (<i>person</i>)	28,021
Total number of employees receiving remuneration during the period (<i>person</i>)	28,021
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations (<i>person</i>)	–

Specialty composition

Category of specialty composition	Number of people <i>(person)</i>
Production	19,944
Sales	357
Technical	4,055
Finance	156
Administration	1,295
Others	2,214
Total	28,021

Education level

Category of education level	Number of people <i>(person)</i>
Bachelor's degree and above	9,437
Post-secondary	8,055
Technical secondary school	9,521
Others	1,008
Total	28,021

VI. EMPLOYEES OF THE COMPANY (CONTINUED)

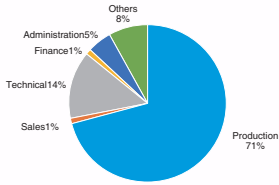
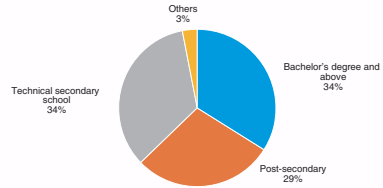


Figure of category of specialty composition



Composition of education level

In the first half of the year, the Angang Steel training seriously implemented the 2023 staff education and training implementation plan, and took talent cultivation and innovation as the key elements to fully realise talent leadership and demonstration, and provide intellectual support and talent protection for the realization of the high-quality development of Angang Steel. By the end of June, the Company had organized and completed 15 special training programs for 2,221 persons; 1,085 training programs for 43,323 persons on job knowledge and skills of the grassroots units; and training on safety qualification for work permits of special operations for 2,856 persons, completing the objectives of the training plan.

Remuneration policy of the Company: the Company has adopted “base salary + annual profit-linked salary + performance-linked award + tenure incentive” packages for senior management; the allocation method of “base salary + annual merit salary + allowance + performance bonus + R&D bonus” remuneration packages for scientific research positions; “base salary + annual merit salary + allowance + performance bonus + profit-linked bonus” remuneration packages for sales personnel; and position-and-performance based remuneration packages for other personnel. The Company implemented the Restricted Share Incentive Scheme for Directors, senior management and core technical (business) staff of the Company in 2020, further established and improved the long-term incentive mechanism of the Company, attracting and retaining outstanding talents, fully mobilizing the enthusiasm of core and key employees and effectively combining the interests of shareholders, the Company and the personal interests of employees.

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION

Whether the listed company and its subsidiaries are key discharge units of the environmental protection authorities

Applicable Not applicable

(I) Environmental protection related policies and industry standards

No.	Name of Applicable Laws, Regulations and Other Requirements
1	Environmental Protection Law of the People's Republic of China
2	Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution
3	Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution
4	Law of the People's Republic of China on Prevention and Control of Water Pollution
5	Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste
6	Environmental Protection Tax Law of the People's Republic of China
8	Law of the People's Republic of China on Prevention and Control of Radioactive Pollution
9	Law of the People's Republic of China on Evaluation of Environmental Impacts
10	Law of the People's Republic of China on Prevention and Control of Soil Pollution
11	Regulations on the Administration of Construction Project Environmental Protection
12	Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation)

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(I) Environmental protection related policies and industry standards (Continued)

No.	Name of Applicable Laws, Regulations and Other Requirements
13	Three-year Action Plan for Winning the Blue Sky Defence War
14	Interim Measures for Completion Environmental Protection Acceptance of Construction Projects
15	Integrated Control Plan for Atmospheric Pollution of Industrial Furnace
16	Comprehensive Treatment Scheme for Volatile Organic Compounds in Key Industries
17	Liaoning Ordinances on the Prevention and Control of Atmospheric Pollution
17	Liaoning Integrated Control Implementation Plan for Atmospheric Pollution of Industrial Furnace
18	Implementation Plan for Ultra-Low Emission Transformation of Liaoning Iron and Steel Industry
19	Administrative Measures for Self-monitoring of Liaoning Discharge Units (for Trial Implementation)
20	Environmental Protection Regulations of Anshan
21	Administrative Measures for Dust Pollution Prevention and Control of Anshan
22	Implementation Plan for Winning the Blue Sky Defence War in Anshan
23	Regulations on Prevention and Control of Atmospheric Pollution in Anshan
24	Self-monitoring Guidelines for Discharge Units – Iron and Steel

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(I) Environmental protection related policies and industry standards (Continued)

No.	Name of Applicable Laws, Regulations and Other Requirements
25	Self-monitoring Guidelines for Discharge Units – Thermal Power
26	Notice of the State Council on Issuing the Action Plan for Prevention and Control of Atmospheric Pollution
27	Notice of the State Council on Issuing the Action Plan for Prevention and Control of Water Pollution
28	Notice of the State Council on Issuing the Action Plan for Prevention and Control of Soil Pollution
29	Environmental Protection Acceptance Technical Specifications for Completion of Construction Projects – Iron and Steel Industry
30	Emergency Monitoring of Environmental Incidents Technical Specifications

(II) Administrative licenses for environmental protection

The application date of discharge permit for Angang Steel Company Limited (headquarters in Anshan) was 9 February 2023, and the effective period is up to 8 February 2028.

The application date of discharge permit for Bayuquan Branch Company was 7 December 2022, and the effective period is up to 6 December 2027.

The application date of discharge permit for Chaoyang Iron and Steel was 30 June 2020, and the effective period is up to 29 June 2025.

Environmental and Social Responsibilities (Continued)

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(III) Industry discharge standards and pollutant discharge involved in production and operation activities

Name of Company or subsidiary	Name of major pollutants and characteristic pollutants	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Pollutant discharge standards executed	Total discharge	Approved total discharge	Excessive discharge
Angang Steel Company Limited (including Anshan area of Angang Steel, Bayuquan Iron & Steel Branch Company and Chaoyang Iron and Steel)	COD	Discharged after being treated to acceptable standards	3	Main drain	<50mg/L	50mg/L	19.28	Not approved by the government department	None
	Ammonia nitrogen	Discharged after being treated to acceptable standards	3	Main drain	<5mg/L	5mg/L	2.98		None
Angang Steel Company Limited (including Anshan area of Angang Steel, Bayuquan Iron & Steel Branch Company and Chaoyang Iron and Steel)	Particulates	Discharged after being treated to acceptable standards	548	Coking	<30mg/m ³	30mg/m ³	5,743.7		None
				Ironmaking	<50mg/m ³	50mg/m ³			
				Steelmaking	<20mg/m ³	20mg/m ³			
				Steel rolling	<30mg/m ³	30mg/m ³			
	Sulfur dioxide	Discharged after being treated to acceptable standards	197	Coking	<50mg/m ³	50mg/m ³	4,127.2		None
				Sintering	<200mg/m ³	200mg/m ³			
				Sintering	<150mg/m ³	150mg/m ³			
	Nitrogen oxide	Discharged after being treated to acceptable standards	169	Coking	<500mg/m ³	500mg/m ³	12318.9		None
				Sintering	<300mg/m ³	300mg/m ³			
				Sintering	<200mg/m ³	200mg/m ³			

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(IV) Treatment of pollutants

All processes have been equipped with pollution prevention and control facilities, ensuring stable operation and meeting emission standards. Part of discharge outlets have achieved ultra-low emissions ahead of schedule. Currently, the ultra-low emission transformation of the Bayuquan Branch Company has been completed and is in a stable operation phase. The headquarters in Anshan and Chaoyang Iron and Steel's ultra-low emission transformation projects have all been approved and are currently being planned for construction.

The headquarters in Anshan has achieved zero discharge of wastewater during non-flood seasons, while the Bayuquan Branch Company and Chaoyang Iron and Steel meet the standard for wastewater discharge.

General solid waste was either exported or reused, while hazardous waste was internally recycled or entrusted to qualified units for compliant disposal.

(V) Emergency plan for environmental pollution accidents

Firstly, it involved thoroughly identifying and assessing environmental risks, further improving emergency plan for environmental pollution accidents and through filing with the government. Secondly, it entailed organizing emergency plan training and drills in accordance with the requirements of the emergency plan for environmental pollution accidents, which enhanced the emergency response capabilities for unforeseen events.

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(VI) Investment in environment governance and protection and payment of environmental protection tax

In the first half of 2023, the Company paid environmental protection tax of RMB47 million.

(VII) Environmental protection self-monitoring plan

The Company has regularly monitored environmental pollution factors on a monthly and quarterly basis in accordance with the requirements for monitoring and management of discharge permits.

(VIII) Administrative penalty due to environmental issues during the Reporting Period

None.

(IX) Other environmental information that should be disclosed

None.

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(X) Measures adopted for carbon emission reduction and its results during the Reporting Period

Applicable Not applicable

1. Promoting extreme energy efficiency. The Implementation Plan for Extreme Energy Efficiency Action (2023–2025) was formulated and issued, and has been progressed with and implemented in an orderly manner according to the plan. We completed sorting out of the project database of the action plan, the refinement of production line indicators and the formulation of assessment details.
2. Promoting energy saving and carbon reduction projects. We continuously increased the release of energy-saving and carbon reduction projects, deeply explored the energy-saving potential of each process and production line, promoted the advanced energy-saving and carbon reduction technologies, launched 15 energy-saving projects, including the “Energy-saving and Transformation of Ironmaking Powder Discharge Fans”, with a total investment of RMB60.1 million and an estimated annual benefit of RMB36.1 million. The annual energy saving was approximately 15,000 tonnes of standard coal, and the carbon emission was reduced by approximately 44,000 tonnes.

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(X) Measures adopted for carbon emission reduction and its results during the Reporting Period (Continued)

3. Construction of LCA big data platform project. In order to accelerate green and low-carbon development, meet the needs of downstream users for disclosure of carbon footprint and environmental performance indicators of Iron and steel products, and enhance product competitiveness, Angang Steel has established the “Carbon Emission and Product Life Cycle Assessment (LCA) Platform” project, which promoted the management of carbon emissions through information technology and intelligent means.
4. Increasing green power procurement. In 2023, Angang Steel expects to trade 830 million KWh of green power, accounting for 10.7% of the trading power, representing an increase of 56.6% as compared to the last year, achieving a decrease of RMB54 million in electricity purchase cost and a reduction of 650,000 tonnes of carbon-dioxide emissions.

II. SOCIAL RESPONSIBILITY

In the first half of the year, Anshan Steel conscientiously performed its social responsibility and mission as a central enterprise by anchoring the overall goal of consolidating and expanding the achievements in poverty alleviation and promoting rural revitalization, and in accordance with the general idea of “working for a long time and drawing a blueprint to the end”, we insisted on the “four non-removals”, focused on the “five revitalizations” goals, targeted the key points of the poverty alleviation assistance, and proactively planned the alleviation assistance projects. After many times of communication and consultation with the governments of the assisted areas, the alleviation assistance projects and funds were determined. In 2023, Anshan Steel allocated RMB16.4 million for assistance, of which RMB16.1 million was allocated to Ta County, a targeted assistance area of the central government units, for five alleviation assistance projects; and RMB300,000 was allocated to Shangtao Village, Chaoyang City, Liaoning Province, for one alleviation assistance project. At present, an assisting fund of RMB4.3369 million has been allocated to 3 alleviation assistance projects in Ta County, with 2 projects being completed, and RMB300,000 has been allocated to 1 alleviation assistance project in Shangtao Village, Chaoyang City. We also completed training for 277 persons, and introduced 2 investment projects with RMB14.33 million, which provided 55 employment opportunities and helped 55 persons of the poor to transfer their employment. We actively launched consumption assistance and completed purchase of products of RMB16.8 million from the poor areas for consumption assistance (RMB9.59 million in Ta County, RMB5 million in Panzhou, and RMB2.21 million in Liaoning Province), and helped sell agricultural products for RMB30,000. The Company devoted its efforts and resources to carry out targeted assistance work, making continuous contributions to consolidating and expanding the achievements of poverty alleviation in the assisted areas and promoting comprehensive rural revitalization.

I. THE UNDERTAKINGS PERFORMED BY DE FACTO CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED BUT MATURED DURING THE REPORTING PERIOD

Reason for Undertaking	Undertaking Party	Type of Undertaking	Type of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Non-competition undertakings	<p>The Non-competition Undertaking Letter of Anshan Iron & Steel Group Complex (鞍山鋼鐵集團公司 避免同業競爭承諾函):</p> <p>(1) Angang Holding and its wholly-owned and controlled subsidiaries have complied with relevant requirements of the state on non-competition.</p> <p>(2) Angang Holding and its wholly-owned and controlled subsidiaries have never engaged in any business which directly or indirectly competes with the iron and steel business, the principal business of the Company.</p> <p>(3) Angang Holding undertakes that the Company is entitled to the pre-emptive rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlled subsidiaries of Angang Holding under the same conditions, which are related to the iron and steel business of the Company.</p> <p>(4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that, at the request of the Company, it will transfer all the capital contribution, shares or equity interests it holds in such companies and grant the Company preemptive rights for such capital contribution, shares or equity interests under the same conditions.</p>	20 May 2007	Indefinite	There was no breach of such undertaking

I. THE UNDERTAKINGS PERFORMED BY DE FACTO CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED BUT MATURED DURING THE REPORTING PERIOD (CONTINUED)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Type of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
		(5)	If Angang Holding and its wholly-owned and controlled subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes to purchase such assets and business, Angang Holding and its wholly-owned and controlled subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.			
		(6)	During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first of the opportunity of new business.			
			If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and controlled subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.			
			If the Company proposes to acquire such business in the future, Angang Holding and its wholly-owned and controlled subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions.			

I. THE UNDERTAKINGS PERFORMED BY DE FACTO CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED BUT MATURED DURING THE REPORTING PERIOD (CONTINUED)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Type of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>Type of Undertaking</p> <p>(7) Other effective measures to avoid and eliminate horizontal competition</p> <p>The above undertakings do not limit the business of Angang Holding and its wholly-owned and controlled subsidiaries which do not compete with the Company, especially the business of provision of required materials or services necessary for the operation of the Company.</p> <p>All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible to engage in business not prohibited by the state.</p> <p>Such undertakings became effective from the date of issuance, and shall be terminated once one of the following conditions occurs:</p> <p>(1) Angang Holding ceases to be the controlling shareholder of the Company;</p> <p>(2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of trading of the shares of the Company due to any reason);</p> <p>(3) When the state does not require certain undertakings, the relevant sections shall be terminated automatically.</p> <p>Considering that Angang Holding does not have any iron and steel production projects already put into production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter.</p>			
Whether the commitment are fulfilled on time	Yes					

II. INFORMATION ON THE NON-OPERATING USE OF FUNDS OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES

Applicable Not applicable

During the Reporting Period, there was no non-operating use of funds of the Company by the controlling shareholder of the Company and other related parties.

III. INFORMATION ON ILLEGAL EXTERNAL GUARANTEES

Applicable Not applicable

During the Reporting Period, the Company had no illegal external guarantee.

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

This interim report of the Company is unaudited.

V. EXPLANATION OF THE BOARD AND THE SUPERVISORY COMMITTEE REGARDING THE “NON-STANDARD AUDITOR’S REPORT” FOR THE REPORTING PERIOD ISSUED BY THE ACCOUNTING FIRM

Applicable Not applicable

VI. EXPLANATION OF THE BOARD REGARDING THE INFORMATION RELATING TO THE “NON-STANDARD AUDITOR’S REPORT” FOR THE PREVIOUS YEAR

Applicable Not applicable

VII. MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING

There was no matter relating to insolvency and restructuring during the Reporting Period.

Significant Matters (Continued)

VIII. LITIGATION

The Company was not involved in any material litigation and arbitration during the Reporting Period.

Other litigations

Basic information of the litigation (arbitration)	Amount involved in the litigation <i>(RMB'0,000)</i>	Whether caused estimated liabilities or not	Progress of the litigation (arbitration)	Results of trial of litigation (arbitration) and effects thereof	Execution of judgment of the litigation (arbitration)	Date of disclosure	Disclosure index
Non-material proceedings	52,665.38	No	The successful cases have entered the enforcement process, while the remaining cases are still under trial.		Some of the cases are in the stage of payment collection by the court.		
Non-material response to proceedings	644.78	No	Some of the cases were concluded in favour of the Company, while other cases are still in court.				

IX. PENALTY AND RECTIFICATIONS

Applicable Not applicable

The Company has not been subject to any material penalty and rectification during the Reporting Period.

X. CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

Applicable Not applicable

XI. MAJOR CONNECTED TRANSACTIONS

The connected transactions set out below fall within the definition relating to “Connected Transaction” or “Continuing Connected Transaction” under Chapter 14A of the Hong Kong Stock Exchange Listing Rules. Relevant connected transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Stock Exchange Listing Rules.

1. Connected transactions related to daily operations

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount <i>(RMB million)</i>	As a	Approved transaction cap <i>(RMB million)</i>	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
							Percentage of the amount of similar transactions <i>(%)</i>				
Angang Mining Co., Ltd.	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	8,862	20.55			In cash	-
Shanxi Wuchan International Energy Co., Ltd. (山西物產國際能源有限公司)	Associate of controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,587	3.68			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,154	2.68			In cash	-
Angang International Trade	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	851	1.97			In cash	-
Angang Cast Steel Co., Ltd.	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	357	0.83			In cash	-
Other subsidiaries of Angang Group	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	375	0.87			In cash	-
Sub-total	-	-	Purchase main materials	-	-	13,106	30.58	39,769	No	-	-

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a Percentage of the amount of similar transactions (%)	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Bensteel Group Corporation Limited	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	340	6.92			In cash	-
Other subsidiaries of Angang Group	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	276	5.61			In cash	-
Sub-total	-	-	Purchase steel products	-	-	616	12.53	1,632	No	-	-
Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	480	13.54			In cash	-
Anshan Iron and Steel Group Refractories Co., Ltd.	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	376	10.61			In cash	-
Other subsidiaries of Angang Group	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	422	11.90			In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	1,278	36.05	3,702	No	-	-
Angang Group	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	77	15.16			In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	77	15.16	2,011	No	-	-

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)
1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
							Percentage of the amount of similar transactions (%)				
Delin Lugang Supply Chain Service Co., Ltd.* (德聯陸港供應鏈服務有限公司)	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	604	8.72			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	487	7.03			In cash	-
Angang Group Engineering Technology Development Co., Ltd.	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	467	6.74			In cash	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	432	6.24			In cash	-
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	274	3.95			In cash	-
Other subsidiaries of Angang Group	Controlled by the same Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	888	12.82			In cash	-
Sub-total	-	-	Receive supporting services	-	-	3,152	45.50	9,343	No	-	-
Delin Lugang Supply Chain Service Co., Ltd.* (德聯陸港供應鏈服務有限公司)	Controlled by the same Controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	3,738	4.70			In cash	-
Angang International Trade	Controlled by the same Controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	295	0.37			In cash	-
Other subsidiaries of Angang Group	Controlled by the same Controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	667	0.84			In cash	-
Sub-total	-	-	Sales of products	-	-	4,700	5.91	20,206	No	-	-

Significant Matters (Continued)

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a Percentage of the amount of similar transactions (%)	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Group	Controlled by the same Controlling shareholder	Sales of products/ Provision of services	Sell scrap steel material, abandoned material, minus sieve powder	Market principle	-	160	98.16			In cash	-
Sub-total	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	160	98.16	436	No	-	-
Angang Group	Controlled by the same Controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	-	205	22.21			In cash	-
Sub-total	-	-	Provide comprehensive services	-	-	205	22.21	1,769	No	-	-

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

1. Connected transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount <i>(RMB million)</i>	As a Percentage of the amount of similar transactions <i>(%)</i>	Approved transaction cap <i>(RMB million)</i>	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Financial Company	Controlled by the same Controlling shareholder	Receive finance services	Settle fund and deposit interests	Market principle	-	26	70.27	100	No	In cash	-
Angang Financial Company	Controlled by the same Controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	4,895	-	5,000	No	-	-
Angang Financial Company	Controlled by the same Controlling shareholder	Receive finance services	Credit business interest	Market principle	-	-	-	250	No	In cash	-
Angang Financial Company	Controlled by the same Controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	-	-	100	No	In cash	-
Angang Group Capital Holding Co., Ltd.	Controlled by the same Controlling shareholder	Receive finance services	Commercial factoring	Market principle	-	-	-	1,000	No	In cash	-
Angang Group Capital Holding Co., Ltd.	Controlled by the same Controlling shareholder	Receive finance services	Commercial factoring interest	Market principle	-	-	-	50	No	In cash	-

Particulars on refund of bulk sale

-

Estimated total amount for daily connected transactions to be conducted during the period and their actual implementing during the Reporting Period

During the Reporting Period, the total amount of the Company's daily connected transactions did not exceed the relevant caps applicable to such category as set out in the relevant daily connected transaction agreements approved at the general meeting and the estimated amounts of each type of daily connected transactions expected at the beginning of the year.

Reason for the large difference between transaction price and market reference price

-

Relevant explanation on connected transactions

As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary supporting services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

2. Related party transactions in relation to asset or equity acquisition or disposal

Applicable Not applicable

3. Related party transactions in relation to joint external investments

Applicable Not applicable

4. Related party credit and debt transaction

Applicable Not applicable

Whether there are claims or obligations for non-operating purpose

Yes No

There were no claims or obligations for non-operating purpose during the Reporting Period.

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

5. Transaction with connected financial company

Applicable Not applicable

Unit: RMB million

Deposit business

Related party	Related relationship	Maximum daily deposit limit	Range of deposit interest rate	Amount during the period			Balance as at the end of the period
				Balance as at the beginning of the period	Total amount deposited during the period	Total amount withdrawn during the period	
Angang Financial Company	Controlled by the same controlling shareholder	5,000	0.455%-1.9%	4,224	224,415	225,710	2,929

Loan business

Related party	Related relationship	Loan facility	Range of loan interest rate	Amount during the period			Balance as at the end of the period
				Balance as at the beginning of the period	Total amount for the period	Total amount repaid during the period	
Angang Financial Company	Controlled by the same controlling shareholder	3,000	-	0	0	0	0

XI. MAJOR CONNECTED TRANSACTIONS (CONTINUED)

5. Transaction with connected financial company (Continued)

Credit extension or other financial business

Related party	Related relationship	Type of business	Total amount	Actual amount
Angang Financial Company	Controlled by the same controlling shareholder	Credit extension	3,000	0

6. Transaction with connected financial company which is under the control of the Company

Applicable Not applicable

7. Other major connected transactions

Applicable Not applicable

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Trust, contractual or lease arrangement

(1) Trust arrangement

The Company entered into the Entrusted Management Services of Asset and Business Agreement with Angang Holding as the specific agreement for execution under the approved Supply of Materials and Services Agreement (2022–2024). Pursuant to the Entrusted Management Services of Asset and Business Agreement, Angang Holding entrusts the Company to operate and manage the assets, businesses, additional future assets and businesses of the unlisted units under its control daily.

During the Reporting Period, the Company did not have any entrusted projects that resulted in profit or loss of the Company amounting to more than 10% of the Company's total profit during the Reporting Period.

(2) Contractual arrangement

Applicable Not applicable

The Company did not enter into any contractual arrangement during the Reporting Period.

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (CONTINUED)

1. Trust, contractual or lease arrangement (Continued)

(3) Lease arrangement

Applicable Not applicable

Lease arrangement explanation:

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the land lease agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, with a total amount of RMB61 million paid in the first half of 2023.

Items that bring profit or loss of more than 10% of the total profit of the Company during the Reporting Period

Applicable Not applicable

During the Reporting Period, there was no lease which generated profit of more than 10% of the gross profit of the Company.

XII. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION (CONTINUED)

2. Material guarantee

Applicable Not applicable

During the Reporting Period, there was no material guarantee provided by the Company.

3. Entrusted wealth management

Applicable Not applicable

During the Reporting Period, the Company did not have entrusted wealth management.

4. Other significant contracts

Applicable Not applicable

During the Reporting Period, the Company had no other significant contracts.

XIII. EXPLANATION ON OTHER SIGNIFICANT MATTERS

Applicable Not applicable

XIV. SIGNIFICANT MATTERS OF SUBSIDIARIES OF THE COMPANY

Applicable Not applicable

Movements in Share Capital and Shareholding of Substantial Shareholders

I. MOVEMENTS IN SHARES

1. Movements in Shares

As at 30 June 2023, the structure of share capital of the Company was as follows:

Unit: Share

	Before the change		Increase/decrease during the period (+/-)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from accumulated fund	Others	Sub-total	Number	Percentage (%)
I. Shares subject to trading moratorium	50,227,732	0.53	-	-	-	-16,819,981	-16,819,981	33,407,751	0.36
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	50,227,732	0.53	-	-	-	-	-	33,407,751	0.36
Including: shares held by domestic legal persons	408,623	0.00	-	-	-	-	-	408,623	0.00
Shares held by domestic natural persons	49,819,109	0.53	-	-	-	-16,819,981	-16,819,981	32,999,128	0.35
4. Foreign investment shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	9,352,792,719	99.47	-	-	-	+14,779,050	+14,779,050	9,367,571,769	99.64
1. Renminbi ordinary shares	7,941,252,719	84.45	-	-	-	+14,779,050	+14,779,050	7,956,031,769	84.63
2. Domestically listed foreign investment shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign investment shares	1,411,540,000	15.01	-	-	-	-	-	1,411,540,000	15.01
4. Others	-	-	-	-	-	-	-	-	-
III. Total shares	9,403,020,451	100.00	-	-	-	-2,040,931	-2,040,931	9,400,979,520	100.00

I. MOVEMENTS IN SHARES (CONTINUED)

1. Movements in Shares (Continued)

Notes:

- (1) Reasons for movement in share capital:

On 10 February 2023, the Company, at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, completed the repurchase and cancellation of 2,040,931 restricted shares held by 12 incentive participants which had been granted but not yet unlocked. Upon the completion of the above cancellation, the total share capital of the Company was reduced from 9,403,020,451 shares to 9,400,979,520 shares. On 17 April 2023, the Company, at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, completed the release of 14,779,050 restricted shares for the first unlocking period under the first grant of the 2020 restricted share incentive scheme. As a result, the shareholding by domestic natural persons in the shares subject to trading moratorium, and Renminbi ordinary shares and the total number of shares of the Company in the shares not subject to trading moratorium have changed.

I. MOVEMENTS IN SHARES (CONTINUED)

1. Movements in Shares (Continued)

(2) Approval of movement in share capital:

The Resolution on the Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Share Incentive Scheme but not yet Unlocked (《關於2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票回購註銷的議案》) was considered and approved at the eighth meeting of the ninth session of the Board and the fourth meeting of the ninth session of the Supervisory Committee of the Company on 23 November 2022, and the 2022 third extraordinary general meeting, the 2022 second domestic shareholders' class meeting and the 2022 second foreign shareholders' class meeting of the Company on 19 December 2022.

On 30 March 2023, the Resolution on the Fulfilment of the Unlocking Conditions for the First Unlocking Period under the First Grant of the 2020 Restricted Share Incentive Scheme (《關於2020年限制性股票激勵計劃首次授予部分第一個解除限售期解除限售條件成就的議案》) was considered and approved at the fourteenth meeting of the ninth session of the Board and the seventh meeting of the ninth session of the Supervisory Committee of the Company.

(3) Transfer of movement in share capital:

On 10 February 2023, the Company, at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, completed the repurchase and cancellation of 2,040,931 restricted shares held by 12 incentive participants which had been granted but not yet unlocked. On 17 April 2023, the Company, at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, completed the release of 14,779,050 restricted shares for the first unlocking period under the first grant of the 2020 restricted share incentive scheme.

I. MOVEMENTS IN SHARES (CONTINUED)

1. Movements in Shares (Continued)

(4) Progress on the implementation of the share repurchase:

Applicable Not applicable

(5) Progress on the implementation of reduction in the holding of repurchased shares by way of centralized bidding

Applicable Not applicable

(6) Impact of movement in shares on the basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the Company and other financial indicators in the latest year and the latest period

Applicable Not applicable

In February 2023, the total share capital of the Company was reduced from 9,403,020,451 shares to 9,400,979,520 shares. Based on the new share capital of 9,400,979,520 shares on a diluted basis, the earnings per share for the year 2022 will be RMB0.017 per share and the net assets per share attributable to ordinary shareholders of the Company will be RMB6.18. The movement in shares had no material impact on the above financial indicators.

(7) Other information considered necessary by the Company or required by securities regulators that should be disclosed

Applicable Not applicable

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

I. MOVEMENTS IN SHARES (CONTINUED)

2. Changes in shares subject to trading moratorium

Unit: Share

Name of Shareholder	Shares subject to trading moratorium at the beginning of the period	Increase in shares subject to trading moratorium during the period	Decrease in shares subject to trading moratorium during the period	Shares subject to trading moratorium at the end of the period	Reason for the trading moratorium	Date of release of the trading moratorium
Incentive participants of restricted shares	49,811,650	-	-16,819,981	32,991,669	Being granted restricted A shares	-
Total	49,811,650	-	-16,819,981	32,991,669	-	-

II. ISSUANCE AND LISTING OF SECURITIES

Applicable

Not applicable

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY

Unit: Share

The total number of ordinary shareholders of the Company as at the end of the Reporting Period	111,030 of which 454 were holders of H shares	Total number of preferred shareholders with voting rights resumed at the end of the reporting period (if any)	None
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Details of shareholders holding more than 5% of ordinary shares or top ten shareholders holding ordinary shares

Name of shareholder	Nature of shareholder	Percentage of shareholding	Number of	Increase/ decrease during the Reporting Period	Number of	Shares pledged, tagged or frozen	Status of shares	Number
			ordinary shares held as at the end of the Reporting Period		ordinary shares held subject to trading moratorium			
Anshan Iron and Steel Group Co., Ltd.	State-owned legal person	53.36%	5,016,111,529	0	0	5,016,111,529	-	-
HKSCC (Nominees) Limited	Overseas legal person	14.88%	1,398,892,541	268,006	0	1,398,892,541	-	-
China National Petroleum Corporation	State-owned legal person	8.99%	845,000,000	0	0	845,000,000	-	-
Hong Kong Securities Clearing Company Limited	Overseas legal person	0.90%	84,990,838	-15,992,907	0	84,990,838	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	0.89%	83,650,620	0	0	83,650,620	-	-
Power Construction Corporation of China	State-owned legal person	0.60%	56,550,580	0	0	56,550,580	-	-
Cong Zhonghong	Domestic natural person	0.19%	17,640,700	-859,300	0	17,640,700	-	-
Chen Zhiying	Overseas natural person	0.19%	17,471,686	0	0	17,471,686	-	-

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Name of shareholder	Nature of shareholder	Percentage of shareholding	Number of	Increase/	Number of	Number of	Shares pledged, tagged or frozen	
			ordinary shares held as at the end of the Reporting Period	decrease during the Reporting Period	ordinary shares held subject to trading moratorium	ordinary shares held not subject to trading moratorium	Status of shares	Number
China Merchants Securities Co., Ltd. – Tianhong China Securities 500 Index Enhanced Securities Investment Fund (天弘中證500指數增強型證券投資基金)	Other	0.15%	13,906,300	13,906,300	0	13,906,300	-	-
Agricultural Bank of China Limited – CSI 500 Exchange-traded and Open-ended Index Securities Investment Fund (中證500交易型開放式指數證券投資基金)	Other	0.14%	13,182,248	-7,358,500	0	13,182,248	-	-

Description of strategic investors or general legal persons who became top 10 ordinary shareholders due to placement of new shares (if any) -

Explanations on the connected relationship or concerted action among the shareholders mentioned above

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

Description of the above shareholders involved in entrustment/entrusted voting rights and waiver of voting rights -

Special explanations on the special repurchase account among the top 10 shareholders (if any) -

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Top ten shareholders holding ordinary shares not subject to trading moratorium

Name of shareholder	Reporting Period	Number of ordinary shares held not subject to trading moratorium as at the end of the	
		Type of share	Number
Anshan Iron and Steel Group Co., Ltd.	5,016,111,529	Renminbi ordinary shares	5,016,111,529
HKSCC (Nominees) Limited	1,398,892,541	Overseas listed foreign shares	1,398,892,541
China National Petroleum Corporation	845,000,000	Renminbi ordinary shares	845,000,000
Hong Kong Securities Clearing Company Limited	84,990,838	Renminbi ordinary shares	84,990,838
Central Huijin Asset Management Ltd.	83,650,620	Renminbi ordinary shares	83,650,620
Power Construction Corporation of China	56,550,580	Renminbi ordinary shares	56,550,580
Cong Zhonghong	17,640,700	Renminbi ordinary shares	17,640,700
Chen Zhiying	17,471,686	Renminbi ordinary shares	17,471,686
China Merchants Securities Co., Ltd. – Tianhong China Securities 500 Index Enhanced Securities Investment Fund (天弘中證500指數增強型證券投資基金)	13,906,300	Renminbi ordinary shares	13,906,300
Agricultural Bank of China Limited – CSI 500 Exchange-traded and Open-ended Index Securities Investment Fund (中證500交易型開放式指數證券投資基金)	13,182,248	Renminbi ordinary shares	13,182,248

III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Explanations on the connected relationship or concerted action among the top 10 ordinary shareholders not subject to trading moratorium, and the top 10 ordinary shareholders not subject to trading moratorium and the top 10 ordinary shareholders	The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.
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Description of top ten shareholders holding ordinary shares to participate in securities margin trading business (if any)	Among the top 10 shareholders, Cong Zhonghong held 17,640,700 shares through an investor credit securities account; Chen Zhiying held 17,471,686 shares through an investor credit securities account.
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The top ten shareholders holding ordinary shares and the top ten shareholders holding of ordinary shares not subject to trading moratorium of the Company did not conduct any agreed repurchase transactions during the Reporting Period.

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

IV. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Applicable Not applicable

Unit: Share

Name	Position	Current status of position	No. of shares held at the beginning of the Reporting Period		No. of shares increased in the Reporting Period	No. of shares reduced in the Reporting Period	No. of shares held at the end of the Reporting Period	No. of restricted shares granted at the beginning of the Reporting Period	No. of restricted shares granted in the Reporting Period	No. of restricted shares granted at the end of the Reporting Period
			No. of shares held at the beginning of the Reporting Period	No. of shares held at the end of the Reporting Period						
Wang Yidong	Chairman and Executive Director	In office	9,945	-	-	9,945	-	-	-	
Zhang Hongjun	Executive Director, General Manager	In office	400,000	-	246,000	154,000	400,000	-246,000	22,000	
						Note 2		Note 2		
Wang Baojun	Executive Director, Deputy General Manager, Chief Accountant, and Secretary to the Board	In office	265,500	-	-	265,500	265,500	-	265,500	
Tian Yong	Executive Director, Deputy General Manager	In office	300,000	-	-	300,000	300,000	-	201,000	
Feng Changli	Independent Non-executive Director	In office	-	-	-	-	-	-	-	

Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

IV. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name	Position	Current status of position	No. of shares held at the beginning of the Reporting Period		No. of shares increased in the Reporting Period		No. of shares reduced in the Reporting Period		No. of restricted shares granted at the beginning of the Reporting Period		No. of restricted shares granted at the end of the Reporting Period	
			No. of shares held at the beginning of the Reporting Period	No. of shares increased in the Reporting Period	No. of shares reduced in the Reporting Period	No. of shares held at the end of the Reporting Period	No. of restricted shares granted at the beginning of the Reporting Period	No. of restricted shares granted at the end of the Reporting Period	No. of restricted shares granted at the end of the Reporting Period	No. of restricted shares granted at the end of the Reporting Period		
Wang Jianhua	Independent Non-executive Director	In office	-	-	-	-	-	-	-	-	-	-
Wang Wanglin	Independent Non-executive Director	In office	-	-	-	-	-	-	-	-	-	-
Zhu Keshi	Independent Non-executive Director	In office	-	-	-	-	-	-	-	-	-	-
Cao Yuhui	Chairman of the Supervisory Committee, Supervisor	In office	-	-	-	-	-	-	-	-	-	-
Liu Ming	Supervisor	In office	-	-	-	-	-	-	-	-	-	-
Yang Zhengwen	Supervisor	In office	-	-	-	-	-	-	-	-	-	-
Meng Jingsong	Deputy General Manager	In office	450,000	-	-	450,000	450,000	-	-	-	-	301,500
Zhang Peng	Deputy General Manager	In office	-	-	-	-	-	-	-	-	-	-
Shen Changchun	Chairman of the Supervisory Committee, Supervisor	Resigned	-	-	-	-	-	-	-	-	-	-
Total	-	-	1,425,445	-	246,000	1,179,445	1,415,500	-246,000	-	-	-	790,000
					Note 2				Note 2			

IV. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Notes:

1. All the shares held by the persons above were A shares of the Company and were held by them in their capacity as individual beneficial owners.
2. In accordance with the Resolution on the Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Share Incentive Scheme but not yet Unlocked approved at the 2022 third extraordinary general meeting of the Company, 246,000 restricted shares held by Mr. Zhang Hongjun had been repurchased and cancelled during the Reporting Period.
3. On 18 April 2023, the restricted shares for the first unlocking period under the first grant of the 2020 restricted share incentive scheme were released for listing and circulation. Therefore, the number of restricted shares granted at the end of the period decreased as compared with the beginning of the period.

IV. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company Held by Directors, Supervisors and Senior Management

Save as disclosed above, as at 30 June 2023, none of the Directors, Supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under Section 352 of the SFO, or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Stock Exchange Listing Rules.

V. CHANGE TO CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER

During the Reporting Period, there was no change to the controlling shareholder or the de facto controller of the Company.

VI. SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Save as disclosed below, as at 30 June 2023, no parties (other than Directors, Supervisors and senior management of the Company) had any interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO:

Interests in ordinary shares of the Company as at the end of the Reporting Period

Name of shareholder	Number and class of shares held	Percentage of total share capital (%)	Percentage of total H shares in issue (%)	Percentage of total domestic shares in issue (%)	Capacity
Angang Group Company Limited	5,016,111,529 (L) A shares	53.36% (L)	-	62.78%(L)	Interests of controlled corporation
Anshan Iron and Steel Group Co., Ltd.	5,016,111,529 (L) A shares	53.36% (L)	-	62.78%(L)	Beneficial owner
China National Petroleum Corporation	845,000,000 (L) A shares	8.99% (L)	-	10.58%(L)	Beneficial owner
Brown Brothers Harriman & Co.	106,766,224 (L, P) H shares	1.14% (L, P)	7.56% (L, P)	-	Approved lending agent

(L) – a long position, (S) – a short position, and (P) – a lending pool

Relevant Information on Bonds

I. COMPANY BONDS

Applicable Not applicable

During the Reporting Period, the Company did not have company bonds.

II. CORPORATE BONDS

Applicable Not applicable

During the Reporting Period, the Company did not have corporate bonds.

III. NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

Applicable Not applicable

1. Basic information of non-financial enterprise debt financing instruments

Unit: RMB million

Bond name	Bond abbreviation	Bond code	Issue date	Value date	Maturity date	Bond balance	Interest rate	Way of principal and interest repayment	Trading place
First Issuance of Green Medium-term Notes of Angang Steel Company Limited in 2022	22Angang Steel GN001	132280095	26 September 2022	28 September 2022	28 September 2025	300	2.85%	Principal paid in lump sum at maturity, interest paid once every year	Interbank market
Investor eligibility arrangement (if any)	-								
Applicable trading mechanism	-								
Risk of termination of listing and trading (if any) and countermeasures	-								

III. NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS (CONTINUED)

1. Basic information of non-financial enterprise debt financing instruments (Continued)

Overdue bonds

Applicable Not applicable

2. Triggering of terms on the issuer's or investor's right to choose and investor protection and enforcement

Applicable Not applicable

3. Credit rating result adjustments during the Reporting Period

Applicable Not applicable

4. Implementation and change of guarantees, debt repayment plans and other debt repayment guarantee measures during the Reporting Period and their impact on the rights and interests of bond investors

Applicable Not applicable

IV. A SHARE CONVERTIBLE DEBENTURES

Applicable Not applicable

During the Reporting Period, the Company did not have A share convertible debentures.

Relevant Information on Bonds (Continued)

V. H SHARE CONVERTIBLE CORPORATE BONDS

The Company issued HK\$1.85 billion of zero coupon convertible bonds on the Hong Kong Stock Exchange on 25 May 2018. The convertible bonds have been listed and dealt in on the Hong Kong Stock Exchange on 28 May 2018 and expired on 25 May 2023. In accordance with the relevant terms of the issuance of the bonds and the requirements of the bondholders, the Company redeemed the bonds with a principal amount of HK\$32 million on 25 May 2021, and redeemed the bonds with the remaining principal amount of HK\$1,818 million on 25 May 2023, the maturity date of the convertible bonds. All convertible bonds have been redeemed. No conversion has taken place before the maturity date.

VI. LOSSES IN THE SCOPE OF CONSOLIDATED STATEMENTS DURING THE REPORTING PERIOD EXCEEDING 10% OF NETS ASSETS AS AT THE END OF THE PREVIOUS YEAR

Applicable

Not applicable

Relevant Information on Bonds (Continued)

VII. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

Unit: RMB million

Item	As at the end of the Reporting Period	As at the end of the previous year	Increase/ decrease at the end of the Reporting Period as compared with the end of the previous year
Current ratio	0.82	0.81	1.23%
Gearing ratio	39.95	39.34	Increased by 0.61 percentage point
Quick ratio	0.40	0.43	-6.98%

Relevant Information on Bonds (Continued)

VII. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS AS AT THE END OF THE REPORTING PERIOD (CONTINUED)

Item	During the Reporting Period	Corresponding period of the previous year	Increase/ decrease for the Reporting Period as compared with the corresponding period of the previous year
Net profit attributable to the shareholders of the Company after deduction of non-recurring gains or losses items	-1,355	1,669	-181.19%
EBITDA to total debts ratio	0.75%	12.11%	Decreased by 11.36 percentage points
Interest coverage ratio	-8.00	10.72	-174.63%
Cash interest coverage ratio	13.88	19.94	-30.39%
EBITDA interest coverage ratio	1.44	19.37	-92.57%
Loan payment ratio	100%	100%	-
Interest payment ratio	100%	100%	-

Consolidated Balance Sheet

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	30 June 2023	31 December 2022
Current assets:			
Cash and cash equivalents	VI.1	3,722	5,093
Derivative financial assets	VI.2		37
Notes receivable	VI.3	80	173
Accounts receivable	VI.4	3,721	2,838
Receivables financing	VI.5	1,584	1,824
Prepayments	VI.6	4,047	5,113
Other receivables	VI.7	75	27
Including: Interests receivable	VI.7		
Dividends receivable	VI.7		
Inventories	VI.8	14,022	13,575
Other current assets	VI.9	491	552
Total current assets		27,742	29,232
Non-current assets:			
Long-term equity investments	VI.10	3,141	3,169
Other equity instrument investments	VI.11	694	641
Other non-current financial assets	VI.12	37	33
Fixed assets	VI.13	46,899	46,985
Construction in progress	VI.14	6,646	6,732
Right-of-use assets	VI.15	679	761
Intangible assets	VI.16	6,616	6,553
Deferred income tax assets	VI.17	2,094	1,506
Other non-current assets	VI.18	1,206	1,323
Total non-current assets		68,012	67,703
Total assets		95,754	96,935

Financial Report (Continued)

Consolidated Balance Sheet (Continued)

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	30 June 2023	31 December 2022
Current liabilities:			
Short-term loans	VI.19	1,243	1,579
Derivative financial liabilities	VI.20		41
Notes payable	VI.21	14,968	11,743
Accounts payable	VI.22	7,629	8,854
Contract liabilities	VI.23	7,188	6,393
Staff remuneration payable	VI.24	217	158
Tax payable	VI.25	166	255
Other payables	VI.26	2,418	2,871
Including: Interests payable	VI.26	10	6
Dividends payable	VI.26	3	3
Non-current liabilities due within one year	VI.27	50	4,260
Total current liabilities		33,879	36,154
Non-current liabilities:			
Long-term loans	VI.28	3,130	600
Bonds payable	VI.29	299	299
Lease liability	VI.30	63	226
Long-term payables	VI.31	119	119
Long-term employee benefits payable	VI.32	60	60
Deferred income	VI.33	533	523
Deferred income tax liabilities	VI.17	173	157
Total non-current liabilities		4,377	1,984
Total liabilities		38,256	38,138

Financial Report (Continued)

Consolidated Balance Sheet (Continued)

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	30 June 2023	31 December 2022
Shareholders' equity:			
Share capital	VI.34	9,401	9,403
Capital reserve	VI.35	33,877	33,879
Less: Treasury shares	VI.36	92	96
Other comprehensive income	VI.37	192	152
Special reserve	VI.38	149	93
Surplus reserve	VI.39	4,457	4,457
Retained earnings	VI.40	8,842	10,252
Subtotal of Shareholders' equity attributable to shareholders of parent company		56,826	58,140
Minority interests		672	657
Total shareholders' equity		57,498	58,797
Total liabilities and shareholders' equity		95,754	96,935

Legal representative:

Wang Yidong

Financial controller:

Wang Baojun

Person in charge of
accounting department:

You Yu

Financial Report (Continued)

Consolidated Income Statement

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
I. Total operating revenue		58,825	70,294
Including: Operating revenue	VI.41	58,825	70,294
II. Total operating cost		60,831	68,795
Including: Operating cost	VI.41	58,966	66,613
Taxes and surcharges	VI.42	422	542
Selling expenses	VI.43	288	309
Administrative expenses	VI.44	755	659
Research and development expenses	VI.45	245	395
Finance expenses	VI.46	155	277
Including: Interest expenses	VI.46	189	206
Interest income	VI.46	37	37
Add: Other incomes	VI.47	16	16
Investment income (Loss is listed with "-")	VI.48	109	104
Including: Investment incomes in associates and joint ventures	VI.48	161	102
Gain from fair-value changes (Loss is listed with "-")	VI.49	53	132
Impairment on assets (Loss is listed with "-")	VI.50	26	392
Credit impairment losses (Loss is listed with "-")	VI.51	19	65
Gains on disposal of assets (Loss is listed with "-")	VI.52	25	16
III. Operating profit (Loss is listed with "-")		(1,758)	2,224
Add: Non-operating income	VI.53	14	49
Less: Non-operating expenses	VI.54	29	67

Consolidated Income Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
IV. Profit before tax (Loss is listed with "-")		(1,773)	2,206
Less: Income tax expenses	VI.55	(438)	475
V. Net profit (Loss is listed with "-")		(1,335)	1,731
(I) Classification of business operation			
1. Continuous operation profit			
(Loss is listed with "-")		(1,335)	1,731
2. Termination of business operating profit (Loss is listed with "-")			
(II) Classification of ownership			
1. Net income attributable to the Company owners		(1,346)	1,716
2. Net income attributable to minority shareholders		11	15
VI. Other comprehensive income after tax	VI.56	40	75
Other comprehensive income after tax attributable to parent company owners	VI.56	40	75
(I) Other comprehensive income which cannot be reclassified subsequently to profit or loss	VI.56	40	75
1. Net gain on other equity instruments at fair value through other comprehensive income	VI.56	40	75

Financial Report (Continued)

Consolidated Income Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
(II) Other comprehensive income which will be reclassified subsequently to profit or loss			
1. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			
Other comprehensive income after tax attributable to minority shareholders			
VII. Total comprehensive income		(1,295)	1,806
Total comprehensive income attributed to the Company owners		(1,306)	1,791
Total comprehensive income attributable to minority shareholders		11	15
VIII. Earnings per share			
Basic earnings per share (RMB/share)	XIX.2	(0.143)	0.182
Diluted earnings per share (RMB/share)	XIX.2	(0.143)	0.182

Legal representative:

Wang Yidong

Financial controller:

Wang Baojun

Person in charge of
accounting department:

You Yu

Consolidated Cash Flow Statement

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
I. Cash Flows from Operating Activities:			
Cash received from sales and services		60,440	68,281
Taxes and surcharges refunds		38	123
Other cash receipts related to operating activities	VI.57	252	161
Sub-total of cash inflows from operating activities		60,730	68,565
Cash payments for goods purchased and services received		53,825	57,577
Cash payments to and on behalf of employees		2,493	2,695
Payments of taxes and surcharges		795	1,909
Other cash payments relating to operating activities	VI.57	1,202	2,244
Sub-total of cash outflows from operating activities		58,315	64,425
Net Cash Flows from Operating Activities		2,415	4,140

Financial Report (Continued)

Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
II. Cash Flows from Investing			
Activities:			
Cash receipts from disposals and returns of investments			
Cash receipts from returns on investments		192	237
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets			21
Other cash receipts relating to investing activities	VI.57	83	97
Sub-total of cash inflows from investing activities		275	355
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		1,628	2,543
Cash payments to acquire investments			
Other cash payments relating to investing activities	VI.57	57	27
Sub-total of cash outflows from investing activities		1,685	2,570
Net Cash Flows from Investing Activities		(1,410)	(2,215)

Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
III. Cash Flows from Financing			
Activities:			
Cash received from investments			
Including: cash receipts from minorities making investment in subsidiaries			
Cash receipts from borrowings		5,270	240
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		5,270	240
Cash repayments of amounts borrowed		7,259	501
Cash payments for distribution of dividends or profit or interest expenses		154	2,237
Including: payments for distribution of dividends or profit to minorities of subsidiaries			
Other cash payments relating to financing activities	VI.57	266	129
Sub-total of cash outflows from financing activities		7,679	2,867

Financial Report (Continued)

Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
Net Cash Flows from Financing Activities		(2,409)	(2,627)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		33	
V. Net Increase in Cash and Cash Equivalents	VI.58	(1,371)	(702)
Add: Opening balance of Cash and Cash Equivalents	VI.58	5,093	5,398
VI. Closing Balance of Cash and Cash Equivalents	VI.58	3,722	4,696

Legal representative:
Wang Yidong

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Financial Report (Continued)

Consolidated Statement of Changes in Shareholders' Equity

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	January to June 2023									
	Equity attributable to parent company									
	Share Capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total Shareholders' equity
I. Balance at the end of prior year	9,403	33,879	96	152	93	4,457		10,252	657	58,797
Add: Changes in accounting policies										
Merger of enterprises under the same control										
Others										
II. Balance at the beginning of current year	9,403	33,879	96	152	93	4,457		10,252	657	58,797
III. Current period increase (or less: decrease)	(2)	(2)	(4)	40	56			(1,410)	15	(1,299)
(I) Total comprehensive income				40				(1,346)	11	(1,295)
(II) Capital contributed or withdrew by owners	(2)	(2)	(4)							
1. Ordinary shares contributed by owners	(2)	(2)	(4)							
2. Amount of share-based payment included										
3. Others										
(III) Profit Distribution								(64)		(64)
1. Withdrawal surplus reserves										
2. Distribution to shareholders								(64)		(64)
3. Others										
(IV) Internal carryforward of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve to cover losses										
4. Other comprehensive income carried forward to retained earnings										
5. Others										
(V) Special Reserve					56				4	60
1. Current withdrawal					103				5	108
2. Current use					(47)				(1)	(48)
IV. Balance as at 30 June, 2023	9,401	33,877	92	192	149	4,457		8,842	672	57,498

Legal representative:
Wang Yidong

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Financial Report (Continued)

Consolidated Statement of Changes in Shareholders' Equity (Continued)

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Year 2022									
	Share Capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	Total Shareholders' equity
I. Balance at the end of prior year	9,405	33,604	100	44	82	4,452		12,179	526	60,192
Add: Changes in accounting policies										
Merger of enterprises under the same control		1,020			25					1,045
Others										
II. Balance at the beginning of current year	9,405	34,624	100	44	107	4,452		12,179	526	61,237
III. Current period increase (or less: decrease)	(2)	(745)	(4)	108	(14)	5		(1,927)	131	(2,440)
(I) Total comprehensive income				108				156	30	294
(II) Capital contributed or withdrew by owners	(2)	(745)	(4)						126	(617)
1. Ordinary shares contributed by owners	(2)	(2)	(4)						126	126
2. Amount of share-based payment included		10								10
3. Others		(753)								(753)
(III) Profit Distribution						5		(2,083)	(27)	(2,105)
1. Withdrawal surplus reserves						5		(5)		
2. Distribution to shareholders								(2,078)	(27)	(2,105)
3. Others										
(IV) Internal carryforward of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve to cover losses										
4. Other comprehensive income carried forward to retained earnings										
5. Others										
(V) Special Reserve					(14)				2	(12)
1. Current withdrawal					161				5	166
2. Current use					(175)				(3)	(178)
IV. Balance as at December 31, 2022	9,403	33,879	96	152	93	4,457		10,252	657	58,797

Legal representative:
Wang Yidong

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Financial Report (Continued)

Parent Company Balance Sheet

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	30 June 2023	31 December 2022
Current assets:			
Cash and cash equivalents		1,807	2,089
Derivative financial assets			37
Notes receivable		48	34
Accounts receivable	XVI.1	3,895	2,693
Receivables financing		1,311	1,499
Prepayments		3,473	4,585
Other receivables	XVI.2	108	64
Including: Interests receivable			
Dividends receivable		13	17
Inventories		10,638	10,303
Other current assets		403	411
Total current assets		21,683	21,715
Non-current assets:			
Long-term equity investments	XVI.3	13,604	13,633
Other equity instrument investments		694	641
Other non-current financial assets		37	33
Fixed assets		39,858	39,952
Construction in progress		6,107	6,141
Right-of-use assets		673	755
Intangible assets		5,845	5,771
Deferred income tax assets		2,040	1,444
Other non-current assets		1,128	1,300
Total non-current assets		69,986	69,670
Total assets		91,669	91,385

Financial Report (Continued)

Parent Company Balance Sheet (Continued)

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	30 June 2023	31 December 2022
Current liabilities:			
Short-term loans		1,203	1,399
Derivative financial liabilities			41
Notes payable		14,295	11,172
Accounts payable		6,242	7,333
Contract liabilities		6,893	5,726
Staff remuneration payable		175	135
Tax payable		93	119
Other payables		4,530	4,304
Including: Interests payable		10	6
Dividends payable			
Non-current liabilities due within one year			4,211
Total current liabilities		33,431	34,440
Non-current liabilities:			
Long-term loans		3,050	600
Bonds payable		299	299
Lease liability		61	223
Long-term payables		119	119
Long-term employee benefits payable		58	58
Deferred income		404	395
Deferred income tax liabilities		156	149
Other non-current liabilities			
Total non-current liabilities		4,147	1,843
Total liabilities		37,578	36,283

Financial Report (Continued)

Parent Company Balance Sheet (Continued)

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	30 June 2023	31 December 2022
Shareholders' equity:			
Share capital		9,401	9,403
Capital reserve		26,919	26,921
Less: Treasury shares		92	96
Other comprehensive income		192	152
Special reserve		87	44
Surplus reserve		4,447	4,447
Retained earnings		13,137	14,231
Subtotal of Shareholders' equity attributable to shareholders of parent company		54,091	55,102
Minority interests			
Total shareholders' equity		54,091	55,102
Total liabilities and shareholders' equity		91,669	91,385

Legal representative:
Wang Yidong

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Financial Report (Continued)

Parent Company Income Statement

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
I. Total operating revenue		51,278	61,891
Including: Operating revenue	XVI.4	51,278	61,891
II. Total operating cost		53,563	61,184
Including: Operating cost	XVI.4	51,900	59,187
Taxes and surcharges		343	451
Selling expenses			302
Administrative expenses		651	559
Research and development expenses		204	390
Finance expenses		191	295
Including: Interest expenses		208	223
Interest income		25	22
Add: Other incomes		11	12
Investment income			
(Loss is listed with "-")	XVI.5	586	959
Including: Investment incomes in associates and joint ventures	XVI.5	160	101
Gain from fair-value changes			
(Loss is listed with "-")		53	132
Impairment on assets (Loss is listed with "-")		32	391
Credit impairment losses			
(Loss is listed with "-")		19	65
Gains on disposal of assets			
(Loss is listed with "-")		25	16

Parent Company Income Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
III. Operating profit			
(Loss is listed with “-”)		(1,559)	2,282
Add: Non-operating income		7	47
Less: Non-operating expenses		29	67
IV. Profit before tax			
(Loss is listed with “-”)		(1,581)	2,262
Less: Income tax expenses		(551)	278
V. Net profit (Loss is listed with “-”)		(1,030)	1,984
(I) Classification of business operation			
1. Continuous operation profit			
(Loss is listed with “-”)		(1,030)	1,984
2. Termination of business operating profit			
(Loss is listed with “-”)			
(II) Classification of ownership			
1. Net income attributable to the Company owners		(1,030)	1,984
2. Net income attributable to minority shareholders			

Financial Report (Continued)

Parent Company Income Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
VI. Other comprehensive income after tax		40	75
Other comprehensive income after tax attributable to parent company owners		40	75
(I) Other comprehensive income which cannot be reclassified subsequently to profit or loss		40	75
1. Net gain on other equity instruments at fair value through other comprehensive income		40	75
(II) Other comprehensive income which will be reclassified subsequently to profit or loss			
1. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			
Other comprehensive income after tax attributable to minority shareholders			

Financial Report (Continued)

Parent Company Income Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
VII. Total comprehensive income		(990)	2,059
Total comprehensive income attributed to the Company owners		(990)	2,059
Total comprehensive income attributable to minority shareholders			

Legal representative:

Wang Yidong

Financial controller:

Wang Baojun

Person in charge of
accounting department:

You Yu

Financial Report (Continued)

Parent Company Cash Flow Statement

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
I. Cash Flows from Operating Activities:			
Cash received from sales and services		53,307	58,695
Taxes and surcharges refunds			
Other cash receipts related to operating activities		216	78
Sub-total of cash inflows from operating activities		53,523	58,773
Cash payments for goods purchased and services received		47,739	49,994
Cash payments to and on behalf of employees		2,111	2,302
Payments of taxes and surcharges		437	1,408
Other cash payments relating to operating activities		1,044	1,997
Sub-total of cash outflows from operating activities		51,331	55,701
Net Cash Flows from Operating Activities		2,192	3,072

Parent Company Cash Flow Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and returns of investments			
Cash receipts from returns on investments		673	853
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		54	64
Other cash receipts relating to investing activities		63	101
Sub-total of cash inflows from investing activities		790	1,018
Cash payments to acquire and construct fixed assets, intangible assets and other long-term assets		1,484	2,430
Cash payments to acquire investments			362
Other cash payments relating to investing activities		57	27
Sub-total of cash outflows from investing activities		1,541	2,819
Net Cash Flows from Investing Activities		(751)	(1,801)

Financial Report (Continued)

Parent Company Cash Flow Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
III. Cash Flows from Financing Activities:			
Cash received from investments			
Cash receipts from borrowings		5,150	
Other cash receipts relating to financing activities		1,180	1,743
Sub-total of cash inflows from financing activities		6,330	1,743
Cash repayments of amounts borrowed		7,079	450
Cash payments for distribution of dividends or profit or interest expenses		139	2,236
Including: payments for distribution of dividends or profit to minorities of subsidiaries			
Other cash payments relating to financing activities		868	527
Sub-total of cash outflows from financing activities		8,086	3,213
Net Cash Flows from Financing Activities		(1,756)	(1,470)

Financial Report (Continued)

Parent Company Cash Flow Statement (Continued)

For the six months ended 30 June 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Notes	January to June 2023	January to June 2022
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		33	
V. Net Increase in Cash and Cash Equivalents		(282)	(199)
Add: Opening balance of Cash and Cash Equivalents		2,089	2,872
VI. Closing Balance of Cash and Cash Equivalents		1,807	2,673

Legal representative:

Wang Yidong

Financial controller:

Wang Baojun

Person in charge of
accounting department:

You Yu

Financial Report (Continued)

Parent Company Statement of Changes in Shareholders' Equity

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	January to June 2023									Total Shareholders' equity
	Share Capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	
I. Balance at the end of prior year	9,403	26,921	96	152	44	4,447		14,231		55,102
Add: Changes in accounting policies										
Merger of enterprises under the same control										
Others										
II. Balance at the beginning of current year	9,403	26,921	96	152	44	4,447		14,231		55,102
III. Current period increase (or less: decrease)	(2)	(2)	(4)	40	43			(1,094)		(1,011)
(I) Total comprehensive income				40				(1,030)		(990)
(II) Capital contributed or withdrew by owners	(2)	(2)	(4)							
1. Ordinary shares contributed by owners	(2)	(2)	(4)							
2. Amount of share-based payment included										
3. Others										
(III) Profit Distribution								(64)		(64)
1. Withdrawal surplus reserves										
2. Distribution to shareholders								(64)		(64)
3. Others										
(IV) Internal carryforward of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve to cover losses										
4. Other comprehensive income carried forward to retained earnings										
5. Others										
(V) Special Reserve					43					43
1. Current withdrawal					73					73
2. Current use					(30)					(30)
IV. Balance as at 30 June, 2023	9,401	26,919	92	192	87	4,447		13,137		54,091

Legal representative:
Wang Yidong

Financial controller:
Wang Baojun

Person in charge of
accounting department:
You Yu

Financial Report (Continued)

Parent Company Statement of Changes in Shareholders' Equity (Continued)

As at 30 June, 2023 Prepared by: Angang Steel Company Limited Monetary unit: RMB million

Item	Year 2022									Total Shareholders' equity
	Share Capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings	Minority interests	
I. Balance at the end of prior year	9,405	26,646	100	44	43	4,442		16,268		56,748
Add: Changes in accounting policies										
Merger of enterprises under the same control										
Others										
II. Balance at the beginning of current year	9,405	26,646	100	44	43	4,442		16,268		56,748
III. Current period increase (or less: decrease)	(2)	275	(4)	108	1	5		(2,037)		(1,646)
(I) Total comprehensive income				108				46		154
(II) Capital contributed or withdrew by owners	(2)	275	(4)		25					302
1. Ordinary shares contributed by owners	(2)	(2)	(4)							
2. Amount of share-based payment included		10								10
3. Others		267			25					292
(III) Profit Distribution						5		(2,083)		(2,078)
1. Withdrawal surplus reserves						5		(5)		
2. Distribution to shareholders								(2,078)		(2,078)
3. Others										
(IV) Internal carryforward of shareholders' equity										
1. Transfer of capital reserve to capital										
2. Transfer of surplus reserve to capital										
3. Surplus reserve to cover losses										
4. Other comprehensive income carried forward to retained earnings										
5. Others										
(V) Special Reserve						(24)				(24)
1. Current withdrawal						105				105
2. Current use						(129)				(129)
IV. Balance as at December 31, 2022	9,403	26,921	96	152	44	4,447		14,231		55,102

Legal representative:

Wang Yidong

Financial controller:

Wang Baojun

Person in charge of
accounting department:

You Yu

Financial Report (Continued)

Notes to Financial Statements

30 June 2023 (Expressed in million RMB unless otherwise indicated)

I. CORPORATE PROFILE

Angang steel company limited (Hereinafter referred to as “the company”) is a joint stock limited company established on 8 May 1997, Currently headquartered in Anshan Iron and Steel Factory, Tiexi District, Anshan City, Liaoning Province, China.

This financial statement was approved and presented by the board of directors of the company on August 30, 2023.

As of the end of this period, the subsidiary companies included in the consolidation scope of the company are detailed in Note VIII “Interests in other entities”. The company has not undergone any changes in the consolidation scope during this period.

The main business of our company and its subsidiaries (hereinafter referred to as “the Group”) is ferrous metal smelting and steel rolling processing.

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The Group has evaluated the continuous operations ability for the 12 months from June 30, 2023, and has not found any matters or circumstances that have significant doubts about the continuous operations ability. Therefore, the financial statements are prepared on the assumption of going concern principle. In addition, the Group has prepared this report based on the actual transactions and events and in accordance with the Basic Standard and 42 specific standards of the Accounting Standards for Business Enterprises(abbreviated as “ASBE”) (Ministry of Finance issued No. 33, the Ministry of Finance to amend No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as the “Accounting Standards for Business Enterprises” or “CAS”) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS (CONTINUED)

According to the relevant provisions of Accounting Standards, the Group adopted an accrual accounting basis. Except for certain financial instruments, the financial statements are reported at historical cost. If assets are impaired, relevant provisions are made in accordance with relevant standards.

III. STATEMENTS ON COMPLIANCE WITH THE ENTERPRISE ACCOUNTING STANDARDS

The Group declares that the Financial Report prepared by the Group is in compliance with requirements of Accounting Standards for Business Enterprises. These financial statements present truly, accurately and completely the financial position of the Group as of 30 June 2023, the financial performance and cash flow of the Group for the six months ended 30 June 2023. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of “Regulation on disclosure of information of public listed companies, No. 15: General Requirements for Financial Reports”, revised by the China Securities Regulatory Commission (CSRC) in 2014.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

As for the statements of significant accounting judgments and estimates made by the management, please refer to Note IV.27 “Significant accounting judgments and estimates.”

1. Accounting period

The Group’s fiscal year is the calendar year that starts from January 1 and ends on December 31.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

2. Operating cycle

The normal operating cycle refers to the period from purchasing the assets for processing to realize the cash and cash equivalents. The operating cycle consists of 12 months which is the standard of the classification for the liquidity of the assets and liabilities.

3. Recording currency

The recording currency is the prevailing currency of the primary economic environment in which business of the Group operated. RMB is chosen as its recording currency by the group and the financial statements of the Group are presented in RMB.

4. Accounting treatment of business combinations

Business combination refers to a transaction or event bringing together two or more separate entities into one. Business combinations are classified into the business combinations under common control and not under common control.

(1) The business combinations under common control

A business combination under common control is a business combination in which all of the combined entities are ultimately controlled by the same party or the same parties both before and after the business combination and on (in) which the control is not temporary. In a business combination under common control, the party which obtains control over the other combined entity on the combining date is the acquirer and the other combined entity is the acquiree. The acquisition date refers to the date on which the combining party actually obtains control over the combined party.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Accounting treatment of business combinations (Continued)

(1) The business combinations under common control (Continued)

The assets and liabilities that the combining party obtained in a business combination are measured on the basis of their carrying value in the combined party on the combining date. The difference between the carrying value of the net assets obtained from the combination and the carrying amount of the consideration paid (or the total par value of the shares issued) for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

The direct cost occurred in the business combination is recorded into the profit or loss in the current period when they actually occurred.

(2) The business combinations not under common control

Enterprises participating in a merger that are not ultimately controlled by the same party or multiple parties before and after the merger are not under the same control. For a merger of enterprises not under the same control, the party that obtains control over other participating enterprises on the acquisition date is the purchaser, and the other participating enterprises are the acquiree. The purchase date refers to the date on which the purchaser actually obtains control over the acquired party.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Accounting treatment of business combinations (Continued)

- (2) The business combinations not under common control
(Continued)

For business combinations not under the same control, the merger cost includes the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued by the acquirer to obtain control over the acquiree on the acquisition date. The intermediary fees for auditing, legal services, evaluation and consulting, as well as other management expenses incurred for the business combination, are included in the current profit and loss when incurred. The transaction costs of equity or debt securities issued by the purchaser as consideration for the merger are included in the initial recognition amount of the equity or debt securities. The contingent consideration involved shall be included in the merger cost based on its fair value on the purchase date. If there is new or further evidence of the existing situation on the purchase date within 12 months after the purchase date that requires adjustment of the contingent consideration, the merged goodwill shall be adjusted accordingly.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Accounting treatment of business combinations (Continued)

- (2) The business combinations not under common control (Continued)

The merger costs incurred by the purchaser and the identifiable net assets obtained during the merger are measured at their fair value on the acquisition date. The difference between the merger cost and the fair value of the identifiable net assets obtained from the acquiree on the acquisition date is recognized as goodwill. If the merger cost is less than the fair value share of the identifiable net assets obtained from the acquiree in the merger, the fair values of the identifiable assets, liabilities, and contingent liabilities obtained from the acquiree, as well as the measurement of the merger cost, are first reviewed. If the merger cost is still less than the fair value share of the identifiable net assets obtained from the acquiree in the merger, the difference is recorded in the current profit and loss.

5. Methods for preparation of consolidated financial statements

- (1) Recognition principle of consolidated scope

The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Control refers to the right to obtain the variable returns by the involvement with the investee, and has the ability to affect those returns through its power to direct the activities of the investee. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to the entities over which the Company has control over.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

5. Methods for preparation of consolidated financial statements (Continued)

- (1) Recognition principle of consolidated scope (Continued)

The Company shall reevaluate if there are changes of relevant elements of defined control due to the changes in the relevant facts and circumstances.

- (2) Methods for preparation of consolidated financial statements

From the date of obtaining actual control over the net assets and production and operation decisions of the subsidiary, the company begins to include it in the scope of consolidation; From the date of losing actual control, it shall cease to be included in the merger scope. For the disposed subsidiaries, the operating results and cash flows prior to the disposal date have been appropriately included in the consolidated income statement and consolidated cash flow statement; For subsidiaries disposed of in the current period, the opening balance of the consolidated balance sheet will not be adjusted. For subsidiaries that are not under the same control and are added through business combinations, their operating results and cash flows after the purchase date have been appropriately included in the consolidated income statement and consolidated cash flow statement, and the opening and comparative amounts of the consolidated financial statements are not adjusted. The operating results and cash flows of subsidiaries and merged parties under the same control from the beginning of the merger period to the merger date have been appropriately included in the consolidated income statement and consolidated cash flow statement, and the comparative amount of the consolidated financial statements has been adjusted at the same time.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

5. Methods for preparation of consolidated financial statements (Continued)

- (2) Methods for preparation of consolidated financial statements
(Continued)

When preparing consolidated financial statements, if the accounting policies or accounting periods adopted by the subsidiary and the company are inconsistent, necessary adjustments shall be made to the subsidiary's financial statements in accordance with the company's accounting policies and accounting periods. For subsidiaries obtained through business combinations not under the same control, adjustments to their financial statements are made based on the fair value of identifiable net assets on the purchase date.

All significant transaction balances, transactions, and unrealized profits within the company are offset during the preparation of the consolidated financial statements.

The shareholders' equity and current net profit and loss of subsidiaries that are not owned by the company are separately presented as minority shareholders' equity and minority shareholders' profit and loss in the consolidated financial statements under shareholders' equity and net profit. The portion of the subsidiary's current net profit and loss that belongs to minority shareholders' equity is presented under the "Minority Shareholders' Profit and Loss" item in the consolidated income statement. If the losses shared by minority shareholders in the subsidiary exceed the minority shareholders' share in the initial shareholders' equity of the subsidiary, the minority shareholders' equity will still be offset.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. The classification of the joint venture arrangement and accounting treatment of joint operation

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. According to the differences in the rights and responsibilities, the joint venture arrangement is classified as a joint operation and joint venture. A joint operation refers to a joint arrangement whereby the parties have the rights to the assets, and obligations for the liabilities, and Joint venture refers to the entity which is only entitled to the joint venture arrangement of the net assets.

The equity method is adopted for the investment of the joint venture, please refers to Note IV.11.2.2 Long-term equity investments accounted by equity method.

As a joint venture, the Company recognizes the assets held by the Company separately, the liabilities assumed separately, and the co-held assets and co-owned liabilities recognized by the Company's share; confirms its revenue from the sale of its share of the output arising from the joint operation; and recognizes the expenses incurred by the company separately and the expenses incurred arising from the joint operation according to the share of the company. When the Company transacts with a joint operation in which the Company is a joint operator, such as a sale or contribution assets, (The asset do not constitute a business, the same as below). The profit or loss resulting from the transactions is recognized only to the extent of the other parties' interests in the joint operation;

When the Company transacts with a joint operation in which the Company is a joint operator, such as a purchase of assets, the Company does not recognize its share of the profit or loss until it resells those assets to a third party. A loss shall be recognized in the full amount of the sale or contribution of assets, and of the purchase of the assets from the joint operation in accordance with "ASBE – No.8 assets impairment" and other provisions.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

7. Recognition standard for cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and highly liquid short-term (within 3 months from the purchase date) investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

8. Foreign currency transactions and the translation of foreign currency financial statement

(1) Foreign currency transactions

Foreign currency transactions occurring in the Group are initially recognized at the spot exchange rate (usually the midpoint of the foreign exchange rate published by the People's Bank of China on the day of the transaction, the same below) and converted into the amount of the bookkeeping base currency. However, foreign currency exchange transactions or transactions involving foreign currency exchange are converted into the amount of the bookkeeping base currency at the actual exchange rate used.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

8. Foreign currency transactions and the translation of foreign currency financial statement (Continued)

- (2) Translation method for foreign currency monetary items and foreign currency non-monetary items

On the balance sheet date, foreign currency monetary items are translated using the spot exchange rate on the balance sheet date. The resulting exchange differences, except for those arising from foreign currency specialized loans related to the acquisition and construction of assets that meet capitalization conditions, are treated according to the principle of capitalization of borrowing costs; Foreign currency monetary items invested in other equity instruments, except for amortized costs, are recognized in the current period's profit or loss for exchange differences arising from changes in their book balances, which are recognized in other comprehensive income.

Foreign currency non-monetary items measured at historical cost are still measured using the recording currency amount converted at the spot exchange rate on the transaction date. Foreign currency non-monetary items measured at fair value are translated using the spot exchange rate on the date of fair value determination. The difference between the converted amount in the recording currency and the original amount in the recording currency is treated as changes in fair value (including exchange rate changes) and recorded in current profit or loss or recognized as other comprehensive income.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities

Financial assets and liabilities are recognized when the Group becomes one party under the financial instrument contract.

(1) Financial assets

1) Classification, confirmation basis and measurement method of financial assets

The Group classifies financial assets into financial assets measured at amortized cost, financial assets measured at fair value with changes recognized in other comprehensive income, and financial assets measured at fair value with changes recognized in current profit or loss based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

1) Classification, confirmation basis and measurement method of financial assets (Continued)

The Group classifies financial assets that meet the following conditions as financial assets measured at amortized cost: ① The business model for managing these financial assets is to collect contract cash flows as the goal. ② The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount; Subsequent measurement is carried out at amortized cost. Except for those designated as hedged items, the difference between the initial amount and the maturity amount shall be amortized using the effective interest rate method. The amortization, impairment, exchange gains and losses, as well as gains or losses arising from derecognition, shall be recognized in the current period's profit and loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

1) Classification, confirmation basis and measurement method of financial assets (Continued)

The Group classifies financial assets that meet the following conditions as financial assets measured at fair value with changes recognized in other comprehensive income: ① The business model for managing such financial assets is aimed at both receiving contractual cash flows and selling such financial assets. ② The contractual terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount. These financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount. Except for those designated as hedged items, other gains or losses arising from such financial assets, except for credit impairment losses or gains, exchange gains and losses, and interest calculated using the effective interest rate method, are recognized in other comprehensive income; When a financial asset is derecognized, the accumulated gains or losses previously recognized in other comprehensive income shall be transferred out of other comprehensive income and included in the current profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

1) Classification, confirmation basis and measurement method of financial assets (Continued)

The Group designates non trading equity instrument investments as financial assets measured at fair value with changes recognized in other comprehensive income. Once the designation is made, it cannot be revoked. Non trading equity instrument investments designated by the Group to be measured at fair value with changes recognized in other comprehensive income are initially measured at fair value, and related transaction costs are included in the initial recognition amount; Except for dividends received (excluding those that belong to the recovery of investment costs), other related gains and losses (including exchange gains and losses) are included in other comprehensive income and shall not be subsequently transferred to the current period's profit and loss. When it is derecognized, the accumulated gains or losses previously recognized in other comprehensive income are transferred out of other comprehensive income and included in retained earnings.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

1) Classification, confirmation basis and measurement method of financial assets (Continued)

Financial assets other than those classified as financial assets measured at amortized cost and those classified as financial assets measured at fair value with changes recognized in other comprehensive income. The Group classifies it as a financial asset measured at fair value through profit or loss for the current period. This type of financial asset is initially measured at fair value, and related transaction costs are directly included in the current profit or loss. The gains or losses of such financial assets are recognized in the current profit or loss.

If the contingent consideration recognized by the Group in a business merger not under the same control constitutes a financial asset, the financial asset is classified as a financial asset measured at fair value with changes recognized in the current period's profit or loss.

At initial recognition, if accounting mismatches can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should have been measured at amortized cost or at fair value with changes recognized in other comprehensive income as financial assets measured at fair value with changes recognized in current profit or loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

1) Classification, confirmation basis and measurement method of financial assets (Continued)

When the Group changes its business model for managing financial assets, it reclassifies all affected related financial assets.

The Group recognizes interest income using the effective interest rate method. Interest income is calculated and determined based on the book balance of financial assets multiplied by the actual interest rate, except for the following situations: ① For financial assets that have been purchased or generated with credit impairment, interest income is calculated and determined based on the amortized cost of the financial asset and the actual interest rate adjusted by credit from initial recognition. ② For financial assets purchased or generated without credit impairment but that have become credit impaired in subsequent periods, interest income is calculated and determined based on the amortized cost and effective interest rate of the financial asset in subsequent periods.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

2) Confirmation basis and measurement method of financial asset transfer.

The group will terminate the recognition of financial assets that meet one of the following conditions: ① the contractual right to receive cash flow from the financial assets is terminated; ② Financial assets have been transferred, and the group has transferred almost all risks and rewards in the ownership of financial assets; ③ When a financial asset is transferred, the group neither transfers nor retains almost all the risks and rewards of ownership of the financial asset, nor retains control over the financial asset.

If the overall transfer of financial assets meets the conditions for termination of recognition, the book value of the transferred financial assets shall be, The difference between the sum of the consideration received due to the transfer and the amount of the corresponding derecognized part of the cumulative amount of fair value changes originally directly included in other comprehensive income (the contract terms involving the transferred financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount) is included in the current profit and loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

2) Confirmation basis and measurement method of financial asset transfer. (Continued)

If the partial transfer of financial assets meets the conditions for termination of recognition, the overall book value of the transferred financial assets shall be apportioned between the part whose recognition is terminated and the part whose recognition is not terminated according to their respective relative fair values. And the sum of the consideration received due to the transfer and the amount corresponding to the derecognized part of the cumulative amount of changes in fair value originally included in other comprehensive income that should be apportioned to the derecognized part (the contract terms involving the transferred financial assets stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount). The difference with the overall book value of the aforementioned financial assets shall be included in the current profit and loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instruments

On the basis of expected credit losses, the group carries out impairment accounting for the following items and recognizes loss reserves: ① Creditor's rights investment; ② Lease receivables; ③ Contract assets; ④ Accounts receivable; ⑤ Financial guarantee contract.

Expected credit losses refer to the weighted average value of credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contract cash flows receivable under the contract and all cash flows expected to be received by the group discounted at the original effective interest rate, that is, the present value of all cash shortages.

For the following projects, the group always measures its loss reserve at an amount equivalent to the expected credit loss during the whole duration: ① Provision for loss of receivables or contract assets formed by transactions regulated by the accounting standards for enterprises No.14 – income standards, regardless of whether the project contains significant financing components; ② Finance lease receivables; ③ Operating lease receivables.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instruments (Continued)

In addition to the above items, for other items, the group measures the loss reserve according to the following circumstances: ① For Financial assets whose credit risk has not increased significantly since initial recognition, the group measures the loss reserve according to the amount of expected credit loss in the next 12 months; ② For financial assets whose credit risk has increased significantly since initial recognition, the group measures the loss reserve according to the amount equivalent to the expected credit loss of the financial instrument throughout its life; ③ For financial assets purchased or derived from which credit impairment has occurred, the group measures the provision for loss at an amount equivalent to the expected credit loss for the entire duration.

Judgment on whether credit risk has increased significantly since initial recognition. By comparing the risk of default of financial instruments on the balance sheet date with the risk of default on the initial recognition date, the Group determines the relative change in the risk of default during the expected duration of financial instruments to assess whether the credit risk of financial instruments has increased significantly since initial recognition. However, if the Group determines that a financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since initial recognition.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instruments (Continued)

Generally, if it is overdue for more than 30 days, it indicates that the credit risk of financial instruments has increased significantly. Unless the group can obtain reasonable and substantiated information without unnecessary additional cost or effort to demonstrate that credit risk has not increased significantly since initial recognition even if it is more than 30 days overdue. In determining whether credit risk has increased significantly since initial recognition, the group considers reasonable and substantiated information, including forward-looking information, that can be obtained without unnecessary additional cost or effort. The information considered by the group includes: ① The failure of the debtor to pay the principal and interest on the due date of the contract; ② Serious deterioration of the external or internal credit rating (if any) of the financial instruments that have occurred or are expected to occur; ③ Serious deterioration of the debtor's operating results that has occurred or is expected; ④ Changes in the existing or expected technical, market, economic or legal environment will have a significant adverse impact on the debtor's ability to repay.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instruments (Continued)

The Group assesses whether credit risk has increased significantly on the basis of a single financial instrument or a combination of financial instruments. When assessing on the basis of a portfolio of financial instruments, the group may classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings of different customers.

4) Presentation of provision for expected credit losses

In order to reflect the changes in the credit risk of financial instruments since initial recognition, the group remeasures the expected credit loss on each balance sheet date, and the increase or reversal of the loss provision thus formed shall be included in the current profit and loss as an impairment loss or gain. For financial assets measured at amortized cost, the loss reserve shall be set off against the book value of the financial assets listed in the balance sheet.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(1) Financial assets (Continued)

5) Write off

If the group no longer reasonably expects the contract cash flow of a financial asset to be recovered in whole or in part, the book balance of the financial asset is directly written down. Such write downs constitute the derecognition of the relevant financial assets. This usually occurs when the Group determines that the debtor has no assets or sources of income to generate sufficient cash flow to repay the amount to be written down. However, in accordance with the group's procedures for recovering payments due, the written down financial assets may still be affected by the execution activities. If the written down financial assets are recovered later, they shall be included in the profits and losses of the current period as a reversal of impairment losses.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(2) Financial liabilities

- 1) Classification, recognition basis and measurement method of financial liabilities

The group's financial liabilities are classified as financial liabilities measured at fair value through profit or loss and other financial liabilities at initial recognition.

Financial liabilities measured at fair value with changes included in the current profit and loss, including trading financial liabilities and financial liabilities designated at fair value with changes included in the current profit and loss at initial recognition (the relevant classification basis is disclosed with reference to the classification basis of financial assets). Subsequent measurements are made at fair value, and gains or losses arising from changes in fair value and dividends and interest expenses related to the financial liabilities are included in current profits and losses.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(2) Financial liabilities (Continued)

1) Classification, recognition basis and measurement method of financial liabilities (Continued)

Other financial liabilities (Disclosure of specific financial liabilities according to the actual situation). The effective interest rate method is adopted for subsequent measurement according to the amortized cost. In addition to the following items, the Group classifies financial liabilities as financial liabilities measured at amortized cost: ① Financial liabilities measured at fair value with changes included in current profit and loss, including trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities designated at fair value with changes included in current profit and loss. ② Financial liabilities formed by the transfer of financial assets that do not meet the conditions for termination of recognition or continue to be involved in the transferred financial assets. ③ Financial guarantee contracts that do not fall under the circumstances of ① or ② above, and loan commitments that do not fall under the circumstances of ① above and loans at lower market interest rates.

If the group forms financial liabilities as contingent consideration recognized as the acquirer in business combinations not under the same control, it shall be accounted for at fair value and the changes shall be included in the current profit and loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(2) Financial liabilities (Continued)

2) Conditions for termination of recognition of financial liabilities

When the current obligation of a financial liability has been discharged in whole or in part, the recognition of the discharged part of the financial liability or obligation shall be terminated. If the group enters into an agreement with creditors to replace existing financial liabilities by assuming new financial liabilities, and the contract terms of new financial liabilities and existing financial liabilities are substantially different, the recognition of existing financial liabilities shall be terminated and new financial liabilities shall be recognized at the same time. If the group makes substantial amendments to the contract terms of all or part of the existing financial liabilities, it shall terminate the recognition of the existing financial liabilities or part of them, and recognize the financial liabilities after the amendment as a new financial liability. The difference between the book value of the derecognized part and the consideration paid shall be included in the current profit and loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

- (3) Method for determining the fair value of financial assets and financial liabilities

The group measures the fair value of financial assets and financial liabilities at the price of the main market. If there is no main market, the fair value of financial assets and financial liabilities is measured at the price of the most favorable market, and the valuation technology applicable at that time and supported by sufficient available data and other information is adopted. The input value used in fair value measurement is divided into three levels, that is, the input value of the first level is the unadjusted quotation of the same assets or liabilities that can be obtained on the measurement date in the active market; The second level input value is the directly or indirectly observable input value of related assets or liabilities in addition to the first level input value; The third level of input value is the unobservable input value of related assets or liabilities. The group gives priority to the first level of input values, and finally uses the third level of input values.

The group's investment in equity instruments is measured at fair value. However, in limited circumstances, if the recent information used to determine fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of fair value within that range, the cost can represent its appropriate estimate of fair value within that distribution.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

(4) Offsetting financial assets and liabilities

The financial assets and financial liabilities of the group are presented separately in the balance sheet and are not offset against each other. However, when the following conditions are met at the same time, the net amount after mutual offset is listed in the balance sheet: ① the group has the legal right to offset the recognized amount, and such legal right is currently enforceable; ② The group plans to settle on a net basis, or to realize the financial asset and settle the financial liability at the same time.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

- (5) Distinction between financial liabilities and equity instruments and related treatment methods

The group distinguishes between financial liabilities and equity instruments according to the following principles: ① If the group cannot unconditionally avoid fulfilling a contractual obligation by delivering cash or other financial assets, the contractual obligation conforms to the definition of financial liabilities. Although some financial instruments do not explicitly contain the terms and conditions of the obligation to deliver cash or other financial assets, they may indirectly form contractual obligations through other terms and conditions. ② If a financial instrument is required or can be settled by the group's own equity instruments, it is necessary to consider whether the group's own equity instruments used to settle the instrument are used as a substitute for cash or other financial assets, or to enable the holder of the instrument to enjoy the remaining equity in the assets of the issuer after deducting all liabilities. If the former, the instrument is the financial liability of the issuer; If the latter, the instrument is an equity instrument of the issuer. In some cases, a financial instrument contract provides that the group is required or available to settle the financial instrument with its own equity instruments, where the amount of the contractual rights or contractual obligations is equal to the number of its own equity instruments available or to be delivered multiplied by its fair value at settlement, whether the amount of the contractual rights or obligations is fixed, or changes based entirely or in part on changes in variables other than the market price of the group's own equity instruments (such as interest rates, the price of a commodity or the price of a financial instrument), which are classified as financial liabilities.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial assets and liabilities (Continued)

- (5) Distinction between financial liabilities and equity instruments and related treatment methods (Continued)

In classifying financial instruments (or components thereof) in the consolidated statements, the group takes into account all terms and conditions agreed between members of the group and holders of financial instruments. If the group as a whole is obligated to deliver cash, other financial assets or settle in other ways that result in the instrument becoming a financial liability as a result of the instrument, the instrument should be classified as a financial liability.

If a financial instrument or its components belong to a financial liability, the group shall record the relevant interest, dividend (or dividend), gain or loss, and the gain or loss arising from redemption or refinancing in the current profit or loss.

If a financial instrument or its components are equity instruments, the group shall treat it as a change in equity when it is issued (including refinancing), repurchased, sold or cancelled, and shall not recognize the change in fair value of equity instruments.

10. Inventories

- (1) Category

The inventories of the Group comprise raw material, work in progress, finished goods, turnover materials, spare parts, materials in transit, and outsourced materials etc.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Inventories (Continued)

(2) Pricing of inventories

Inventory is valued at actual cost upon acquisition, including procurement costs, processing costs, and other costs. Valuation shall be based on weighted average method and individual valuation method when receiving and sending out.

(3) Measurement of net realizable, value of inventory and measurement of provision for impairment of inventories

Net realizable value refers to the estimated selling price of inventory in daily activities, minus the estimated costs to be incurred until completion, estimated sales expenses, and related taxes. When determining the net realizable value of inventory, it is based on conclusive evidence obtained, while considering the purpose of holding inventory and the impact of events after the balance sheet date.

On the balance sheet date, inventory is measured at the lower of cost or net realizable value. When its net realizable value is lower than cost, a provision for inventory depreciation is withdrawn. Inventory depreciation reserves are calculated for each individual inventory item, except for spare parts. Spare parts shall be subject to inventory depreciation reserves based on their actual condition and management's estimation.

After the provision for inventory depreciation is made, if the influencing factors of the previous reduction in inventory value have disappeared, resulting in the net realizable value of the inventory being higher than its book value, it shall be reversed within the original provision for inventory depreciation, and the reversed amount shall be included in the current profit and loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

10. Inventories (Continued)

- (4) Physical inventory at fixed period is taken under perpetual inventory system.
- (5) Amortization of reusable materials

Turnover materials include low-value consumables, packaging materials, and other turnover materials, which are amortized using the one-time amortization method, workload method, and installment amortization method according to their different properties, and are included in the cost of relevant assets or current profit and loss.

11. Long-term equity investment

The long-term equity investment referred to in this section refers to the long-term equity investment that the company has control, joint control, or significant influence over the invested entity. The long-term equity investments of the company that do not have control, joint control, or significant influence over the invested entity are treated as other equity instrument investments and transactional financial assets. The accounting policies are detailed in Note IV, 9 “Financial Assets and Financial Liabilities”.

Joint control refers to the common control that the company has over a certain arrangement in accordance with relevant agreements, and the relevant activities of the arrangement must be unanimously agreed upon by the participants who share control before making decisions. Significant influence refers to the company having the power to participate in decision-making on the financial and operational policies of the invested entity, but not being able to control or jointly control the formulation of these policies with other parties.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investment (Continued)

- (1) Determination of investment costs

For long-term equity investments obtained through the merger of enterprises under the same control, the initial investment cost of the long-term equity investment shall be determined based on the share of the book value of the merged party's shareholders' equity in the final controlling party's consolidated financial statements on the merger date. The difference between the initial investment cost of long-term equity investment and the cash paid, non cash assets transferred, and the book value of the assumed debts shall be adjusted to the capital reserve; If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If equity securities are issued as the merger consideration, the initial investment cost of the long-term equity investment shall be based on the share of the book value of the merged party's shareholders' equity in the final controlling party's consolidated financial statements on the merger date, and the total face value of the issued shares shall be used as the share capital. The difference between the initial investment cost of the long-term equity investment and the total face value of the issued shares shall be adjusted to the capital reserve; If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

For long-term equity investments obtained through business combinations not under the same control, the initial investment cost of the long-term equity investment is recognized at the merger cost on the acquisition date. The merger cost includes the sum of the fair value of the assets paid, liabilities incurred or assumed, and equity securities issued by the purchaser. The intermediary fees for auditing, legal services, evaluation and consultation, as well as other related management expenses incurred by the merging party or purchaser for the merger of the enterprise, are recognized in the current profit and loss at the time of occurrence.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investment (Continued)

- (1) Determination of investment costs (Continued)

Other equity investments, except for long-term equity investments formed by business mergers, are initially measured at cost. This cost is determined by the actual cash purchase price paid by the company, the fair value of equity securities issued by the company, the value agreed upon in the investment contract or agreement, the fair value or original book value of assets surrendered in non-monetary asset exchange transactions, depending on the method of obtaining long-term equity investments. The fair value of the long-term equity investment itself is determined through other methods. The expenses, taxes, and other necessary expenses directly related to obtaining long-term equity investments are also included in the investment cost.

- (2) Subsequent measurement and profit and loss recognition method

Long term equity investments that have joint control over or significant impact on the invested entity (excluding those forming joint operators) shall be accounted for using the equity method. In addition, the company's financial statements use the cost method to calculate long-term equity investments that can exercise control over the invested entity.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investment (Continued)

(2) Subsequent measurement and profit and loss recognition method (Continued)

1) Long term equity investments accounted for using the cost method

When using the cost method for accounting, long-term equity investments are valued at the initial investment cost, and the cost of long-term equity investments is adjusted by adding or recovering investments. Except for the actual payment of the investment or the cash dividends or profits declared but not yet distributed included in the consideration, the current investment income is recognized based on the cash dividends or profits declared to be distributed by the invested entity.

2) Long term equity investments accounted for using the equity method

When using the equity method for accounting, if the initial investment cost of a long-term equity investment is greater than the fair value share of the identifiable net assets of the invested entity that should be enjoyed at the time of investment, the initial investment cost of the long-term equity investment will not be adjusted; If the initial investment cost is less than the fair value share of the identifiable net assets of the invested entity that should be enjoyed at the time of investment, the difference is included in the current profit and loss, and the cost of long-term equity investment is adjusted.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investment (Continued)

- (2) Subsequent measurement and profit and loss recognition method (Continued)
 - 2) Long term equity investments accounted for using the equity method (Continued)

When using the equity method for accounting, investment income and other comprehensive income are recognized separately based on the share of net profit or loss and other comprehensive income that should be enjoyed or shared by the invested entity, while adjusting the book value of long-term equity investments; Calculate the portion that should be enjoyed based on the profits or cash dividends declared to be distributed by the invested entity, and correspondingly reduce the book value of long-term equity investments; For changes in shareholders' equity of the invested entity other than net profit and loss, other comprehensive income, and profit distribution, the book value of long-term equity investments shall be adjusted and included in the capital reserve. When recognizing the share of the net profit and loss of the invested entity that should be enjoyed, the fair value of the identifiable assets of the invested entity at the time of acquisition of the investment is used as the basis for adjusting the net profit of the invested entity before recognition. If the accounting policies and accounting periods adopted by the invested entity are inconsistent with those of the company, the financial statements of the invested entity shall be adjusted in accordance with the company's accounting policies and accounting periods, and investment income and other comprehensive income shall be recognized accordingly. For transactions

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investment (Continued)

(2) Subsequent measurement and profit and loss recognition method (Continued)

2) Long term equity investments accounted for using the equity method (Continued)

between the company and affiliated enterprises and joint ventures, if the assets invested or sold do not constitute a business, the unrealized internal transaction gains and losses shall be offset by the portion attributable to the company calculated in proportion to the ownership, and investment gains and losses shall be recognized on this basis. However, if the unrealized internal transaction losses between the company and the invested entity belong to the impairment losses of the transferred assets, they will not be offset.

When confirming the net loss incurred by the invested entity that should be shared, the book value of long-term equity investments and other long-term equity that essentially constitute the net investment in the invested entity shall be reduced to zero. In addition, if the company has an obligation to bear additional losses to the invested entity, the estimated liabilities shall be recognized based on the expected obligations and included in the current investment losses. If the invested unit realizes net profit in the future period, the company will restore the recognition of the profit sharing amount after the profit sharing amount compensates for the unrecognized loss sharing amount.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investment (Continued)

(2) Subsequent measurement and profit and loss recognition method (Continued)

3) Acquisition of minority interests

When preparing consolidated financial statements, the difference between the newly added long-term equity investment due to the purchase of minority equity and the net asset share of the subsidiary calculated continuously from the purchase date (or merger date) based on the newly added shareholding ratio shall be adjusted to the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted.

4) Disposal of long-term equity investments

In the consolidated financial statements, the parent company partially disposes of its long-term equity investments in its subsidiaries without losing control. The difference between the disposal price and the net assets of the subsidiary corresponding to the disposal of the long-term equity investment is recognized in shareholders' equity; If the parent company partially disposes of its long-term equity investment in a subsidiary, resulting in the loss of control over the subsidiary, the relevant accounting policies described in Note IV, 5 (2) "Methods for Preparing Consolidated Financial Statements" shall be followed.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investment (Continued)

- (2) Subsequent measurement and profit and loss recognition method (Continued)

- 4) Disposal of long-term equity investments (Continued)

In other cases, for the disposal of long-term equity investments, the difference between the book value of the disposed equity and the actual acquisition price shall be recorded in the current profit and loss.

For long-term equity investments accounted for using the equity method, if the remaining equity after disposal is still accounted for using the equity method, the other comprehensive income originally included in shareholders' equity shall be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the invested entity in the corresponding proportion at the time of disposal. The owner's equity recognized due to changes in shareholders' equity of the invested party other than net profit and loss, other comprehensive income, and profit distribution shall be carried forward proportionally to the current profit and loss.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investment (Continued)

- (2) Subsequent measurement and profit and loss recognition method (Continued)

- 4) Disposal of long-term equity investments (Continued)

For long-term equity investments accounted for using the cost method, if the remaining equity is still accounted for using the cost method after disposal, the other comprehensive income recognized using the equity method or financial instrument recognition and measurement standards before obtaining control over the invested entity shall be accounted for on the same basis as the direct disposal of relevant assets or liabilities by the invested entity, and shall be carried forward proportionally to the current profit and loss; The changes in shareholders' equity recognized in the net assets of the invested entity using the equity method, excluding net profit and loss, other comprehensive income, and profit distribution, are carried forward proportionally to the current profit and loss.

12. Fixed Assets

- (1) Recognition

Fixed assets refer to tangible assets held for the purpose of producing goods, providing services, renting or operating management, with a useful life exceeding one accounting year. Fixed assets are only recognized when the economic benefits related to them are likely to flow into the group and their costs can be reliably measured. Fixed assets are initially measured at cost and considering the impact of expected disposal costs.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Fixed Assets (Continued)

- (2) Depreciation method of fixed assets

Fixed assets are depreciated using the straight-line method over their useful life starting from the month after they reach their intended usable state. The service life and estimated net residual value of various fixed assets are as follows:

Category of fixed assets	Useful lives	Estimate	Annual
		residual rate	depreciation rate
		(%)	(%)
Plants and buildings	40 years	3-5	2.375-2.425
Machinery and equipment	17-24 years	3-5	3.958-5.706
Other fixed assets	5-12 years	3-5	7.917-19.40

Expected net residual value refers to the amount obtained by the Group from the disposal of a fixed asset, after deducting the expected disposal expenses, assuming that the expected useful life of the asset has expired and is in the expected state at the end of its useful life.

- (3) The impairment testing method and impairment provision method for fixed assets

The impairment testing method and impairment provision method for fixed assets are detailed in Note IV, 16, Long term Asset Impairment.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Fixed Assets (Continued)

(4) Other instructions

Subsequent expenses related to fixed assets, if the economic benefits related to the fixed asset are likely to flow in and its cost can be reliably measured, are included in the cost of the fixed asset and the book value of the replaced part is derecognized. Other subsequent expenses shall be included in the current profit and loss when incurred.

The difference between the disposal income from the sale, transfer, scrapping, or damage of fixed assets after deducting their book value and relevant taxes and fees is recognized in the current profit and loss.

The Group regularly reviews the service life, estimated net residual value, and depreciation method of fixed assets, and any changes are treated as changes in accounting estimates.

13. Construction in progress

The cost of construction in progress is determined based on actual project expenditures, including various project expenditures incurred during the construction period, capitalized borrowing costs before the project reaches its intended usable state, and other related expenses. Construction in progress is carried forward as fixed assets after reaching its intended usable state.

The impairment testing method and impairment provision method for construction in progress are detailed in Note IV, 16, Long term Asset Impairment.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Borrowing costs

Borrowing costs include interest on borrowings, amortization of discounts or premiums, auxiliary expenses, and exchange differences arising from foreign currency borrowings. The borrowing costs that can be directly attributed to the acquisition, construction, or production of assets that meet the capitalization conditions begin capitalization when the asset expenditure has already occurred, the borrowing costs have already occurred, and the necessary acquisition, construction, or production activities to bring the assets to their intended usable or saleable state have begun; When the assets that meet the capitalization conditions for acquisition, construction or production reach their intended usable or saleable state, capitalization shall cease. The remaining borrowing costs are recognized as expenses in the current period.

The actual interest expenses incurred in the current period of specialized borrowing, minus the interest income obtained from unused borrowing funds deposited in banks or investment income obtained from temporary investments, are capitalized; The capitalization amount of general borrowing is determined by multiplying the weighted average of the accumulated asset expenses that exceed the specialized borrowing by the capitalization rate of the general borrowing used. The capitalization rate is calculated and determined based on the weighted average interest rate of general borrowings.

During the capitalization period, all exchange differences on foreign currency specialized loans shall be capitalized; The exchange difference of foreign currency general loans is recognized in the current profit and loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Borrowing costs (Continued)

Assets eligible for capitalization refer to fixed assets, investment real estate, inventories and other assets that require a considerable period of time for acquisition and construction or production activities to reach their intended serviceable or marketable status.

If an asset that meets the capitalization conditions undergoes an abnormal interruption during the acquisition, construction, or production process, and the interruption lasts for more than 3 consecutive months, the capitalization of borrowing costs shall be suspended until the acquisition, construction, or production activities of the asset restart.

15. Intangible assets

(1) Intangible assets

Intangible assets refer to identifiable non-monetary assets that are owned or controlled by the Group and do not have physical form.

Intangible assets are initially measured at cost. Expenditures related to intangible assets are recognized as intangible asset costs if the relevant economic benefits are likely to flow into the group and their costs can be reliably measured. Expenditures for other items other than this are recognized in the current period's profit and loss when incurred.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Intangible assets (Continued)

(1) Intangible assets (Continued)

The land use rights obtained are usually accounted for as intangible assets. Self developed and constructed buildings such as factories, and related land use rights expenses and building construction costs are accounted for as intangible assets and fixed assets, respectively. If it is a purchased house or building, the relevant price will be distributed between the land use right and the building. If it is difficult to allocate it reasonably, all will be treated as fixed assets.

Intangible assets with limited useful lives are amortized on a straight-line basis over their expected useful lives by subtracting their original value from their expected net residual value and the accumulated amount of impairment provisions that have been made. Intangible assets with uncertain useful lives are not amortized.

The Group regularly reviews the service life and amortization method of intangible assets with limited service lives, and if there are changes, they are treated as changes in accounting estimates. In addition, the service life of intangible assets with uncertain service lives is also reviewed. If there is evidence that the period during which the intangible asset brings economic benefits to the enterprise is foreseeable, its service life is estimated and amortized according to the amortization policy for intangible assets with limited service lives.

Financial Report (Continued)

Notes to Financial Statements (Continued)

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Intangible assets (Continued)

(2) Research and development expenditure

The expenditure for internal research and development projects of our group is divided into research stage expenditure and development stage expenditure.

The expenses incurred during the research phase are recognized in the current period's profit and loss when incurred.

Expenditures during the development stage that meet the following conditions simultaneously are recognized as intangible assets, while expenditures during the development stage that cannot meet the following conditions are included in the current profit and loss:

- ① It is technically feasible to complete the intangible asset so that it can be used or sold;
- ② Having the intention to complete the intangible asset and use or sell it;
- ③ The ways in which intangible assets generate economic benefits, including the ability to prove the existence of a market for the products produced using the intangible assets or the existence of a market for the intangible assets themselves, and the usefulness of intangible assets that will be used internally;
- ④ Having sufficient technical, financial, and other resources to support the development of the intangible asset and the ability to use or sell the intangible asset;

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Intangible assets (Continued)

- (2) Research and development expenditure (Continued)
- ⑤ The expenses attributable to the development stage of the intangible asset can be reliably measured.

If it is impossible to distinguish between research stage expenditure and development stage expenditure, all R&D expenses incurred shall be included in the current profit and loss.

- (3) The impairment testing method and impairment provision method for intangible assets

The impairment testing method and impairment provision method for intangible assets are detailed in Note IV, 16, Long term Asset Impairment.

16. Impairment of long-term assets

For non-current non-financial assets such as fixed assets, construction in progress, intangible assets with limited service life, and long-term equity investments in subsidiaries, joint ventures, and associated enterprises, the Group determines whether there is any indication of impairment on the balance sheet date. If there are signs of impairment, the recoverable amount is estimated and impairment testing is conducted. Intangible assets with uncertain useful lives and intangible assets that have not yet reached their usable state, regardless of whether there are signs of impairment, are subject to impairment testing annually.

Financial Report (Continued)

Notes to Financial Statements (Continued)

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Impairment of long-term assets (Continued)

If the impairment test results indicate that the recoverable amount of an asset is lower than its carrying amount, an impairment provision shall be made based on the difference and included in the impairment loss. The recoverable amount is the higher of the net amount of the fair value of the asset minus disposal expenses and the present value of the expected future cash flow of the asset. The fair value of assets is determined based on the sales agreement price in fair trade; If there is no sales agreement but an active market for the asset, the fair value shall be determined based on the buyer's bid for the asset; If there is no sales agreement or active asset market, the fair value of the asset is estimated based on the best available information. Disposal costs include legal fees related to asset disposal, relevant taxes, handling fees, and direct expenses incurred to bring the asset into a sellable state. The present value of the expected future cash flow of an asset is determined by discounting it at an appropriate discount rate based on the expected future cash flow generated during its continuous use and final disposal. The provision for asset impairment is calculated and recognized on a single asset basis. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs is determined. An asset group is the smallest combination of assets that can independently generate cash inflows.

Once the impairment loss of the above-mentioned assets is confirmed, the portion that is worth recovering will not be reversed in the future.

17. Estimated liabilities

When obligations related to contingencies meet the following conditions simultaneously, they are recognized as estimated liabilities: ① the obligation is a current obligation undertaken by the group; ② Fulfilling this obligation is likely to result in an outflow of economic benefits; ③ The amount of this obligation can be reliably measured.

Financial Report (Continued)

Notes to Financial Statements (Continued)

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Estimated liabilities (Continued)

On the balance sheet date, considering factors such as risks, uncertainties, and time value of currency related to contingencies, the estimated liabilities are measured based on the best estimate of the expenses required to fulfill the relevant current obligations.

If all or part of the expenses required to settle the estimated liability are expected to be compensated by a third party, the compensation amount shall be separately recognized as an asset when it is basically certain that it can be received, and the recognized compensation amount shall not exceed the book value of the estimated liability.

18. Share-based payment

The share based payment of the Group is a transaction that grants equity instruments or assumes liabilities based on equity instruments to obtain services provided by employees. The group's share-based payments are equity settled share-based payments.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Share-based payment (Continued)

(1) Equity settled share-based payments

For equity settled share-based payments in exchange for services provided by employees, the Group measures them at the fair value of the equity instruments granted to employees on the grant date. The amount of this fair value is calculated and included in relevant costs or expenses using the straight-line method based on the best estimate of the number of exercisable equity instruments during the waiting period, with a corresponding increase in capital reserve. On each balance sheet date during the waiting period, the Group makes the best estimate based on the latest changes in the number of employees with exercisable rights and other subsequent information, and corrects the estimated number of exercisable equity instruments. The impact of the above estimates is included in the relevant costs or expenses of the current period, and the capital reserve is adjusted accordingly.

Financial Report (Continued)

Notes to Financial Statements (Continued)

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Share-based payment (Continued)

- (2) Implement, modify, and terminate the share-based payment plan

When the Group modifies the share-based payment plan, if the modification increases the fair value of the granted equity instruments, the increase in services obtained shall be recognized accordingly based on the increase in fair value of the equity instruments; If the modification increases the number of granted equity instruments, the fair value of the increased equity instruments will be recognized as an increase in the acquisition of services accordingly. The increase in fair value of equity instruments refers to the difference between the fair value of equity instruments before and after modification on the modification date. If the modification reduces the total fair value of the share-based payment plan or adopts other unfavorable methods to modify the terms and conditions of the share-based payment plan, the accounting treatment of the obtained services will continue, and it will be deemed that the change has never occurred, unless the Group cancels some or all of the granted equity instruments.

- (3) Other

If the restricted stock subscription payment paid by the incentive object does not meet the unlocking conditions, the subscription payment will be returned to the incentive object. When the Group obtains the payment, it recognizes the share capital and capital reserve (capital premium) based on the acquired subscription funds, and at the same time, fully recognizes a liability for repurchase obligations and recognizes treasury shares.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Revenue

The Group recognizes revenue when it fulfills its contractual obligations, that is, when a customer obtains control of the relevant goods or services.

If a contract contains two or more performance obligations, the Group shall, at the beginning of the contract, allocate the transaction price to each individual performance obligation based on the relative proportion of the individual selling price of the goods or services promised by each individual performance obligation, and measure income based on the transaction price allocated to each individual performance obligation.

The transaction price refers to the amount of consideration that the Group is expected to be entitled to receive for the transfer of goods or services to customers, excluding payments received on behalf of third parties. The transaction price confirmed by the Group does not exceed the amount that is highly unlikely to result in a significant reversal of the cumulative recognized income when the relevant uncertainty is eliminated. The expected refund to the customer is not included in the transaction price as a liability. If there is a significant financing element in the contract, the Group determines the transaction price based on the assumed amount payable in cash when the customer obtains control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized using the effective interest rate method during the contract period. On the commencement date of the contract, if the Group expects that the interval between the customer's acquisition of control over the goods or services and the customer's payment of the price does not exceed one year, the significant financing components present in the contract will not be considered.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Revenue (Continued)

If one of the following conditions is met, the Group shall fulfill its performance obligations within a certain period of time; Otherwise, it belongs to fulfilling the performance obligation at a certain point in time:

- ① Customers obtain and consume the economic benefits brought by the Group's performance at the same time as the Group's performance;
- ② Customers are able to control the goods under construction during the performance process of the group;
- ③ The goods produced during the performance process of the Group are irreplaceable, and the Group has the right to collect payments for the cumulative performance portion completed to date throughout the entire contract period.

For performance obligations performed within a certain period of time, the Group recognizes revenue based on the progress of performance during that period. When the progress of performance cannot be reasonably determined, if the cost incurred by the group is expected to be compensated, revenue shall be recognized based on the amount of cost incurred until the progress of performance can be reasonably determined.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Revenue (Continued)

For performance obligations performed at a certain point in time, the Group recognizes revenue at the point when the customer obtains control of the relevant goods or services. When determining whether a customer has obtained control over goods or services, the Group considers the following indications:

- ① The Group has the current right to receive payment for the goods or services;
- ② The group has transferred the legal ownership of the product to the customer;
- ③ The group has transferred the physical item of the product to the customer;
- ④ The group has transferred the main risks and rewards of ownership of the goods to customers;
- ⑤ The customer has accepted the product or service, etc.

The Group has transferred goods or services to customers and has the right to receive consideration (and this right depends on factors other than the passage of time) as contract assets, which are depreciated based on expected credit losses. The right of the Group to receive consideration from customers unconditionally (only depending on the passage of time) is listed as receivables. The obligation of the Group to transfer goods or services to customers for consideration received or receivable from customers is presented as a contractual liability.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Government grants

Government subsidies refer to the group's free acquisition of monetary and non-monetary assets from the government, excluding capital invested by the government as an owner. Government subsidies are divided into asset related government subsidies and income related government subsidies.

The Group defines government subsidies obtained for the purchase, construction or other forms of long-term assets as government subsidies related to assets; Other government subsidies are defined as government subsidies related to income. If the government documents do not specify the subsidy target, the subsidy will be divided into government subsidies related to income and government subsidies related to assets in the following way: ① If the government documents specify the specific project targeted by the subsidy, the subsidy will be divided based on the relative proportion of the expenditure amount formed in the asset and the expenditure amount included in the expense in the budget of the specific project. The division proportion needs to be reviewed on each balance sheet date, and making necessary changes; ② The government documents only provide general descriptions of the purpose and do not specify specific projects as government subsidies related to income.

Government subsidies that are monetary assets are measured at the amount received or receivable. If government subsidies are non-monetary assets, they shall be measured at fair value; If the fair value cannot be reliably obtained, it shall be measured at its nominal amount. Government subsidies measured at nominal amounts are directly recognized in the current period's profits and losses.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Government grants (Continued)

The Group usually recognizes and measures government subsidies based on the actual amount received when they are actually received. However, for those who have conclusive evidence at the end of the period indicating that they can meet the relevant conditions stipulated in the financial support policies and are expected to receive financial support funds, they shall be measured at the amount receivable. Government subsidies measured according to the receivable amount should simultaneously meet the following conditions: ① The amount of the receivable subsidy has been confirmed by the authorized government department through a document, or can be reasonably calculated according to the relevant provisions of the officially issued financial fund management measures, and the expected amount is not subject to significant uncertainty; ② The basis is the financial support projects and their financial fund management measures officially released by the local financial department and actively disclosed in accordance with the provisions of the “Regulations on Government Information Disclosure”, and the management measures should be inclusive (any enterprise that meets the prescribed conditions can apply), rather than specifically formulated for specific enterprises; ③ The relevant subsidy approval documents have clearly promised the payment deadline, and the allocation of this amount is guaranteed by the corresponding financial budget, so it can be reasonably guaranteed to be received within the specified period.

Government subsidies related to assets are recognized as deferred income and are evenly distributed throughout the useful life of the relevant assets and included in the current profit and loss. Government subsidies related to income, which are used to compensate for related expenses and losses in the future period, are recognized as deferred income and included in the current profit and loss or offset against related costs during the period when the relevant expenses are recognized; Those used to compensate for related expenses and losses that have already occurred shall be included in the current profit and loss or offset against related costs.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Government grants (Continued)

Government subsidies related to the daily activities of the Group are recognized in other income or offset against related costs and expenses based on the essence of economic business; Government subsidies unrelated to daily activities are included in non-operating income.

When confirmed government subsidies need to be returned, if there is a relevant deferred income balance, the book balance of the relevant deferred income shall be offset, and the excess shall be included in the current profit and loss; If there is no relevant deferred income, it shall be directly included in the current profit and loss.

21. Deferred income tax asset and liability

(1) Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current and previous periods are measured at the expected amount of income tax payable (or refunded) calculated in accordance with tax laws. The taxable income amount based on which the current income tax expenses are calculated is calculated after making corresponding adjustments to the pre-tax accounting profit of the current period in accordance with relevant tax laws and regulations.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Deferred income tax asset and liability (Continued)

- (2) Deferred income tax assets and deferred income tax liabilities

The temporary differences arising from the difference between the book value of certain asset and liability items and their tax basis, as well as the difference between the book value and tax basis of items that are not recognized as assets and liabilities but can be determined according to tax laws, are recognized using the balance sheet liability method for deferred income tax assets and deferred income tax liabilities.

Taxable temporary differences related to the initial recognition of goodwill, as well as the initial recognition of assets or liabilities arising from transactions that are not business combinations and do not affect accounting profits and taxable income (or deductible losses), shall not be recognized as deferred income tax liabilities. In addition, for taxable temporary differences related to investments in subsidiaries, associates, and joint ventures, if the Group can control the timing of the reversal of temporary differences and the temporary differences are likely not to be reversed in the foreseeable future, the relevant deferred income tax liabilities will not be recognized. Except for the above exceptions, the Group recognizes deferred income tax liabilities arising from all other taxable temporary differences.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Deferred income tax asset and liability (Continued)

- (2) Deferred income tax assets and deferred income tax liabilities
(Continued)

Deductible temporary differences related to the initial recognition of assets or liabilities arising from transactions that are neither business combinations nor affect accounting profits and taxable income (or deductible losses) shall not be recognized as deferred income tax assets. In addition, for deductible temporary differences related to investments in subsidiaries, associates, and joint ventures, if the temporary differences are not likely to be reversed in the foreseeable future, or if it is not likely to obtain taxable income to offset the deductible temporary differences in the future, the relevant deferred income tax assets will not be recognized. Except for the above exceptions, the Group recognizes deferred income tax assets arising from other deductible temporary differences to the extent that it is likely to obtain taxable income to offset the deductible temporary differences.

For deductible losses and tax deductions that can be carried forward to future years, the corresponding deferred income tax assets are recognized to the extent that it is likely to obtain future taxable income to offset the deductible losses and tax deductions.

On the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the applicable tax rate during the expected period of asset recovery or liability settlement in accordance with tax laws.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Deferred income tax asset and liability (Continued)

- (2) Deferred income tax assets and deferred income tax liabilities (Continued)

On the balance sheet date, the book value of deferred income tax assets is reviewed. If it is likely that sufficient taxable income will not be available in the future to offset the benefits of deferred income tax assets, the book value of deferred income tax assets is written down. When it is highly possible to obtain sufficient taxable income, the amount written down shall be reversed.

- (3) Income tax expenses

Income tax expenses include current income tax and deferred income tax.

Except for the current period income tax and deferred income tax related to transactions and events recognized as other comprehensive income or directly recognized in shareholders' equity, as well as the book value of goodwill adjusted for deferred income tax generated from business mergers, other current period income tax and deferred income tax expenses or gains are recognized in current profit and loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases

On the commencement date of the contract, the Group evaluates whether the contract is a lease or includes a lease. If one party in the contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease. To determine whether the contract transfers the right to control the use of identified assets for a certain period of time, the Group evaluates whether customers in the contract have the right to obtain almost all economic benefits arising from the use of identified assets during the use period, and have the right to dominate the use of identified assets during that use period.

If multiple separate leases are included in the contract, the group will split the contract and accounting for each separate lease separately. If the following conditions are met simultaneously, the right to use the identified asset constitutes a separate lease in the contract: ① the lessee can profit from using the asset alone or using it together with other readily available resources; ② This asset does not have a high degree of dependence or correlation with other assets in the contract.

If both the leasing and non-leasing parts are included in the contract, the Group, as the lessor and lessee, will split the leasing and non-leasing parts for accounting treatment.

- (1) The Group records leasing business as a lessee

The asset categories of the Group's use rights mainly include leased houses and buildings, machinery and equipment, other equipment, and land use rights.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases (Continued)

(1) The Group records leasing business as a lessee (Continued)

1) Initial measurement

On the lease commencement date, the Group recognizes its right to use the leased asset during the lease term as a right to use asset, and recognizes the present value of unpaid lease payments as a lease liability, except for short-term leases and low value asset leases. When calculating the present value of lease payments, the Group uses the implicit interest rate of the lease as the discount rate; If the implicit interest rate of the lease cannot be determined, the lessee's incremental borrowing rate shall be used as the discount rate.

2) Subsequent measurement

In the subsequent measurement, if it can be reasonably determined that the ownership of the leased asset will be obtained at the end of the lease term, the Group shall accrue depreciation within the remaining useful life of the leased asset. If it is impossible to reasonably determine that ownership of the leased asset can be obtained at the end of the lease term, the Group shall accrue depreciation during the shorter of the lease term or the remaining useful life of the leased asset.

The Group calculates the interest expense of lease liabilities for each period of the lease term at a fixed periodic interest rate and includes it in the current profit and loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases (Continued)

- (1) The Group records leasing business as a lessee (Continued)
- 2) Subsequent measurement (Continued)

The variable lease payments that are not included in the measurement of lease liabilities are recognized in the current profit and loss when they are actually incurred.

After the start date of the lease term, when there is a change in the actual fixed payment amount, a change in the expected payable amount of the guarantee residual value, a change in the index or ratio used to determine the lease payment amount, a change in the evaluation results or actual exercise of the purchase option, renewal option, or termination option, the Group remeasures the lease liability based on the present value of the changed lease payment amount, and adjust the book value of the right to use assets accordingly. If the book value of the right to use asset has been reduced to zero, but the lease liability still needs to be further reduced, the group will include the remaining amount in the current profit and loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases (Continued)

(1) The Group records leasing business as a lessee (Continued)

3) Lease Change

Lease changes refer to changes in the lease scope, lease consideration, and lease term beyond the original contract terms, including adding or terminating the right to use one or more leased assets, extending or shortening the lease term specified in the contract, etc.

If a lease undergoes a change and simultaneously meets the following conditions, the Group will treat the lease change as a separate lease for accounting purposes: ① The lease change expands the lease scope by increasing the right to use one or more leased assets; ② The increased consideration is equivalent to the individual price for the majority of the expansion of the lease scope adjusted according to the contract situation.

If the lease change is not accounted for as a separate lease, the Group will redetermine the lease term on the effective date of the lease change and use the revised discount rate to discount the changed lease payment amount to remeasure the lease liability. When calculating the present value of lease payments after changes, the Group adopts the implicit interest rate of the remaining lease period as the discount rate; If the implicit interest rate of the remaining lease period cannot be determined, the discount rate shall be the incremental borrowing rate of the Group on the effective date of the lease change.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases (Continued)

(1) The Group records leasing business as a lessee (Continued)

3) Lease Change (Continued)

Regarding the impact of the above lease liability adjustment, the Group distinguishes the following situations for accounting treatment: ① If the lease change results in a reduction in the lease scope or lease term, the Group adjusts the book value of the right to use assets to reflect partial or complete termination of the lease. The Group will record the gains and losses related to partial or complete termination of leases in the current profit and loss. For other lease changes, the Group will adjust the book value of the right to use assets accordingly.

4) Short term leasing and low value asset leasing

The Group chooses not to recognize right of use assets and lease liabilities for short-term leases and low value asset leases. During each period of the lease term, the relevant asset costs or current profit and loss are recognized using the straight-line method, and contingent rents are recognized in the current profit and loss when actually incurred.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases (Continued)

- (2) The Group, as the lessor, records operating lease business

The rental income from operating leases is recognized as current profit or loss on a straight-line basis during each period of the lease term. The initial direct expenses with a large amount shall be capitalized when incurred, and shall be recognized in the current profit and loss in installments throughout the entire lease period on the same basis as the recognition of rental income; Other initial direct expenses with smaller amounts are recognized in the current profit and loss when incurred. Contingent rent is recognized in the current profit and loss when it is actually incurred.

- (3) The Group, as the lessor, records financial leasing business

On the commencement date of the lease term, the sum of the minimum lease receipt amount on the lease commencement date and the initial direct expenses shall be recognized as the entry value of the receivable financing lease payments, while recording the unguaranteed residual value; The difference between the sum of the minimum lease receipt amount, initial direct expenses, and unguaranteed residual value and their present value is recognized as unrealized financing income. The balance of receivable financing lease payments after deducting unrealized financing income is presented separately as long-term debt and long-term debt due within one year.

Unrealized financing income is calculated and recognized as current financing income using the effective interest rate method during the lease term. Contingent rent is recognized in the current profit and loss when it is actually incurred.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Leases (Continued)

(4) Sale and leaseback transactions

As a lessee, the transfer of assets in the sale and leaseback transaction belongs to sales. The Group, as a lessee, measures the use rights assets formed by the sale and leaseback based on the portion of the original asset book value related to the leaseback obtained, and only recognizes the relevant gains or losses based on the rights transferred to the lessor; If the asset transfer in a sale and leaseback transaction does not belong to sales, the Group, as the lessee, continues to recognize the transferred asset and recognizes a financial liability equal to the transfer income.

When acting as a lessor, asset transfer in a sale and leaseback transaction belongs to sales. The Group, as the lessor, conducts accounting treatment for asset purchases and leases assets in accordance with the aforementioned regulations; The transfer of assets in a sale and leaseback transaction does not belong to sales, and the Group, as the lessor, does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income.

23. Contract liabilities

Contractual liabilities reflect the obligation of the Group to transfer goods to customers for consideration received or receivable from customers. If the customer has already paid the contract consideration or the group has obtained the unconditional right to receive the contract consideration before transferring the goods to the customer, the contract liability shall be recognized based on the received or receivable amount at the earlier of the actual payment by the customer or the due payment.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Employee benefits

The employee compensation of the Group mainly includes short-term employee compensation, post employment benefits, termination benefits, and other long-term employee benefits. Among them:

Short term compensation mainly includes wages, bonuses, allowances and subsidies, employee welfare expenses, medical insurance premiums, maternity insurance premiums, work-related injury insurance premiums, housing provident fund, labor union funds and employee education expenses, non-monetary benefits, etc. The Group recognizes the actual short-term employee compensation incurred during the accounting period when employees provide services to the Group as a liability and includes it in the current profit and loss or related asset costs. Non-monetary benefits are measured at fair value.

Post employment benefits mainly include defined contribution plans. The designated contribution plan mainly includes basic pension insurance, unemployment insurance, and annuity, and the corresponding payable amount is included in the relevant asset cost or current profit and loss when incurred.

If the employment relationship with the employee is terminated before the expiration of the employment contract, or if compensation is proposed to encourage the employee to voluntarily accept layoffs, and the Group cannot unilaterally withdraw the termination benefits provided due to the termination of the employment relationship plan or layoff proposal, or if the Group recognizes the costs related to the restructuring involving the payment of termination benefits, whichever is earlier, the employee compensation liability arising from the termination benefits shall be recognized and included in the current profit and loss. However, if the expected termination benefits cannot be fully paid within twelve months after the end of the annual reporting period, they will be treated as other long-term employee compensation.

Financial Report (Continued)

Notes to Financial Statements (Continued)

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IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

24. Employee benefits (Continued)

The internal retirement plan for employees adopts the same principle as the aforementioned dismissal benefits. The Group will include the salaries and social insurance premiums to be paid for early retirees during the period from the date when employees cease providing services to the normal retirement date, in the current profit and loss (termination benefits) when they meet the recognition criteria for expected liabilities.

25. Changes of significant accounting policies and estimates

- (1) There are no significant changes in accounting policies for the period
- (2) There are no significant changes in accounting estimates for the period

26. Corrections of prior period errors

There are no corrections of prior year errors for the period.

27. Significant accounting judgments and estimates

In the process of applying accounting policies, due to the inherent uncertainty of operating activities, the Group needs to make judgments, estimates, and assumptions about the book value of statement items that cannot be accurately measured. These judgments, estimates, and assumptions are based on the past historical experience of the management of the group, and are made taking into account other relevant factors. These judgments, estimates, and assumptions will affect the reported amounts of income, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities on the balance sheet date. However, the uncertainty of these estimates may result in significant adjustments to the carrying amount of future affected assets or liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgments and estimates (Continued)

The Group conducts regular reviews of the aforementioned judgments, estimates, and assumptions on a going concern basis. If changes in accounting estimates only affect the current period of the change, their impact will be recognized in the current period of the change; If it affects both the current and future periods of the change, the impact amount shall be recognized in the current and future periods of the change.

On the balance sheet date, the important areas in which the Group needs to make judgments, estimates, and assumptions about the amounts of financial statement items are as follows:

(1) Inventory depreciation reserves

According to the inventory accounting policy, the Group measures inventory at the lower of cost and net realizable value. For inventory with costs higher than net realizable value, as well as obsolete and unsold inventory, a provision for inventory depreciation is made. The impairment of inventory to net realizable value is based on the evaluation of its marketability and net realizable value. Identifying inventory impairment requires management to make judgments and estimates based on obtaining conclusive evidence and considering factors such as the purpose of holding inventory and the impact of events after the balance sheet date. The difference between the actual results and the original estimate will affect the book value of inventory and the provision or reversal of inventory depreciation reserves during the period when the estimate is changed.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgments and estimates (Continued)

(2) Provision for impairment of non-current assets

On the balance sheet date, the Group assesses whether there are any signs of possible impairment of non-current assets other than financial assets. For intangible assets with uncertain useful lives, in addition to annual impairment tests, impairment tests are also conducted when there are signs of impairment. Other non-current assets, other than financial assets, are tested for impairment when there are signs that their carrying amount is not recoverable.

When the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of the net amount of fair value minus disposal expenses and the present value of expected future cash flows, it indicates impairment.

The net amount of fair value minus disposal expenses is determined by referring to the sales agreement price or observable market price of similar assets in fair trade, minus the incremental costs directly attributable to the disposal of the asset.

When estimating the present value of future cash flows, significant judgments need to be made regarding the output, selling price, related operating costs, and discount rate used in calculating the present value of the asset (or asset group). The Group will use all available relevant information when estimating the recoverable amount, including predictions based on reasonable and supported assumptions regarding production, selling prices, and related operating costs.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgments and estimates (Continued)

(3) Depreciation and amortization

The Group calculates depreciation and amortization of fixed assets and intangible assets on a straight-line basis over their useful lives, taking into account their residual values. The Group regularly reviews the service life to determine the amount of depreciation and amortization expenses to be included in each reporting period. The service life is determined by the Group based on past experience with similar assets and in combination with expected technological updates. If there is a significant change in previous estimates, depreciation and amortization expenses will be adjusted in future periods.

(4) Deferred income tax assets

To the extent that there is a high likelihood of sufficient taxable income to offset losses, the Group recognizes deferred income tax assets for unused tax losses. This requires the management of the group to use judgment to estimate the time and amount of future taxable income, and combine it with tax planning strategies to determine the amount of deferred income tax assets that should be recognized.

(5) Income tax

In the normal business activities of the Group, there is some uncertainty in the final tax treatment and calculation of certain transactions. Whether some projects can be disbursed before tax requires approval from the tax authorities. If there is a difference between the final recognition results of these tax matters and the initial estimated amount, the difference will have an impact on the current income tax and deferred income tax during the final recognition period.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Significant accounting judgments and estimates (Continued)

- (6) Internal retirement benefits and supplementary retirement benefits

The amount of expenses and liabilities for retirement benefits and supplementary retirement benefits within the group is determined based on various assumptions. These assumptions include discount rates, average medical expense growth rates, subsidy growth rates for early retirees and retirees, and other factors. The difference between the actual results and assumptions will be immediately recognized and included in the current year's expenses upon occurrence. Although the management believes that reasonable assumptions have been adopted, changes in actual experience values and assumptions will still affect the expenses and liability balances of retirement benefits and supplementary retirement benefits within the group.

- (7) Impairment of financial instruments

The Group adopts the expected credit loss model to evaluate the impairment of financial instruments. The application of the expected credit loss model requires significant judgment and estimation, taking into account all reasonable and evidence-based information, including forward-looking information. When making such judgments and estimates, the Group infers expected changes in the debtor's credit risk based on historical repayment data, combined with economic policies, macroeconomic indicators, industry risks, significant changes in the debtor, warning customer lists, collateral, and other factors.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

V. TAXATION

Main taxes and tax rate

Type of tax	Specific tax rate
Value added tax ("VAT")	Output VAT is calculated based on taxable income, according to the applicable tax
City construction and Education surtax	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 15%, 25%
Environmental protection tax	Atmospheric pollutant: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.2 or 2.4. Water pollutants: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.4. Solid wastes: Multiply the emission of solid wastes by 25. Noise: Multiply the noise coefficient of exceeding standards by 350, 700, 2,800 or 1,400.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, the current period refers to the 6-month period ending on June 30, 2023, and the previous period refers to the 6-month period ending on June 30, 2022.

1. Cash and cash equivalents

Item	30 June 2023	31 December 2022
Cash		
Bank deposits (Note 1)	3,323	4,738
Other cash and cash equivalents (Note 2)	399	355
Total	3,722	5,093

Note 1: For details of the funds deposited by the Group in Angang Finance, please refer to Note XI.5.4

Note 2: Other cash and cash equivalents are mainly futures margin.

2. Derivative financial assets

Item	30 June 2023	31 December 2022
Futures contract		13
Foreign exchange swap contract		24
Total		37

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes receivable

(1) Classification of notes receivable

Items	30 June 2023			31 December 2022		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank acceptance notes	80		80	173		173
Commercial acceptance notes						
Total	80		80	173		173

(2) Aging of notes receivable at the end of the period

The age of the accounts receivable of the group at the end of the period mentioned above is within 1 year.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) Classification of accounts receivable

Item	30 June 2023				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	897	20.06	747	83.28	150
Account receivable for which bad debt is prepared based on group combination	3,575	79.94	4	0.11	3,571
including: Risk-free group combination	1,904	42.58			1,904
Risk group combination on the basis of aging-matrix	1,671	37.36	4	0.24	1,667
Total	4,472	100.00	751	16.79	3,721

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(1) Classification of accounts receivable (Continued)

Item	31 December 2022				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	919	25.47	766	83.35	153
Account receivable for which bad debt is prepared based on group combination	2,689	74.53	4	0.15	2,685
including: Risk-free group combination	734	20.34			734
Risk group combination on the basis of aging-matrix	1,955	54.19	4	0.20	1,951
Total	3,608	100.00	770	21.34	2,838

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

- (2) Accounts receivable subject to separate assessment for bad debts provision

Name	30 June 2023			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Tianjin Property Group Finance Co., Ltd.	566	442	78.09	Notes overdue
HNA Group Finance Co., Ltd.	199	179	89.95	Notes overdue
Chongqing Lifan Finance Co., Ltd.	50	45	90.00	Notes overdue
Anshan Zhongyou Tianbao Steel Pipe Co., Ltd.	67	66	98.51	Business is in trouble. It does not have repayment ability
Dongbei Special Steel Group Dalian material trading Co., Ltd.	15	15	100.00	The company has gone into liquidation
Total	897	747		

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) Accounts receivable classified by aging

Aging	30 June 2023	31 December 2022
Within 1 year	3,557	2,679
1 to 2 years	19	11
2 to 3 years	1	
3 to 4 years	809	832
4 to 5 years		
Over 5 years	86	86
Total	4,472	3,608

(4) Bad debt provision at the end of the period

Type	31 December 2022	Increase/Decrease		30 June 2023
		Bad debt provision	Reverse Resale or verification	
Accounts receivable	770	(19)		751

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

- (5) Accounts receivable written off this period

There are no accounts receivables that have been written off this period.

- (6) The condition of accounts receivable of the top five debtors by the balances as of 30 June 2023

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB3,047 million as of 30 June 2023, which accounted for 68.14% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB621 million as of 30 June 2023.

- (7) Accounts receivable derecognized resulting from transfer of financial assets

The Group transferred accounts receivable on a non-recourse basis of RMB1,663 million and incurred costs related to derecognition of RMB28 million during the period.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Receivables financing

(1) Classification of receivables financing

Items	30 June 2023			31 December 2022		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank acceptance notes	1,584		1,584	1,824		1,824
Commercial acceptance notes						
Total	1,584		1,584	1,824		1,824

(2) Receivable financing that have been endorsed or discounted as of June 30, 2023 and have not yet matured on the balance sheet date

Items	Amount of termination confirmation	Amount of Non-termination confirmation
Bank acceptance notes	13,978	
Commercial acceptance notes		
Total	13,978	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Prepayments

- (1) Prepayments classified by aging

Items	30 June 2023		31 December 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,876	95.77	5,040	98.57
1 to 2 years	155	3.83	65	1.27
2 to 3 years	14	0.35	6	0.12
Over 3 years	2	0.05	2	0.04
Total	4,047	100.00	5,113	100.00

- (2) The top five prepayments with outstanding balance as of June 30, 2023

The total amount of the top five prepayments collected by the group as of June 30, 2023 based on the prepayments is 2,906 million, accounting for 71.81% of the total balance of prepayments as of June 30, 2023.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables

Items	30 June 2023	31 December 2022
Dividends receivable		
Other receivables	75	27
Total	75	27

7.1 The condition of other receivables

(1) Classification of other receivables

Items	30 June 2023				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	10.59	9	100.00	
Other receivables for which bad debt is prepared based on group combination	76	89.41	1	1.32	75
Including: Risk-free group combination	3	3.53			3
Risk group combination on the basis of aging-matrix	73	85.88	1	1.37	72
Total	85	100.00	10	11.76	75

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

7.1 The condition of other receivables (Continued)

(1) Classification of other receivables (Continued)

Items	31 December 2022				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	24.32	9	100.00	
Other receivables for which bad debt is prepared based on group combination	28	75.68	1	3.57	27
Including: Risk-free group combination	2	5.41			2
Risk group combination on the basis of aging-matrix	26	70.27	1	3.85	25
Total	37	100.00	10	27.03	27

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

7.1 The condition of other receivables (Continued)

(2) Other receivables classified by the nature

Item	30 June 2023	31 December 2022
The service fee of land acquisition	9	9
Petty cash		4
Industrial injury loan	7	7
Bid security	7	6
Others	62	11
Total	85	37

(3) Other receivables classified by aging

Aging	30 June 2023	31 December 2022
Within 1 year	68	21
1 to 2 years	1	5
2 to 3 years	6	1
3 to 4 years	1	1
4 to 5 years		
Over 5 years	9	9
Total	85	37

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

7.1 The condition of other receivables (Continued)

(4) The accrual condition of bad debt provision

Bad debt provision	The first stage	The second stage	The third stage	Total
	Expected credit losses within the next 12 months	Expected credit losses for the entire duration of the period (no credit impairment)	Expected credit losses for the entire duration of the period (credit impairment has occurred)	
Balance at 1 January 2023		1	9	10
Bad debt provision				
Reverse				
Resale or verification				
Write of				
Other changes				
Balance at 30 June 2023		1	9	10

(5) Bad debt provision at the end of the period

Item	31 December 2022	Change in this period			30 June 2023
		Bad debt provision	Reverse	Resale or verification	
Other receivables	10				10

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

7.1 The condition of other receivables (Continued)

- (6) Other receivables subject to separate assessment for bad debts provision

Name	Book Value	30 June 2023		
		Bad Debt Provision	Percentage (%)	Reason
Land acquisition service station of Chaoyang City	9	9	100	Not expected to be recovered
Total	9	9	-	

- (7) Other receivables with the top five balances as of June 30, 2023

The summary amount of the top five other accounts receivable as of June 30, 2023 collected by the debtor in this period is 52 million, accounting for 61.18% of the total balance of other accounts receivable as of June 30, 2023. The corresponding provision for bad debts as of June 30, 2023 is 9 million.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories

(1) Classification of Inventory

Item	30 June 2023		
	Book Value	Inventory falling Price	
		Reserves	Carrying Value
Raw materials	5,350	14	5,336
Work in progress	4,271	27	4,244
Finished goods	2,972	13	2,959
Revolving materials	556	1	555
Spare parts	877	28	849
Materials in transit	79		79
Total	14,105	83	14,022

Item	31 December 2022		
	Book Value	Inventory falling Price	
		Reserves	Carrying Value
Raw materials	5,981	28	5,953
Work in progress	3,188	60	3,128
Finished goods	2,910	17	2,893
Revolving materials	570	1	569
Spare parts	869	28	841
Materials in transit	191		191
Total	13,709	134	13,575

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

(2) Inventory falling price reserves

Item	31 December	Increase	Decrease	30 June
	2022	Provision	Written Back	
Raw materials	28	13	27	14
Work in progress	60	30	63	27
Finished goods	17	11	15	13
Revolving materials	1			1
Spare parts	28			28
Total	134	54	105	83

Note: The net realizable value for finished goods and the relevant raw materials is lower than the cost, therefore, provision for inventory was accrued this period. Meanwhile, due to market price recovery or product cost decline, part of inventory's net realized value is higher than its book value, therefore, the provision is reversed within the amount of its original provision.

9. Other current assets

Item	30 June	31 December
	2023	2022
The amount of input tax to be certified	3	
Tax retained	183	194
Prepayment of enterprise income tax	305	358
Total	491	552

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investments

Details of long-term equity investments

The invested entity	31 December 2022	Increase/Decrease		Investment income under the equity method	Other comprehensive income
		Increase	Decrease		
Jointly venture					
TKAS Auto Steel Company Limited ("ANSC-TKS")	625			100	
The iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC – Dachuan")	149			(15)	
Ansteel Guangzhou Automobile Steel Co., Ltd. ("Guangzhou Automobile Steel")	387			24	
Angang CIMC (Yingkou) New Energy Technology Co., Ltd. ("Angang CIMC")	100				
Sub-total	1,261			109	
Associated venture					
Angang Group Finance Co., Ltd. ("Angang Finance")	1,528			44	
Anshan Anshan Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder Company")	18			1	
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	65			(3)	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	117			3	
Guangzhou GAC Baoshang Steel Processing Co., Ltd. ("GAC Baoshang")	108			6	
Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company")	38				
Chaoyang Zhong'an Water Co., Ltd. ("Zhong'an Water")	34			1	
Sub-total	1,908			52	
Total	3,169			161	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term equity investments (Continued)

The invested entity	Other Equity Changes	Increase/Decrease			30 June 2023	Closing Value of the Provision for Impairment
		Declaration of Cash Dividends or Profits	Provision for impairment Loss	Others		
Jointly venture						
ANSC-TKS		136		(2)	587	
ANSC – Dachuan					134	
Guangzhou Automobile						
Steel		38		3	376	
Angang CIMC					100	
Sub-total		174		1	1,197	
Associated venture						
Angang Finance					1,572	
Iron Oxide Powder Company					19	
Nansha Logistical					62	
AISSG		6			114	
GAC Baoshang		10			104	
Meizhou Motor Company					38	
Zhong'an Water					35	
Sub-total		16			1,944	
Total		190		1	3,141	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other equity instrument investments

(1) Details of other equity instrument investments

The Invested Entity	Book Balance	
	30 June 2023	31 December 2022
WISDRI Engineering & Research Incorporation Limited Company ("WISDRI")	544	513
Heilongjiang Longmay Mining Group Co., Ltd. ("Longmay Group")	93	68
Anshan Falan Packing Material Co. Ltd. ("Falan Packing")	24	26
Changsha Bao steel steel processing & Distribution Co., Ltd. ("Changsha steel")	10	10
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd. ("China Shipbuilding")	16	16
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. ("Guoqi Lightweight")	3	3
Shanghai HGB Digital Technology CO., LTD. ("Shanghai HGB")	4	5
Jindian (Hangzhou) Technology Co., Ltd. ("Jindian")		
Total	694	641

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other equity instrument investments (Continued)

(2) Non-tradable investments in equity instruments current period

Items	Recognized dividend income current period	Accumulated gain	Accumulated loss	Designation Reason (measured at fair value and other comprehensive income of their value are recorded in other comprehensive income.)	
				comprehensive income transfer to retained earnings.	Reason (other comprehensive income transfer to retained earnings)
WISDRI		405			
Longmay Group			(151)		
Falan Packing	2	3			
Changsha steel			(7)		
China Shipbuilding		6			
Guoqi Lightweight					
Shanghai HGB		2			
Jindian			(2)		
Total	2	416	(160)		

Note: The equity instrument investments that the Group does not offer in the open market are investments that the Group plans to hold for the long term. Therefore, the Group designates them as financial assets measured at fair value with changes recognized in other comprehensive income.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Other non-current financial assets

The Invested Entity	Book value	
	30 June 2023	31 December 2022
Zhuzhou Smelter Group Co., Ltd. ("ZhuYe Group")	37	33
Total	37	33

Note: The Group designates equity instrument investments that are actively traded in the open market and have quoted prices as financial assets measured at fair value with changes recognized in current profit or loss. Due to the fact that the Group plans to hold Zhuyo Group as a long term investment for strategic purposes, it is reclassified to other non current financial assets for accounting at the end of the period.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets

(1) Analysis of fixed assets

Items	Houses and Buildings	Machinery	Others	Total
① Original Cost				
31 December 2022	35,538	86,816	6,090	128,444
Increase in the period	164	1,387	118	1,669
(1) Purchase	14	23	12	49
(2) Transform from project under construction	132	1,364	106	1,602
(3) Increase from combination				
(4) Others	18			18
Decrease in the period	1	430	23	454
(1) Disposal or scrap	1	430	23	454
(2) Others				
30 June 2023	35,701	87,773	6,185	129,659
② Accumulated depreciation				
31 December 2022	15,640	57,525	4,811	77,976
Increase in the period	405	1,160	110	1,675
(1) Depreciation	405	1,156	107	1,668
(2) Increase from combination				
(3) Others		4	3	7
Decrease in the period		351	20	371
(1) Disposal or scrap		351	20	371
(2) Others				
30 June 2023	16,045	58,334	4,901	79,280

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets (Continued)

(1) Analysis of fixed assets (Continued)

Items	Houses and Buildings	Machinery	Others	Total
③ Provision for impairment				
31 December 2022	605	2,739	139	3,483
Increase in the period				
(1) Provision				
(2) Others				
Decrease in the period				
(1) Disposal or scrap		3		3
(2) Others		3		3
30 June 2023	605	2,736	139	3,480
④ Book Value				
30 June 2023	19,051	26,703	1,145	46,899
31 December 2022	19,293	26,552	1,140	46,985

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets (Continued)

(2) Fixed assets leased out by operating lease

Type	30 June 2023	31 December 2022
Houses and buildings	16	15
Machinery	6	7
Total	text-align: right;">22	text-align: right;">22

14. Construction in progress

Item	30 June 2023	31 December 2022
Construction in progress	6,645	6,711
Construction materials	1	21
Total	text-align: right;">6,646	text-align: right;">6,732

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Construction in progress (Continued)

14.1 Construction in progress (Continued)

(1) Details of constructions in progress

Item	30 June 2023			31 December 2022		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
The environmental protection upgrading and transformation project of the sintering machine of the iron-making general plant	948		948	876		876
21 to 096B iron making – Bayuquan raw material yard shed closed project	424		424	424		424
Upgrading and reconstruction project of seamless 177 production line of large-scale general factor	252		252	247		247
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	183		183	146		146
Project for the construction and production of the raw material system of the 265m ² sintering machine in the iron smelting general plant	144		144	143		143
3# blast furnace overhaul project	100		100	148		148
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant	87		87	85		85
Large scale continuous rolling line upgrading and renovation project	18		18	182		182
Large factory universal line quality improvement and renovation project	2		2	190		190
Ironmaking Center Blast Furnace Centralized Control Phase I Project				66		66
Others	4,493	6	4,487	4,210	6	4,204
Total	6,651	6	6,645	6,717	6	6,711

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Construction in progress (Continued)

14.1 Construction in progress (Continued)

(2) Changes in major constructions in progress

Items	Budget	31 December	Increase of the period	Transferred into fixed assets	Other decrease	30 June 2023
		2022				
Environmental Protection Upgrading and Renovation Project of Sintering Machine in Ironmaking Plant	1,020	876	72			948
21 to 096B iron making – Bayuquan raw material yard shed closed project	492	424				424
Upgrading and reconstruction project of seamless 177 production line of large-scale general factor	260	247	5			252
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	193	146	37			183
Project for the construction and production of the raw material system of the 265m ² sintering machine in the iron smelting general plant	156	143	1			144
3# blast furnace overhaul project	178	148	2	50		100
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant	135	85	2			87
Large scale continuous rolling line upgrading and renovation project	185	182	1	165		18
Large factory universal line quality improvement and renovation project	200	190	2	190		2
Ironmaking Center Blast Furnace Centralized Control Phase I Project	67	66		66		
Others	14,308	4,210	1,602	1,131	188	4,493
Total	17,194	6,717	1,724	1,602	188	6,651

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Construction in progress (Continued)

14.1 Construction in progress (Continued)

(2) Changes in major constructions in progress (Continued)

Items	Accumulated capitalized borrowing cost	Of Which: Capitalized this Period	Capitalization Rate (%)	Expenditure Over Budget (%)	Project Progress (%)	Resource of Fund
The environmental protection upgrading and transformation project of the sintering machine of the iron-making general plant	22	3	2.98	93	93	Self-financing
21 to 096B iron making - Bayuquan raw material yard shed closed project				86	86	Self-financing
Upgrading and reconstruction project of seamless 177 production line of large-scale general factor	1			97	97	Self-financing
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	8	2	2.98	95	95	Self-financing
Project for the construction and production of the raw material system of the 265m ² sintering machine in the iron smelting general plant	4	1	2.98	92	92	Self-financing
3# blast furnace overhaul project				84	84	Self-financing
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant				91	91	Self-financing
Large scale continuous rolling line upgrading and renovation project				99	99	Self-financing
Large factory universal line quality improvement and renovation project	1			96	96	Self-financing
Ironmaking Center Blast Furnace Centralized Control Phase I Project				98	100	Self-financing
Others	5	3	2.98	65	65	Self-financing
Total	41	9				

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Construction in progress (Continued)

14.2 Construction materials

Item	30 June 2023	31 December 2022
Special equipment	1	21
Total	1	21

15. Right-of-use assets

Item	Land Use Right	Machinery	Total
Original Cost			
1. 31 December 2022	235	781	1,016
2. Increase in the period			
(1) Lease			
(2) Increase from business combination			
(3) Others			
3. Decrease in the period			
(1) Disposal			
(2) Decrease from business combination			
(3) Others			
4. 30 June 2023	235	781	1,016

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Right-of-use assets (Continued)

Item	Land Use Right	Machinery	Total
Accumulated depreciation			
1. 31 December 2022	117	138	255
2. Increase in the period	59	23	82
(1) Depreciation	59	23	82
(2) Increase from business combination			
3. Decrease in the period			
(1) Disposal			
(2) Decrease from business combination			
(3) Others			
4. 30 June 2023	176	161	337
Provision for impairment			
1. 31 December 2022			
2. Increase in the period			
(1) Provision			
3. Decrease in the period			
(1) Disposal			
4. 30 June 2023			
Book Value			
1. 30 June 2023	59	620	679
2. 31 December 2022	118	643	761

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets

Items	Land Use Right	Non-Patented Technology	Software	Steel Capacity Indicators	Total
Original Cost					
1. 31 December 2022	8,943	47	194	248	9,432
2. Increase in the period	4		189		193
(1) Purchase	4		189		193
(2) Internal R&D					
(3) Enterprise merger					
(4) Others					
3. Decrease in the period	15				15
(1) Disposal	15				15
(2) Decrease from business combination					
4. 30 June 2023	8,932	47	383	248	9,610
Accumulative amortization					
1. 31 December 2022	2,692	47	140		2,879
2. Increase in the period	91		29		120
(1) Counting	91		29		120
(2) Enterprise merger					
(3) Others					
3. Decrease in the period	5				5
(1) Disposition	5				5
(2) Decrease from business combination					
(3) Others					
4. 30 June 2023	2,778	47	169		2,994
Provision for impairment					
1. 31 December 2022					
2. Increase in the period					
(1) Counting					
3. Decrease in the period					
(1) Disposal					
4. 30 June 2023					
Book Value					
30 June 2023	6,154		214	248	6,616
31 December 2022	6,251		54	248	6,553

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Deferred income tax assets and deferred income tax liabilities

(1) Recognized deferred income tax assets

Items	30 June 2023		31 December 2022	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment	335	1,340	339	1,356
Deductible loss	1,533	6,132	926	3,704
Dismissal welfare	23	92	31	124
Accumulated depreciation of fixed assets	31	124	31	124
Salaries payable				
Employee training expenses	22	88	22	88
Deferred income	99	396	99	396
Changes in the fair value of other equity instrument investments	40	160	46	184
Changes in fair value of trading financial assets			1	4
Others	11	44	11	44
Total	2,094	8,376	1,506	6,024

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Deferred income tax assets and deferred income tax liabilities (Continued)

(2) Recognized deferred income tax liabilities

Items	30 June 2023		31 December 2022	
	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference
Valuation of trading financial instruments and derivative financial instrument conversion of equity	52	208	52	208
Changes in the fair value of other equity instrument investments	104	416	97	388
Unrealized profit within the group	17	68	8	32
Total	173	692	157	628

(3) Unrecognized deferred income tax assets

Items	30 June 2023	31 December 2022
Deductible temporary difference-provision for impairment	2,989	2,078
Total	2,989	2,078

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Other non-current assets

Items	30 June 2023	31 December 2022
Prepayment for Construction Projects	1,206	1,323
Total	1,206	1,323

19. Short-term loans

Items	30 June 2023	31 December 2022
Pledged loans	203	399
Credit loans	1,040	1,180
Total	1,243	1,579

20. Derivative financial liabilities

Items	30 June 2023	31 December 2022
Future contracts		
Foreign exchange swap contracts		41
Total		41

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Notes payable

Items	30 June 2023	31 December 2022
Bank acceptance notes	14,846	11,624
Commercial acceptance notes	122	119
Total	text-align: right;">14,968	text-align: right;">11,743

Note: As of June 30, 2023, there are no matured but unpaid notes payable. The age of the accounts payable of the group at the end of the period mentioned above is within 1 year.

22. Accounts payable

(1) Aging of accounts payable

Items	30 June 2023		31 December 2022	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	7,440	97.52	8,721	98.50
1 to 2 years	132	1.73	74	0.84
2 to 3 years	27	0.35	31	0.35
Over 3 years	30	0.40	28	0.31
Total	text-align: right;">7,629	text-align: right;">100.00	text-align: right;">8,854	text-align: right;">100.00

Note: the above aging analysis is based on the invoice date.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Accounts payable (Continued)

(2) Significant account payable aging over 1 year

Creditors	Balance	Aging
China Faw Co., Ltd. Procurement Center	73	1–2 years
Angang Construction Group Co., Ltd.	10	1–5 years
Anshan Metallurgical Group Power Engineering Co., Ltd.	6	1–5 years, Over 5 years
Anshan Metallurgical Group Industrial Engineering Co., Ltd.	5	1–5 years, Over 5 years
Angang Metal Structure Co., Ltd.	6	1–5 years, Over 5 years
Total	100	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Contract liabilities

Items	30 June 2023	31 December 2022
Products selling	7,156	6,361
Others	32	32
Total	7,188	6,393

24. Staff remuneration payable

(1) Analysis of employee benefits payable

Items	31 December 2022	Increase	Decrease	30 June 2023
Short-term remuneration	95	2,157	2,066	186
After-service benefits defined contribution plans		323	323	
Termination benefits	63	90	122	31
Total	158	2,570	2,511	217

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Staff remuneration payable (Continued)

(2) Short-term compensation

Items	31 December	Increase	Decrease	30 June
	2022			2023
1. Salaries, bonus and allowance		1,590	1,528	62
2. Staff welfare		140	130	10
3. Social insurance		173	173	
Including: Medical insurance		146	146	
Staff and workers'				
injury insurance		27	27	
Maternity insurance				
Others				
4. Housing fund		173	173	
5. Labor union fee and staff				
training fee	95	55	36	114
6. Short paid absences				
7. The short-term profit				
sharing plan				
8. Others		26	26	
Total	95	2,157	2,066	186

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Staff remuneration payable (Continued)

(3) Defined Contribution Plans

Items	31 December	Increase	Decrease	30 June
	2022			2023
1. Basic pension insurance		226	226	
2. Unemployment insurance		7	7	
3. Occupational pension		90	90	
Total		323	323	

25. Tax payable

Items	30 June 2023	31 December 2022
VAT	25	66
Environmental protection tax	23	25
Resource tax	1	1
Corporate income tax	27	64
City maintenance and construction tax	4	6
Property tax	15	15
Land use tax	37	38
Individual income tax	9	9
Educational surcharges	3	4
Others	22	27
Total	166	255

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables

Items	30 June 2023	31 December 2022
Interests payable	10	6
Dividends payable	3	3
Other payables	2,405	2,862
Total	2,418	2,871

26.1 Interests payable

Items	30 June 2023	31 December 2022
Staging interest maturity of long-term borrowings	4	4
Corporate bond interest	6	2
Total	10	6

26.2 Dividends payable

Items	30 June 2023	31 December 2022
FAW Jiefang Automobile Co., Ltd	3	3
Total	3	3

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables (Continued)

26.3 Other payables

(1) Classification of other payables by nature

Items	30 June 2023	31 December 2022
Construction payable	959	1,394
Retention Money	579	581
Margin	446	446
Administrative Fund	17	48
Restricted stock repurchases obligations	91	94
Others	313	299
Total	2,405	2,862

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables (Continued)

26.3 Other payables (Continued)

(2) Significant balances of other payables aging over 1 year

Creditors	Balance	Reason	Whether paid after 30 June 2023
Angang steel Group Engineering Technology Co., Ltd	178	Project payment, quality guarantee	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	39	quality guarantee	No
Angang steel Group Automation Co., Ltd	23	quality guarantee	No
Shanghai Baoxin Software Co., Ltd	21	quality guarantee	No
Ansteel Construction Group Co., Ltd	13	Project payment, quality guarantee	No
Total	274		

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Non-current liabilities due within 1 year

Items	30 June 2023	31 December 2022
Long-term loans due within 1 year (Note VI.28)	50	2,600
Bonds payable due within 1 year (Note VI.29)		1,660
Other long-term liabilities due within one year		
Total	50	4,260

28. Long-term loans

(1) Classification of long-term loans

Items	30 June 2023	31 December 2022
Credit loans	3,180	3,200
Subtotal	3,180	3,200
Less: long-term loans due within 1 year (Note VI.27)	50	2,600
Total	3,130	600

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Long-term loans (Continued)

(2) Classification of long-term loans by the maturity date

Items	30 June 2023	31 December 2022
Within 1 year	50	2,600
1 year to 2 year (including 2 year)		600
2 year to 3 year (including 3 year)	3,130	
3 year to 5 year (including 5 year)		
Total	3,180	3,200

29. Bonds payable

(1) Bonds payable

Items	30 June 2023	31 December 2022
Convertible bond		1,660
22 Angang stock GN001	299	299
Less: bonds payable due within 1 year (<i>Note VI.27</i>)		1,660
Total	299	299

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Bonds payable (Continued)

(2) Increase or decrease in bonds payable

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	31 December 2022
Convertible bonds in 2018 (Note 1)	1,512	May 25, 2018	5 years	1,299	1,660
22 Angang stock GN001 (Note 2)	300	September 28, 2022	3 years	300	299
Less: bonds payable due within 1 year (Note VI.27)					1,660
Total	1,812			1,599	299

Type of bonds	Current issue	Accruing interest at face value	Amortization of discounts and premiums (positive increase, negative decrease)	Exchange conversion (positive increase, negative decrease)	Current repayment	30 June 2023
Convertible bonds in 2018			23	10	1,693	
22 Angang stock GN001						299
Less: bonds payable due within 1 year (Note VI.27)			23	10	1,693	
Total						299

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Bonds payable (Continued)

(2) Increase or decrease in bonds payable (Continued)

Note 1: Our company issued a five-year zero interest rate convertible bond overseas on May 25, 2018, and the convertible bond was fully redeemed by the company on May 25, 2023.

Note 2: On September 28, 2022, our company issued the first phase of green medium-term notes for the year 2022. The principal of the medium-term notes issued that time was RMB300 million, issued at par, with a unit face value of RMB100 and a coupon rate of 2.85%. The term was 3 years, with annual interest payment and one-time principal repayment. The value date was September 28, 2022, and the principal repayment date was September 28, 2025.

(3) Classification of bonds payable by the maturity date

Items	30 June 2023	31 December 2022
Within 1 year		1,660
1 year to 2 year (including 2 year)		
2 year to 3 year (including 3 year)	299	299
3 year to 5 year (including 5 year)		
Total	299	1,959

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Lease liability

Items	30 June 2023	31 December 2022
lease payments	64	230
Less: Unrecognized financing expenses	1	4
Total	63	226

31. Long-term payables

Items	30 June 2023	31 December 2022
Long-term payables		
Special payables	119	119
Total	119	119

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term payables (Continued)

31.1 Special payables

Items	31 December		Decrease	30 June 2023	Reason
	2022	Increase			
The special funds paid by Anshan Iron and Steel Group Co., Ltd. (hereinafter referred to as "Anshan Iron and Steel")	119			119	
Total	119			119	

32. Long-term employee benefits payable

Items	30 June		31 December 2022
	2023		
Termination benefits	60		60
Total	60		60

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Deferred income

Items	31 December 2022	Increase	Decrease	30 June 2023	Reason
Government grants	523	29	19	533	
Total	523	29	19	533	

Among them, the projects involved the government grants are as follows:

Items	31 December 2022	Increase	Belong to Non- business income	Belong to Other income	Other decrease	30 June 2023	Associated with the asset/ income
The government grants related to environmental protection	63			5		58	Related to assets
The government grant related to scientific research	320	18		3		335	Related to assets/ income
Others	140	11	5	6		140	Related to assets/ income
Total	523	29	5	14		533	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Share capital

Items	31 December 2022		Increase/Decrease					30 June 2023			
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred		Others	Subtotal	Balance	Proportion (%)	
					from reserves						
Shares unrestricted on sale:											
1. Ordinary A shares	7,942	84						15	15	7,957	85
2. Foreign shares listed overseas	1,411	15								1,411	15
Restricted shares											
1. Ordinary A shares	50	1						(17)	(17)	33	
Total	9,403	100						(2)	(2)	9,401	100

Note 1: According to the resolution of the shareholders' meeting on December 19, 2022, the company repurchased and cancelled 2 million restricted shares.

Note 2: On April 18, 2023, the company's 2020 restricted stock incentive plan granted the first partial lifting of restrictions during the first lifting period. The lifting of restrictions has been achieved, and a total of 172 incentive targets met the lifting conditions. The number of restricted stocks that can be lifted is 15 million.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Capital reserve

Items	31 December 2022	Increase	Decrease	30 June 2023
Share premium	32,968		2	32,966
Other capital reserve	911			911
Total	33,879		2	33,877

Note: In this period, the capital premium decreased by 2 million due to the repurchase and cancellation of restricted stocks.

36. Treasury shares

Items	31 December 2022	Increase	Decrease	30 June 2023
Stock incentive plan (<i>Note 12</i>)	96		4	92

Note: The cancellation of restricted stocks through repurchase in this period resulted in a decrease of 4 million in treasury stocks.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Other comprehensive income

Items	31 December 2022	The amount of this period				30 June 2023
		Amount for the period before tax	Minus: transform into profit or loss from other comprehensive income	Minus: income tax expenses	The After- tax amount attributed to the parent company	
1. Other comprehensive income will not reclassified into the gains and losses	152	53		13	40	192
Profit or loss arising from fair value changes of other investments in equity instruments	152	53		13	40	192
Total	152	53		13	40	192

38. Special reserve

Items	31 December 2022	Increase	Decrease	30 June 2023
Safety production expenses	93	103	47	149
Total	93	103	47	149

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Surplus reserve

Items	31 December 2022	Increase	Decrease	30 June 2023
Statutory surplus reserve	4,457			4,457
Total	4,457			4,457

40. Retained earnings

Items	This period
Balance as of 31 Dec. 2022	10,252
Changes in accounting policies	
Business combination under common control	
Balance as of 1 Jan. 2023	10,252
Increase in 2023	(1,346)
Including: Net profit transferred this period	(1,346)
Other adjustment factors	
Decrease in 2023	64
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions in this period	
Distribution of cash dividend this period (Note)	64
Conversed capital	
Other decreases	
Balance as of 30 June. 2023	8,842

Note: According to the resolution of the 2022 Annual General Meeting of Shareholders held on May 29, 2023, the Company distributed cash dividends to all shareholders at RMB0.068 (tax included) every 10 shares. Calculated based on the total number of shares entitled to distribution rights of 9,400,570,897 shares, a total distributed profit of RMB64 million.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Operating revenue and operating cost

(1) Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	58,733	58,878	70,105	66,440
Other operating (Note 2)	92	88	189	173
Total	58,825	58,966	70,294	66,613

Note 1: The Group is classified into an operating segment based on the type of business: production and sale of steel products.

Note 2: Other business income and other business costs of The Group are mainly generated from the sales of materials and scrap materials.

(2) Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	55,068	66,837
Foreign exchange income from outside borders	3,757	3,457
Total	58,825	70,294

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Operating revenue and operating cost (Continued)

(3) Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	58,825	70,294
Total	58,825	70,294

42. Taxes and surcharges

Items	This period	Last period
City maintenance and construction tax	7	70
Educational surcharge and local educational surcharge	5	50
Land use tax	218	218
Property tax	83	80
Stamp tax	62	69
Resources tax	1	1
Environmental protection tax	46	54
Total	422	542

Note: Please refer to Note V "Tax" for details of various taxes and surcharges payment standards

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Selling expenses

Items	This period	Last period
Employee benefits	134	169
Warehouse storage expense	38	48
Handling charge	20	20
Agency fee for commissioned sales	18	21
Sales and service expense	12	5
Packing expense	11	9
Operating expenses	11	4
Others	44	33
Total	288	309

44. Administrative expenses

Items	This period	Last period
Employee benefits	425	276
Depreciation	71	80
Amortization of intangible asset	31	17
Agency fee	19	19
Fee for the exploitation of patent	17	14
Information system maintenance expense	13	8
Sewage charges	10	16
Greening fee	9	8
Others	160	221
Total	755	659

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Research and development expenses

Items	This period	Last period
Raw material consumption fee	50	112
Labor cost	102	114
Depreciation	12	12
Outsourcing expenses	68	106
Travel expenses	3	1
Power cost	1	46
Others	9	4
Total	245	395

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Finance expenses

Items	This period	Last period
Interest expense	198	225
Including: Interests expense from the long-term loans and long-term bonds	87	108
Interests expense from the short-term loans and letters of credit	20	56
Other interest expenditures	91	61
Less: Interest income	37	37
Less: Capitalized interest expense	9	19
Exchange gain or loss	(27)	68
Less: Capitalized exchange gain or loss		
Others	30	40
Total	155	277

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Other incomes

Items	This period	Last period	Recorded into Extraordinary gains and losses
The government grants related to environment protection	5	7	5
The government grants related to scientific research	3	3	3
Other government grants	6	4	6
Others	2	2	2
Total	16	16	16

48. Investment income

Items	This period	Last period
Long-term equity income under the equity method	161	102
Investment income of other investments in equity instruments invested in the holding period	2	2
Others	(54)	
Total	109	104

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Gain from fair-value changes

Items	This period	Last period
Changes in fair value of derivative financial assets	32	83
Changes in fair value of other non-current financial assets	4	
Changes in fair value of derivative financial liabilities	17	24
Changes in fair value of embedded derivative financial instruments		25
Total	53	132

50. Impairment on assets

Items	This period	Last period
inventory falling price loss	26	392
Total	26	392

Note: Positive numbers represent gains, negative numbers represent losses.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Credit impairment losses

Items	This period	Last period
Accounts receivable	19	65
Total	19	65

Note: Positive numbers represent gains, negative numbers represent losses.

52. Gains on disposal of assets

Items	This period	Last period
Intangible assets disposal income	25	16
Total	25	16

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Non-operating income

Items	This period	Last period	Recorded into extraordinary gains and losses
Gains from scrap of non-current assets	3	43	3
Government grant	5	2	5
Liquidated damages	5	3	5
Payable that can not be paid		1	
Others	1		1
Total	14	49	14

Government grant recorded into profit/loss for current period:

Items	This period	Last period	Assets/Income related	Whether subsidies affect the profit and loss of the period
Shanghai Baoshan District Enterprise Support Fund	5	2	Income related	No
Total	5	2		

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
The loss on scrap of non-current assets	25	65	25
External donation	4	2	4
Total	29	67	29

55. Income tax expenses

(1) Income tax expenses

Items	This period	Last period
Income tax during this period	147	495
Changes on deferred income tax expenses	(585)	(20)
Total	(438)	475

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Income tax expenses (Continued)

- (2) The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	(1,773)
Income tax expenses calculated at statutory/ applicable tax rates	(443)
Effect of different tax rates applied by subsidiary companies	(1)
Effect of adjustments for income tax for prior period	4
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets	2
Income tax expenses	(438)

56. The other comprehensive income

Please refer to Note VI.37

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Items on statements of cash flow

- (1) Other cash receipts related to operating activities

Items	This period	Last period
Deposit income	129	75
Government grants	28	16
Others	95	70
Total	252	161

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Items on statements of cash flow (Continued)

(2) Other cash payments relating to operating activities

Items	This period	Last period
Air pollution fee	161	90
Miscellaneous expenses for procurement and sales business	132	154
Renewable Energy development Fund	103	
Environmental monitoring fee	85	65
Funeral expenses	74	42
Research and development expenses	71	88
Travel expenses	47	927
Collecting and paying retirement wages	33	57
Insurance fee	21	29
Travel expenses	20	7
Rental fee	13	10
Agency fees		16
Commissioned processing fee		386
Energy saving testing fee		114
Other operating expenses	442	259
Total	1,202	2,244

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Items on statements of cash flow (Continued)

(3) Other cash receipts relating to investing activities

Items	This period	Last period
Interest revenue	37	37
Future contract income	46	60
Total	83	97

(4) Other cash payments relating to investing activities

Items	This period	Last period
Futures contract losses	2	27
Swap fees	55	
Total	57	27

(5) Other cash payments relating to financing activities

Items	This period	Last period
Pay rental fees	169	116
Agency fee	34	9
Payment for share repurchase	3	4
Convertible corporate bond expenses	60	
Total	266	129

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Supplement of cash flow statement

- (1) Reconciliation of net profit to cash flows from operating activities

Items	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	(1,335)	1,731
Add: Provision for impairment on asset	(26)	(392)
Provision for impairment on credit	(19)	(65)
Depreciation of fixed assets	1,668	1,758
Depreciation of right-of-use asset	82	81
Amortization of intangible assets	120	107
Loss on disposal of fixed assets, intangible assets and other non-current assets ("-" for gains)	(25)	(16)
Loss on scrap of fixed assets ("-" for gains)	22	22
Loss on the change of fair value ("-" for gains)	(53)	(132)
Financial expenses ("-" for gains)	119	247
Investment loss ("-" for gains)	(109)	(104)
Decrease in deferred tax assets ("-" for increase)	(594)	51
Increase in deferred tax liabilities ("-" for decrease)	9	(35)
Decrease in inventories ("-" for increase)	(404)	4,485
Decrease in operating receivables ("-" for increase)	347	(3,769)
Increase in operating payable ("-" for decrease)	2,559	119
Others	54	52
Net cash flow from operating activities	2,415	4,140

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Supplement of cash flow statement (Continued)

- (1) Reconciliation of net profit to cash flows from operating activities (Continued)

Items	This period	Last period
2. Change in cash and cash equivalents		
Cash at the end of the period	3,722	4,696
Less: cash at the beginning of the period	5,093	5,398
Add: cash equivalent at the end of the period		
Less: cash equivalent at the beginning of the period		
Net increase in cash and cash equivalents	(1,371)	(702)

- (2) Composition of cash and cash equivalent

Items	30 June 2023	31 December 2022
1. Cash at bank and on hands	3,722	5,093
Of which: Cash		
Bank deposits available	3,323	4,738
Other cash and cash equivalents available	399	355
2. Cash equivalents		
Of which: Bonds due within 3 months		
3. Closing balance of cash and cash equivalents	3,722	5,093

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Restricted assets of ownership or use rights

Items	30 June 2023	Reason
Accounts receivable	203	Factoring
Total	203	

60. Government grants

(1) The basic situation of government grants

Items	The basic situation of government grants identified at the beginning of the period		Government grants included in the profit or loss
	Amounts	Items	
The government grants related to environmental protection		Deferred income/ other income	5
The government grants related to scientific research	18	Deferred income/ other income	3
Others	6	Deferred income/ other income	6
Others	5	Non-operating income	5
Total	29		19

(2) Return of government grants

There is no return of government grants in the current period.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VII. CHANGES IN CONSOLIDATION SCOPE

There has been no change in the scope of consolidation of the Group in this period.

VIII. INTERESTS IN OTHER ENTITIES

1. The constitution of the enterprise group

(1) The constitution of the enterprise group

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Holding (%)			Nature of Subsidiaries
					Direct	Indirect	Acquisition	
Angang Steel Distribution (Wuhan)Co., Ltd. ("Angang Wuhan")	Wuhan	Wuhan	237	Steel processing and distribution	100		Establishment	Wholly-owned
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Hefei	Hefei	101	Steel processing and distribution	100		Establishment	Wholly-owned
Shenyang Angang steel International Trade Co., Ltd. ("Shenyang International Trade")	Shenyang	Shenyang	300	Sales of metal materials and products, building materials, etc.	100		Combination under common control	Wholly-owned
Shanghai Anshan Iron and Steel International Trade Co., Ltd. ("Shanghai Trade")	Shanghai	Shanghai	300	Wholesale and retail purchasing services	100		Combination under Common control	Wholly-owned
Tianjin Anshan Iron and Steel International Trade Co., Ltd. ("Tianjin Trade")	Tianjin	Tianjin	200	Purchase and sale of metal and other materials	100		Combination under common control	Wholly-owned
Guangzhou Anshan Iron and Steel International Trade Co., Ltd. ("Guangzhou Trade")	Guangzhou	Guangzhou	300	Wholesale of steel, sales of steel, import and export of goods	100		Combination under common control	Wholly-owned

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. The constitution of the enterprise group (Continued)

(1) The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Holding (%)			Nature of Subsidiaries
					Direct	Indirect	Acquisition	
Shenyang Anshan Iron and Steel Processing and Distribution Co., Ltd.	Shenyang	Shenyang	187	Steel processing and distribution	100		Combination under common control	Wholly-owned
Anshan Iron and Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian")	Dalian	Dalian	266	Steel processing and distribution	100		Establishment	Wholly-owned
Ningbo Anshan Iron and Steel International Trade Co., Ltd. ("Ningbo Trade")	Ningbo	Ningbo	100	Steel trade	100		Establishment	Wholly-owned
Yantai Anshan Iron and Steel International Trade Co., Ltd. ("Yantai Trade")	Yantai	Yantai	200	Steel trade	100		Establishment	Wholly-owned
Angang Steel Distribution (Zhengzhou) Co., Ltd. ("Angang Zhengzhou")	Zhengzhou	Zhengzhou	229	Steel processing and distribution	100		Establishment	Wholly-owned
Anshan Iron and Steel Processing and Distribution (Guangzhou) Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	120	Steel processing and distribution	75		Establishment	Joint venture

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. The constitution of the enterprise group (Continued)

(1) The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Holding (%)			Nature of Subsidiaries
					Direct	Indirect	Acquisition	
Anshan Iron and Steel Processing and Distribution (Tianjin) Co., Ltd. ("Angang Tianjin")	Tianjin	Tianjin	43	Steel processing and distribution	51		Combination under common control	Joint venture
Kobelco Angang Auto Steel Co Ltd. ("Angang Kobelco")	Anshan	Anshan	700	Steel calendering and sales	51		Establishment	Sino-Japanese joint venture
Angang Steel Processing and Distribution (Changchun) Co., Ltd. ("ASPD-CC")	Changchun	Changchun	427	Research and development of sales and logistics distribution technology of self-produced products	100		Combination not under common control	Wholly-owned
Angang Steel Technology and Development Co., Ltd. ("Technology and Development")	Anshan	Anshan	50	Development and development of metallurgy and related materials and equipment	100		Establishment	Wholly-owned
Angang Chemical Technology Co., Ltd. ("Chemical Technology")	Anshan	Anshan	2500	Coking gas purification, coal chemical products processing and production	100		Establishment	Wholly-owned
Angang Energy and Technology Co., Ltd. Co., Ltd. ("Energy and Technology")	Anshan	Anshan	50	Dissolved acetylene manufacturing; Distribution of compressed and liquefied gases	60		Combination under common control	Joint venture

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. The constitution of the enterprise group (Continued)

(1) The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Holding (%)			Nature of Subsidiaries
					Direct	Indirect	Acquisition	
Changchun FAW Angang Steel Processing and Distribution Co., Ltd. ("FAW Angang")	Changchun	Changchun	90	Steel processing and distribution	60		Combination not under common control	Joint venture
Angang steel Group Chaoyang Iron and Steel Co., Ltd. ("Chaoyang Iron and Steel")	Chaoyang	Chaoyang	8000	Steel calendaring and sales	100		Combination under common control	Wholly-owned
Angang (Hangzhou) Automobile Material Technology Co., Ltd. ("Hangzhou Auto Material")	Hangzhou	Hangzhou	118	Steel, steel coil processing and sales, distribution	51	49	Establishment	Wholly-owned
Delin Zhilian (Anshan) Co., Ltd. ("Delin Zhilian")	Anshan	Anshan	60	Electronic commerce and technical consultation, technology development, technical services, technology transfer, value-added telecommunications business in this field	91		Establishment	Joint venture
Xinneng Air Products (Liaoning) Co., Ltd. ("Xinneng Air")	Anshan	Anshan	100	Sales of gas and liquid separation and purification equipment		51	Establishment	Joint venture

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. The constitution of the enterprise group (Continued)

(1) The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Holding (%)			Nature of Subsidiaries
					Direct	Indirect	Acquisition	
Beijing Angang Trade Co., Ltd. ("Beijing International Trade")	Beijing	Beijing	198	Sales of metal materials and products, building materials, etc.	100		Establishment	Joint venture
Delin Industrial Product Co., Ltd. ("Delin Industrial Products")	Anshan	Anshan	180	Purchasing and consulting services for industrial products such as equipment and materials; E-commerce transactions of industrial products and supply chain financial services	91		Establishment	Joint venture

Note: The above-mentioned subsidiaries are all registered and established in accordance with Chinese laws, and the legal entity category is limited liability company.

(2) As of June 30, 2023, none of our subsidiaries issued share capital or debt securities.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates

(1) The joint ventures or associates

The name of the joint venture or associated enterprise	Principal place of business	Registration place	Nature of the business	Direct shareholding ratio (%)	Accounting Treatment
ANSC-TKS	Dalian	Dalian	Galvanized and alloyed steel Board production and sales	50	Equity method
ANSC – Dachuan	Dalian	Dalian	Steel processing and selling	50	Equity method
Guangzhou Automobile Steel	Guangzhou	Guangzhou	Manufacturing Steel products	50	Equity method
Angang CIMC	Yingkou	Yingkou	Hazardous chemicals	50	Equity method
Angang Finance	Anshan	Anshan	Deposits and loans and financing	20	Equity method
Iron Oxide Powder Company	Anshan	Anshan	Iron powder processing	35.29	Equity method
Nansha Logistical	Guangzhou	Guangzhou	Freight Forwarding, steel packaging,	49.8	Equity method
AISSG	Hangzhou	Hangzhou	Trade, warehousing services	49	Equity method
GAC Baoshang	Guangzhou	Guangzhou	Steel Processing and Distribution	30	Equity method
Meizhou Motor Company	Meizhou	Meizhou	Automobile parts	25	Equity method
Zhong'an Water	Chaoyang	Chaoyang	Water production and supply	45	Equity method

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (Continued)

(2) The accounting information of the important joint ventures

Items	ANSC-TKS	
	30 June 2023/ This period	31 December 2022/ Last period
Current assets	1,974	2,826
Including: Cash and cash equivalents	849	1,438
Non- Current assets	715	724
Total Assets	2,689	3,550
Current liabilities	1,386	2,182
Non- Current liabilities	4	4
Total Liabilities	1,390	2,186
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent Company	1,299	1,364
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group	(63)	(57)
– others		
The book value of equity investments in joint ventures	587	625
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	2,572	3,040
Finance costs	(10)	(3)
Income tax expenses	32	7
Net profit	204	106
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	204	106
Dividends received from joint ventures this period	136	204

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (Continued)

(3) The accounting information of the important association

Items	Angang Finance	
	30 June 2023/ This period	31 December 2022/ Last period
Current assets	10,771	13,723
Including: Cash and cash equivalents	10,703	13,403
Non- Current assets	23,661	22,203
Total Assets	34,432	35,926
Current liabilities	26,566	28,280
Non- Current liabilities	6	6
Total Liabilities	26,572	28,286
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent Company	7,860 1,572	7,640 1,528
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group		
– others		
The book value of equity investments in joint ventures	1,572	1,528
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	524	556
Finance costs		
Income tax expenses	72	57
Net profit	220	241
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	220	241
Dividends received from joint ventures this period		

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (Continued)

- (4) The accounting information of the unimportant joint ventures and associations

Items	30 June 2023/ This period	31 December 2022/ Last period
Associations:		
The book value of equity investments	610	636
The followings are calculated by shares		
– Net profit	9	(4)
– Other comprehensive income		
– The total of comprehensive income	9	(4)
Joint ventures:		
The book value of equity investments	372	380
The followings are calculated by shares		
– Net profit	8	11
– Other comprehensive income		
– The total of comprehensive income	8	11

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS

The main financial instruments of the Group include equity investments, debt investments, derivative financial instrument hedging, borrowings, accounts receivable, accounts payable, bonds payable, monetary funds, etc. The detailed information of each financial instrument is explained in the relevant items of Note VI. The risks associated with these financial instruments and the risk management policies adopted by the Group to reduce these risks are described below. The management of the group manages and monitors these risk exposures to ensure that the above risks are controlled within a limited range.

The Group adopts sensitivity analysis technology to analyze the reasonable and possible changes in risk variables that may have an impact on current profit and loss or shareholder equity. Due to the fact that any risk variable rarely changes in isolation, and the correlation between variables will have a significant impact on the final amount of the change in a certain risk variable, the following assumes that the change in each variable is independent.

Risk management objectives and policies

The goal of our group's risk management is to achieve an appropriate balance between risk and return, minimize the negative impact of risk on our group's business performance, and maximize the interests of shareholders and other equity investors. Based on this risk management objective, the basic strategy of the Group's risk management is to identify and analyze the various risks faced by the Group, establish appropriate risk tolerance thresholds and conduct risk management, and timely and reliable supervision of various risks to control them within a limited range.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

1. Market risk

(1) Exchange risk

Foreign exchange risk refers to the risk of losses arising from changes in exchange rates. The foreign exchange risk borne by the Group is mainly related to the US dollar and Hong Kong dollar. As of June 30, 2023, except for the assets or liabilities mentioned in the table below which are in US dollars and Hong Kong dollars, the assets and liabilities of the Group are all in RMB balance.

Unit: Yuan

Items	30 June 2023	31 December 2022
Bank deposits (USD)	100,279.22	100,253.90
Bank deposits (HKD)	1,884.09	9.09
Bond Payable (HKD)		1,859,214,999.70
Other non-current liabilities (HKD)		40,000.00

In terms of the major foreign currency transactions such as exporting sales of products, importing and procurement of raw materials for production and engineering equipment, the Group conducts imports and exports agency transactions through trading with Angang Group International Economic and Trade Co., Ltd (“Angang International Trade”). The foreign exchange risk is mainly reflected in the impact of exchange rate changes on sales and purchase costs during agency settlement.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

1. Market risk (Continued)

(1) Exchange risk (Continued)

- A. The foreign exchange risk exposure of various foreign currency asset liability items listed in the local currency by the Group as of June 30, 2023 is set out in Note VI.1.
- B. The Group's main foreign exchange rates apply as follows:

Items	Average Exchange Rate		Middle Exchange Rate on the Reporting Date	
	This period	Last period	This period	Last period
	U.S. dollar	6.9252	6.4810	7.2258
H.K. dollar	0.8836	0.8281	0.9220	0.8552

C. Sensitivity analysis

The increase of one percentage point in the exchange rate between the US dollar and Hong Kong dollar to the Chinese yuan on June 30, 2023, will result in an increase (decrease) in the group's shareholders' equity and net profit as follows:

Unit: Million

Date	Item	The impact on net profit	The impact on shareholders' equity
30 June 2023	U.S. dollar		
	H.K. dollar		
31 December 2022	U.S. dollar		
	H.K. dollar	(12)	(12)

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

1. Market risk (Continued)

(1) Exchange risk (Continued)

C. Sensitivity analysis (Continued)

As of June 30, 2023, assuming other variables remain unchanged, a decrease of one percentage point in the exchange rate between the US dollar and Hong Kong dollar against the Chinese yuan will result in changes in shareholder equity and profit and loss, which are the same as the amounts listed in the table above but in the opposite direction.

The above sensitivity analysis is based on the assumption that there is a change in exchange rate on the balance sheet date, and this change applies to all derivative and non-derivative financial instruments of the group. The change of one percentage point is based on the Group's reasonable expectation of exchange rate changes from the balance sheet date to the next balance sheet date. The previous analysis was also based on this assumption.

(2) Interest rate risk

The interest bearing financial instruments held by the Group as of June 30, 2023 are listed in Notes VI 1, 19, 27, 28, and 29. (Monetary funds, short-term loans, non-current liabilities due within one year, long-term loans, bonds payable)

Sensitivity analysis

The principle of managing interest rate risk for the Group is to reduce the impact of short-term fluctuations on the Group's profits. However, in the long run, permanent changes in interest rates will have an impact on profits.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

1. Market risk (Continued)

(2) Interest rate risk (Continued)

As of June 30, 2023, assuming other variables remain unchanged, an increase of one percentage point in the interest rates of bank deposits, short-term loans, non-current liabilities due within one year, short-term financing bonds, long-term loans, and bonds payable will result in a decrease of RMB11 million in the net profit and shareholder's equity of the group (December 31, 2022: RMB15 million).

The above sensitivity analysis is based on the assumption that there is a change in interest rates on the balance sheet date, and this change applies to all derivative and non-derivative financial instruments of the group. The change of one percentage point is based on the reasonable expectation of the Group's interest rate changes from the balance sheet date to the next balance sheet date. The previous analysis was also based on this assumption.

2. Credit risk

Credit risk refers to the risk that one party to a financial instrument cannot fulfill its obligations, resulting in financial losses for the other party. The credit risk of the group mainly comes from accounts receivable. The management will continuously check the exposure of these credit risks.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

2. Credit risk (Continued)

For accounts receivable, the Group has formulated credit policies based on actual situations, and conducted credit assessments on customers to determine the credit sales limit. Our Group requires most customers to prepay the full amount of the goods in cash or bills before shipping them. The accounts receivable related to credit customers expire within 1–4 months from the date of issuance of the invoice. Debtors who are overdue for more than a month will be required to settle all outstanding balances before obtaining further credit limits. In general, the Group does not require customers to provide collateral.

The vast majority of our clients have had years of business dealings with our Group and rarely experience credit losses. To monitor the credit risk of the Group, the Group analyzes its customer information based on factors such as aging and maturity.

As of June 30, 2023, the Group has no significant impairment of other accounts receivable except for accounts receivable transferred from overdue notes receivable with an impairment provision of RMB666 million.

On the balance sheet date, due to the fact that the accounts receivable of the top five customers of the Group accounted for 67% of the total accounts receivable and other receivables of the Group (at the beginning of the period: 61%), the Group experienced a certain degree of concentration of credit risk.

The maximum credit risk exposure that the Group is exposed to is the carrying amount of each financial asset on the balance sheet. The Group has not provided any other guarantees that may expose the Group to credit risk.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

3. Liquidity risk

The Group is responsible for its own cash management work, including short-term investments in cash surplus and borrowing loans to meet expected cash needs. The policy of the Group is to regularly monitor short-term and long-term liquidity needs, as well as compliance with loan agreements, to ensure the maintenance of sufficient cash reserves and marketable securities available for immediate realization, while obtaining commitments from major financial institutions to provide sufficient backup funds to meet short-term and longer-term liquidity needs.

The analysis of the repayment period of the Group's long-term debts is set out in Notes VI, 28, and 29 (long-term loans, bonds payable).

4. Transfer of financial assets

Transferred financial assets that have been completely derecognized but continue to be involved.

On June 30, 2023, the Group has endorsed a bank acceptance bill of 6,332 million to suppliers for settlement of accounts payable, and a commercial acceptance bill of 0 million; The amount of bank acceptance bills discounted to financial institutions is 7,646 million, while the amount of commercial acceptance bills is 0 million. On June 30, 2023, its expiration date is 1 to 12 months. According to the relevant provisions of the Negotiable Instruments Law, if the issuer refuses to make payment, its holder has the right to pursue compensation from the Group. The Group believes that almost all of its risks and rewards have been transferred, therefore, the book value of its and related settled accounts payable has been derecognized.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

4. Transfer of financial assets (Continued)

Financial assets that have been transferred but not completely derecognized

The Group transferred accounts receivable of RMB399 million to financial institutions through factoring business in 2022, resulting in a transfer income of RMB399 million. At the same time, the Group promises to be responsible for settling the buyer's payment obligations when the buyer fails to fulfill their payment obligations upon expiration. The Group believes that the risks and rewards of accounts receivable have not been transferred, so the transfer proceeds are used as collateral loans. As of June 30, 2023, the outstanding pledged loan under this business of the Group was RMB203 million.

X. DISCLOSURE OF THE FAIR VALUE

1. The amount of asset and liability measured at fair value and the measurement hierarchies

The fair value measurement is classified into three hierarchies, listed as follows:

- Level 1: The quoted price (unadjusted) in dynamic market for identical asset or liability.
- Level 2: Inputs other than quoted price included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: The unobservable inputs for asset or liability (unobservable inputs).

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

X. DISCLOSURE OF THE FAIR VALUE (CONTINUED)

1. The amount of asset and liability measured at fair value and the measurement hierarchies (Continued)

Items	The Fair Value on 30 June 2023			Total
	The Fair Value Measured at First Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
Continues fair value measurement:				
Derivative financial assets				
Receivables financing		1,584		1,584
Other investments in equity instruments			694	694
Other non-current financial assets	37			37
Derivative financial liabilities				

Items	The Fair Value on 31 December 2022			Total
	The Fair Value Measured at First Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
Continues fair value measurement:				
Derivative financial assets	37			37
Receivables financing		1,824		1,824
Other investments in equity instruments			641	641
Other non-current financial assets	33			33
Derivative financial liabilities	41			41

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

X. DISCLOSURE OF THE FAIR VALUE (CONTINUED)

2. Adjustment information between the book value of the continuous third-level fair value measurement project

	Other investments in equity instruments
Balance at 1 January 2023	641
Additional investment	
Changes in fair value (included in other comprehensive income)	53
Changes in fair value (included in current profit and loss)	
Balance at 30 June 2023	694

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information on the parent company

Group Name	Registration Place	The Nature of Business	Registered Capital	The Group's Shareholding (%)	Proportion of Voting-Right (%)
Ansteel Group	Tie Xi District Anshan Liaoning Province	Production and sale of steel and metal products, steel filament Tubes, and etc.	26,000	53.36	53.36

Note: Angang Group Co., Ltd. is the ultimate controlling party.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Information on the subsidiaries of the parent company

Please refer to Note VIII.1 Subsidiaries.

3. Information on the joint ventures and associates of the group

Please refer to Note VIII.2 Investment in joint ventures and associates.

4. Related parties without control relationship

Name of Enterprise	Relation with the Parent Company
Guangzhou Automobile Steel	Joint venture
ANSC-TKS	Joint venture
ANSC – Dachuan	Joint venture
AISSG	Associate
Nansha Logistical	Associate
Zhong'an Water	Associate
GAC Baoshang	Associate
Meizhou Motor Company	Associate
Angang Finance	Associate of Angang Group
Shanxi Wuchan International Energy Co., Ltd.	Associate of Angang Group
Falan Packing	Fellow subsidiary
Angang Steel Casting Co., Ltd.	Fellow subsidiary
Angang Group Mining Co., Ltd.	Fellow subsidiary
Angang Steel Rope Co., Ltd.	Fellow subsidiary
Angang Group Dalian Technology Creativity Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Group Refractory Materials Co., Ltd	Fellow subsidiary
Ansteel Automobile Transportation Co., Ltd	Fellow subsidiary
Ansteel Cold Rolled Steel Plate (Putian) Co., Ltd	Fellow subsidiary

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related parties without control relationship (Continued)

Name of Enterprise	Relation with the Parent Company
Ansteel Group Real Estate Property Co., Ltd	Fellow subsidiary
Anshan Iron and Steel Labor Research Institute Technology Co., Ltd	Fellow subsidiary
Delin Land Port Supply Chain Service Co., Ltd	Fellow subsidiary
Anshan Iron and Steel Metallurgical Furnace Materials Technology Co., Ltd	Fellow subsidiary
Ansteel Group Information Industry Co., Ltd	Fellow subsidiary
Ansteel Electric Co., Ltd	Fellow subsidiary
Yingkou Ansteel Water Industry Co., Ltd	Fellow subsidiary
Anshan Jidong Cement Co., Ltd	Joint venture of Angang Group
Anshan Kede Roller Surface Treatment Co., Ltd	Joint venture of Angang Group
Ansteel Group Engineering Technology Co., Ltd	Joint venture of Angang Group
Ansteel Mining Construction Co., Ltd	Associate of Angang Group
Ansteel Group Mining Design and Research Institute Co., Ltd	Associate of Angang Group
Ansteel Yasheng Special Materials Co., Ltd	Associate of Angang Group
Angang International Trade	Fellow subsidiary
Ansteel Group Capital Holdings Co., Ltd	Fellow subsidiary
Ansteel Lianzhong (Guangzhou) Stainless Steel Co., Ltd	Fellow subsidiary
Pangang Group Xichang Steel Vanadium Co., Ltd	Fellow subsidiary
Pangang Group International Economic and Trade Co., Ltd	Fellow subsidiary

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related parties without control relationship (Continued)

Name of Enterprise	Relation with the Parent Company
Pangang Group Vanadium Titanium Resources Co., Ltd	Fellow subsidiary
Pangang Group Jiangyou Changcheng Special Steel Co., Ltd	Fellow subsidiary
Pangang Group Panzhuhua Steel Vanadium Co., Ltd	Fellow subsidiary
Chengdu Western IoT Group Co., Ltd	Fellow subsidiary
Pangang Group Life Service Co., Ltd	Fellow subsidiary
Pangang Group Mining Co., Ltd	Fellow subsidiary
Pangang Metallurgical Materials Co., Ltd	Fellow subsidiary
Ansteel Group Engineering Technology Development Co., Ltd	Fellow subsidiary
Ansteel Group Zhongyuan Industrial Development Co., Ltd	Fellow subsidiary
Ansteel Resources Co., Ltd	Fellow subsidiary
Benxi Beiyong Iron and Steel (Group) Co., Ltd	Fellow subsidiary
Benxi Iron and Steel (Group) Mining Co., Ltd	Fellow subsidiary
BENGANG STEEL PLATES co., ltd	Fellow subsidiary
North Hengda Logistics Co., Ltd	Fellow subsidiary
Ansteel Group Beijing Research Institute Co., Ltd	Fellow subsidiary

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions

(1) Related-party transactions within Angang Group Co., Ltd.

① Related-party transactions on Procurement of Goods and Services

Contents	Pricing policy	This period	Last period
Raw materials	Note.1	13,141	13,675
Steel	Note.2	616	414
Supplementary materials	Note.3	1,278	1,328
Energy and power supplies	Note.4	77	58
Support service	Note.5	3,152	3,102
Total	-	18,264	18,577

② Related-party transactions on Sales of Goods and Services

Contents	Pricing Policy	This period	Last period
Product	Note.6	4,700	4,701
Scrap steel and material	Note.6	160	188
General services	Note.7	205	184
Total	-	5,065	5,073

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

- (1) Related-party transactions within Angang Group Co., Ltd. (Continued)
- ② Related-party transactions on Sales of Goods and Services (Continued)

Note 1: iron concentrate: the standard product is not higher than the average of the midpoint price of Platts 65% iron CFR in northern China (Qingdao port) published daily by SBB steel market daily from January 21 to January 20, plus the freight from Bayuquan port to Angang Steel. Among them, the price of each iron content is calculated according to the average value of (t-1) * monthly Platts 65% index for grade adjustment. On this basis, a discount of 3% of the average value of Platts 65% index (where t is the current month) is given; The low standard products are not higher than the average of the midpoint price of Platts 62% iron CFR in northern China (Qingdao port) published daily by SBB steel market daily from (t-1) to t 20, plus the freight from Bayuquan port to Angang Steel. Among them, the price of each iron content is calculated according to the average value of Platts 62% index for grade adjustment. On this basis, a discount of 3% of the average value of Platts 62% index is given. Pellet ore at market price; The price of sinter is the price of iron concentrate plus (t-1) * monthly process cost. (among them: the process cost is not higher than the process cost of producing similar products in Angang Steel) (where t is the current month); Karala mineral products: for standard products, the average value of the midpoint price of Platts 65% iron CFR in northern China (Qingdao port)

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

(1) Related-party transactions within Angang Group Co., Ltd. (Continued)

② Related-party transactions on Sales of Goods and Services (Continued)

Note 1: (Continued)

published daily by SBB steel market daily plus the dry ton freight difference from Qingdao port to Bayuquan, Liaoning Province is divided by 65 times the actual grade to calculate the price; According to the month when the loading of low-standard products is completed at the loading point, the average midpoint price of Platts 62% iron CFR in northern China (Qingdao port) published daily by SBB steel market daily plus the dry ton freight difference from Qingdao port to Bayuquan, Liaoning Province, is divided by 62 times the actual grade to calculate the price. Scrap, billets, alloys and non-ferrous metals at market prices;

Note 2: steel products shall be determined according to the price of Angang Steel sold to third parties after deducting the consignment fee of not less than RMB15/ton;

Note 3: the price of auxiliary materials shall not be higher than that sold by the relevant member companies of Angang Steel to independent third parties;

Note 4: government pricing, market price, production cost plus 5% gross profit;

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

(1) Related-party transactions within Angang Group Co., Ltd.
(Continued)

② Related-party transactions on Sales of Goods and
Services (Continued)

Note 5: national pricing, government pricing or market price, agency service shall be subject to a commission of not more than 1.5% (including raw fuel agency fee of 5 yuan/ton), depreciation fee plus maintenance fee, labor fee, material fee and management fee paid at market price, processing cost plus gross profit of not more than 5%;

Note 6: steel products, molten iron, billets, steel production byproducts and coke are calculated at the price sold to independent third parties; As far as the above products provided for the development of new products are concerned, the pricing benchmark is to price according to the market price if there is a market price, and to price according to the cost plus reasonable profit if there is no market price, and the added reasonable profit margin is not higher than the average gross profit margin of the member units providing the relevant products; Coal is increased by 5 yuan/wet ton at the purchase cost price, and imported ore is increased by 5 yuan/dry ton at the purchase cost price; Sinter at market prices; Pellet ore is charged 5 yuan/wet ton at the purchase cost price; E-commerce products at market prices; Scrap steel materials and waste materials are priced according to the market price, and scrap assets or idle assets are priced according to the market price or evaluation price;

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

(1) Related-party transactions within Angang Group Co., Ltd. (Continued)

② Related-party transactions on Sales of Goods and Services (Continued)

Note 7: government pricing, market price, production cost plus 5% gross profit, agency service is not higher than 1.5% commission;

③ Related party transactions of asset acquisition

The company has no related party transactions for asset acquisition in the current period.

④ Related-party guarantee

The company applied to become the designated rebar delivery factory warehouse of Shanghai Futures Exchange (hereinafter referred to as the Shanghai Futures Exchange), and Anshan Iron and steel provided guarantee for the company's application for delivery factory warehouse qualification to the Shanghai Futures Exchange and signed the guarantee letter (hereinafter referred to as the guarantee letter). Anshan Iron and steel requires the company to provide counter guarantee to the company for the above guarantee provided by it. The amount of counter guarantee shall not exceed 300 million. The period of counter guarantee shall be from the date of signing the agreement on designated rebar futures factory warehouse of Shanghai futures exchange with the company in the previous period to the date of termination of the contract (I. E. The duration of the contract) and two years after the end of the duration of the contract.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

- (2) Related party transactions with Pangang Group vanadium and Titanium Resources Co., Ltd

Related party transactions of purchasing goods/receiving services

Contents	Pricing Policy	This period	Last period
Raw materials	market price	45	96
Total	-	45	96

- (3) Other related party transactions

In this period, Angang international trade provided export agents to sell 940,000 tons of steel products (last period: 670,000 tons).

- (4) Borrowings, deposits and interest payments from Angang finance

Items	Annual	31 December		30 June		
	interest rate	2022	Increment	Decrement	2023	Terms
Deposit		4,224	224,415	225,710	2,929	
Loan						

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

- (4) Borrowings, deposits and interest payments from Angang finance (Continued)

During the current period, the group's deposit interest income in Angang finance was 26 million (previous period: 26 million), and the loan interest expenditure (including discount) was 0 million (previous period: 6 million). The maximum daily deposit of the group in Anshan finance in the current period is 4,895 million (previous period: 4,965 million).

- (5) The group's related party transactions with joint ventures and associates

- ① Statement of purchasing products

Name	This period	Last period
ANSC-TKS	298	378
Guangzhou Automobile Steel		1
Zhong'an Water	10	11
AISSG	4	1
Total	312	391

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

- (5) The group's related party transactions with joint ventures and associates (Continued)

② Statement of selling products

Name	This period	Last period
ANSC-TKS	1,708	2,321
Guangzhou Automobile Steel	538	847
AISSG	163	76
Meizhou Motor Company	8	3
GAC Baoshang	2	5
Nansha Logistical	5	8
Iron oxide powder	4	
Total	2,428	3,260

- (6) Remuneration of the directors, supervisors and senior management

Name	This period	Last period
Directors' fee		
Other remuneration	5.45	9.09
Including: Salaries, allowances and non-cash amount of interest	4.70	7.96
Performance-related bonus		
Other insurance and benefits	0.65	1.00
Pension plan contributions	0.10	0.13
Total	5.45	9.09

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

- (6) Remuneration of the directors, supervisors and senior management (Continued)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel.

Name	This period					Total
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	Pension plan contributions	
Executive directors:						
Zhang Hongjun		1.04		0.16	0.02	1.22
Wang Baojun		0.52				0.52
Tian Yong		0.91		0.14	0.02	1.07
Subtotal for executive directors		2.47		0.30	0.04	2.81
Supervisors:						
Cao Yuhui						
Liu Ming						
Yang Zhengwen		0.55		0.09	0.02	0.66
Shen Changchun (Resigned)						
Subtotal for Supervisors		0.55		0.09	0.02	0.66
Senior Management:						
Meng Jinsong		1.09		0.16	0.02	1.27
Zhang Peng		0.59		0.10	0.02	0.71
Lv Xianliang						
Subtotal for Senior management		1.68		0.26	0.04	1.98
Total		4.70		0.65	0.10	5.45

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

- (6) Remuneration of the directors, supervisors and senior management (Continued)

Name	Last period				Total
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	
Executive directors:					
Wang Baojun		0.97			0.97
Yang Xu		0.87		0.12	0.01
Li Zhongwu (Resigned)		0.14		0.03	0.01
Subtotal for executive directors		1.98		0.15	0.02
Supervisors:					
Shen Changchun		1.34		0.19	0.02
Yang Zhengwen		0.53		0.08	0.02
Subtotal for Supervisors		1.87		0.27	0.04
Senior Management:					
Xu Shishuai		1.38		0.19	0.02
Meng Jinsong		1.46		0.20	0.02
Zhang Peng		1.13		0.16	0.02
Zhang Hongjun (Resigned)		0.14		0.03	0.01
Subtotal for Senior management		4.11		0.58	0.07
Total		7.96		1.00	0.13

Note: there is no agreement for a director, supervisor and senior management to waive or agree to waive their remuneration for the current period.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related-party transactions (Continued)

- (6) Remuneration of the directors, supervisors and senior management (Continued)

The top five employees with the highest salaries in the current period include 2 directors, 2 senior managers and 1 Supervisor (last period: 1 Director, 1 supervisor and 3 senior managers), and the details of their salaries are as follows.

- (7) Continuing related party transactions

The related party transactions disclosed in (1) – (4) of notes XI and 5 also constitute related party transactions or continuing related party transactions as defined in Chapter 14A of the Listing Rules of the Hong Kong stock exchange.

6. Balances of related-party transactions

- (1) Accounts receivable

Items	Related party	30 June 2023	31 December 2022
Accounts receivable	Angang International Trade	1,702	509
Accounts receivable	Angang Steel Wire Rope Co., Ltd	71	79
Accounts receivable	BENGANG STEEL PLATES Co., Ltd	23	16
Accounts receivable	ANSC-TKS	18	16
Accounts receivable	AISSG	11	15
Accounts receivable	Pangang Group Xichang Steel & Vanadium Co., Ltd	10	7
Accounts receivable	Benxi Iron & Steel (Group) Mining Co., Ltd	9	12

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(1) Accounts receivable (Continued)

Items	Related party	30 June 2023	31 December 2022
Accounts receivable	Angang Group Mining Co., Ltd	9	12
Accounts receivable	Benxi Beiyong Iron & Steel (Group) Co., Ltd	8	15
Accounts receivable	Guangzhou automobile steel	6	
Accounts receivable	Angang Group Engineering Technology Development Co., Ltd	5	5
Accounts receivable	Angang Group Engineering Technology Co., Ltd	2	1
Accounts receivable	Panzhuhua Steel & Vanadium Co., Ltd	2	2
Accounts receivable	Anshan Iron & Steel Group	2	2
Accounts receivable	Anshan Iron & Steel Group Refractories Co., Ltd	2	20
Accounts receivable	Angang Group Information Industry Co., Ltd	1	1
Accounts receivable	Pangang Group Mining Co., Ltd	1	4
Accounts receivable	Chengdu West IOT Group Co., Ltd	1	1
Accounts receivable	Angang Steel Casting Co., Ltd	1	
Accounts receivable	Angang Group Mining Design and Research Institute Co., Ltd	1	1
Accounts receivable	Angang automobile transportation Co., Ltd	1	1
Accounts receivable	Angang Resources Co., Ltd	1	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(1) Accounts receivable (Continued)

Items	Related party	30 June 2023	31 December 2022
Accounts receivable	Angang Group Beijing Research Institute Co., Ltd	1	
Accounts receivable	Angang Group Zhongyuan Industrial Development Co., Ltd		11
Accounts receivable	Pangang Metallurgical Materials Co., Ltd		2
Accounts receivable	Anshan Iron & Steel Institute of Labor Technology Co., Ltd		1
Accounts receivable	Angang Cold rolled steel plate (Putian) Co., Ltd		1
Accounts receivable	Other Related Parties	3	
Total		1,891	734
Other receivables	Angang Group Mining Co., Ltd	1	
Other receivables	Angang Group Engineering Technology Development Co., Ltd	1	1
Other receivables	Angang Group Zhongyuan Industrial Development Co., Ltd	1	
Other receivables	Other Related Parties	1	
Total		4	1

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(1) Accounts receivable (Continued)

Items	Related party	30 June 2023	31 December 2022
Prepayment	Angang International Trade	2,158	2,879
Prepayment	Delin Lugang Supply Chain Service Co., Ltd.	82	6
Prepayment	BENGANG STEEL PLATES Co., Ltd	77	45
Prepayment	ANSC-TKS	73	33
Prepayment	Angang Group Engineering Technology Development Co., Ltd	32	31
Prepayment	North Hengda Logistics Co., Ltd	17	
Prepayment	Angang Cold rolled steel plate (Putian) Co., Ltd	10	7
Prepayment	Angang automobile transportation Co., Ltd	10	5
Prepayment	Benxi Beiyong Iron & Steel (Group) Co., Ltd	3	2
Prepayment	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd	3	
Prepayment	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd	2	2
Prepayment	Guangzhou automobile steel		5
Prepayment	Other Related Parties	1	
Total		2,468	3,015

Note: No provision for bad debts has been made for creditor's rights.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(2) Accounts payable

Items	Related party	30 June 2023	31 December 2022
Accounts payable	Angang International Trade	428	973
Accounts payable	Angang Group Mining Co., Ltd	246	141
Accounts payable	Delin land port supply chain service Co., Ltd	206	236
Accounts payable	Angang Group Zhongyuan Industrial Development Co., Ltd	158	78
Accounts payable	Anshan Iron & Steel Metallurgical Furnace Material Technology Co., Ltd	97	206
Accounts payable	Angang Steel Casting Co., Ltd	89	43
Accounts payable	Shanxi Wuchan International Energy Co., Ltd	80	420
Accounts payable	ANSC-TKS	76	110
Accounts payable	Pangang Group International Economic and Trade Co., Ltd	60	60
Accounts payable	Angang Group Engineering Technology Development Co., Ltd	50	58
Accounts payable	Angang Mining Construction Co., Ltd	34	37
Accounts payable	Chengdu West IOT Group Co., Ltd	33	24
Accounts payable	Angang Resources Co., Ltd	21	17
Accounts payable	BENGANG STEEL PLATES Co., Ltd	21	45

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(2) Accounts payable (Continued)

Items	Related party	30 June 2023	31 December 2022
Accounts payable	Angang automobile transportation Co., Ltd	20	45
Accounts payable	Anshan Iron & Steel Group Refractories Co., Ltd	16	71
Accounts payable	Guangzhou automobile steel	13	10
Accounts payable	Angang Group Information Industry Co., Ltd	12	19
Accounts payable	Pangang Group vanadium and Titanium Resources Co., Ltd	8	4
Accounts payable	Angang Cold rolled steel plate (Putian) Co., Ltd	8	8
Accounts payable	Anshan Iron and Steel	8	3
Accounts payable	Anshan Falan	7	11
Accounts payable	Angang Electric Co., Ltd	4	3
Accounts payable	Anshan Kede roll surface treatment Co., Ltd	3	2
Accounts payable	Angang Steel Group Property Management Co., Ltd	3	6
Accounts payable	Angang Steel Wire Rope Co., Ltd	3	15
Accounts payable	Zhongan water	2	2
Accounts payable	Angang Group Engineering Technology Co., Ltd	1	2
Accounts payable	GAC Baoshang	1	1
Accounts payable	Anshan Iron & Steel Institute of Labor Technology Co., Ltd	1	1
Accounts payable	AISSG	1	1

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(2) Accounts payable (Continued)

Items	Related party	30 June 2023	31 December 2022
Accounts payable	Benxi Beiyong Iron & Steel (Group) Co., Ltd		60
Accounts payable	Yingkou Angang Water Industry Co., Ltd		5
Accounts payable	Pangang Group Life Service Co., Ltd		2
Accounts payable	Other Related Parties	1	
Total		1,711	2,719
Other payables	Angang Group Engineering Technology Co., Ltd	419	781
Other payables	Angang Group Engineering Technology Development Co., Ltd	113	154
Other payables	Angang Group Information Industry Co., Ltd	73	69
Other payables	Angang Group Zhongyuan Industrial Development Co., Ltd	29	38
Other payables	Angang Mining Construction Co., Ltd	7	17
Other payables	Angang Group Beijing Research Institute Co., Ltd	4	
Other payables	Angang Electric Co., Ltd	3	18

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(2) Accounts payable (Continued)

Items	Related party	30 June 2023	31 December 2022
Other payables	Anshan Iron & Steel Metallurgical Furnace Material Technology Co., Ltd	3	3
Other payables	Delin land port supply chain service Co., Ltd	3	3
Other payables	Angang International Trade	2	3
Other payables	Anshan Iron & Steel Institute of Labor Technology Co., Ltd	2	2
Other payables	Angang Steel Group Property Management Co., Ltd	1	7
Other payables	Shanxi Wuchan International Energy Co., Ltd	1	2
Other payables	Angang Steel Group Co., Ltd		2
Other payables	Angang Steel Group Capital Holding Co., Ltd		2
Other payables	Angang automobile transportation Co., Ltd		1
Other payables	Anshan Iron & Steel		1
Other payables	Other related parties	2	
Total		662	1,103
Contract liabilities	Delin land port supply chain service Co., Ltd	517	393
Contract liabilities	Angang Group Zhongyuan Industrial Development Co., Ltd	151	98

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(2) Accounts payable (Continued)

Items	Related party	30 June 2023	31 December 2022
Contract liabilities	ANSC-TKS	80	45
Contract liabilities	Angang Automobile	55	99
Contract liabilities	Angang Group Mining Co., Ltd	54	46
Contract liabilities	Angang automobile transportation Co., Ltd	45	29
Contract liabilities	Angang Group Engineering Technology Development Co., Ltd	25	18
Contract liabilities	Falan Packing	25	18
Contract liabilities	AISSG	9	9
Contract liabilities	Angang International Trade	6	10
Contract liabilities	Anshan Iron & Steel Group Refractories Co., Ltd	5	1
Contract liabilities	Meizhou Motor Company	5	1
Contract liabilities	Angang Electric Co., Ltd	4	8
Contract liabilities	Pangang Group International Economic and Trade Co., Ltd	2	2
Contract liabilities	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd	2	1
Contract liabilities	Benxi Iron & Steel (Group) Mining Co., Ltd	2	
Contract liabilities	Benxi Beiyong Iron & Steel (Group) Co., Ltd	2	
Contract liabilities	Nansha Logistical	1	1

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(2) Accounts payable (Continued)

Items	Related party	30 June 2023	31 December 2022
Contract liabilities	Angang Cold rolled steel plate (Putian) Co., Ltd	1	
Contract liabilities	Angang Mining Construction Co., Ltd	1	1
Contract liabilities	Angang Steel Casting Co., Ltd	1	
Contract liabilities	Angang Yasheng special materials Co., Ltd		1
Contract liabilities	Anshan Iron and Steel Group Dalian Science and Technology Innovation Co., Ltd		1
Contract liabilities	Anshan Jidong Cement Co., Ltd		1
Contract liabilities	Other related parties	1	
Total		994	783

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balances of related-party transactions (Continued)

(3) Other non-current assets

Items	Related party	30 June 2023	31 December 2022
Other non-current assets	Angang International Trade	336	247
Other non-current assets	Angang Group Engineering Technology Co., Ltd	303	263
Other non-current assets	Angang Group Engineering Technology Development Co., Ltd	38	38
Other non-current assets	Angang Group Information Industry Co., Ltd	24	33
Other non-current assets	Angang Group Zhongyuan Industrial Development Co., Ltd		2
Total		701	583

XII. SHARE-BASED PAYMENT

1. The general introduction of share-based payment

At the 32nd meeting of the eighth board of directors held on November 26, 2020, the company considered and approved the bill on repurchasing part of the company's A-share public shares (hereinafter referred to as "the repurchase bill"), the bill on authorizing Management to handle matters related to share repurchase Proposals on the 2020 restricted stock incentive plan (Draft) of Angang Steel Co., Ltd. and its summary (hereinafter referred to as "2020 incentive plan" or "incentive plan").

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XII. SHARE-BASED PAYMENT (CONTINUED)

1. The general introduction of share-based payment (Continued)

According to the repurchase proposal, from December 10, 2020, the Company repurchased the company's A-share ordinary shares from the Shenzhen stock exchange through public bidding transactions as the source of restricted shares granted to incentive targets. According to the incentive plan, the grant price of the restricted shares granted for the first time is RMB1.85 per share, and the restricted shares are restricted to sale for 24 months from the date of grant. During the restricted sale period, restricted shares shall not be transferred, used to guarantee or repay debts. The 36 months after the restricted sale period is the lifting of the restricted sale period. During each lifting of the restricted sale period, if the conditions for lifting the restricted sale of restricted stocks are met, the incentive object may apply for lifting the restricted sale of restricted stocks held by them through this plan in three batches, with the proportion of lifting the restricted sale in three batches being 33%, 33% and 34% respectively. If the unlocking conditions for a certain year are not met, the corresponding restricted shares that have not been unlocked shall be repurchased by the company.

As of December 24, 2020, the company's share repurchase for the 2020 incentive plan has been completed, the actual number of repurchased shares is 52 million, and the repurchase cost is RMB166 million (excluding transaction costs), which is included in treasury shares.

The third provisional shareholders' meeting of 2020 held by the company on December 31, 2020 decided to consider and approve proposals related to the incentive plan and authorized the board of directors to handle relevant matters.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XII. SHARE-BASED PAYMENT (CONTINUED)

1. The general introduction of share-based payment (Continued)

On January 8, 2021, the company held the 38th meeting of the eighth board of directors to consider and adopt the bill on adjusting the incentive plan for restricted stocks of Angang Steel Co., Ltd. in 2020 and the bill on granting restricted stocks to incentive targets for the first time. According to the adjusted incentive plan, the number of proposed incentive targets granted for the first time was reduced from 182 to 174, the number of First grants was adjusted from 48.6 million shares to 46.8 million shares, and 5.4 million shares were reserved to remain unchanged. At the same time, the board of Directors believes that the conditions for the grant of this incentive plan have been met, and determines January 8, 2021 as the first grant date, to grant 46.8 million restricted shares to 174 incentive targets for the first time at a price of RMB1.85 per share.

On December 10, 2021, the company held the 54th meeting of the eighth board of directors, deliberated and adopted the bill on granting reserved restricted shares to incentive targets. In accordance with the measures for the administration of equity incentives of listed companies, the relevant provisions of the 2020 incentive plan and the authorization of the third provisional shareholders' meeting of the company in 2020, the board of Directors considers that the conditions for the grant of the incentive plan have been met, and determines December 10, 2021 as the reserved grant date to grant 5.3662 million restricted shares to 38 incentive targets at a grant price of RMB2.31 per share. On the same day, after deliberation and approval by the board of directors, 8 incentive targets which were granted for the first time under the incentive plan for 2020, meet the incentive conditions due to the or termination of labor relations with the company due to job transfer. The company intends to repurchase and write off 2.23 million A-shares of restricted shares held by the above-mentioned incentive targets at a price of RMB1.88 per share (the repurchase price is calculated according to the grant price plus the interest of fixed deposits in the same period), The total amount of this repurchase is RMB4 million. The above-mentioned repurchase restricted shares were transferred to the special securities account for

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XII. SHARE-BASED PAYMENT (CONTINUED)

1. The general introduction of share-based payment (Continued)

repurchase opened by the company and cancelled after deliberation and approval by the shareholders' meeting on January 6, 2022. After the cancellation in 2022, the company reduced its share capital and capital reserve by RMB2 million and RMB2 million respectively, and reduced its treasury shares by RMB4 million.

On November 23, 2022, the company held the eighth meeting of the ninth board of directors, deliberated and approved the bill on the repurchase and cancellation of restricted shares that have been granted to some incentive targets of the restricted stock incentive plan in 2020 but have not yet been lifted, and agreed to repurchase and cancel 2.04 million restricted shares that have been granted but have not yet been lifted held by some incentive targets. The total amount of restricted shares repurchased and cancelled this time is 4 million. The above-mentioned repurchase restricted shares were transferred to the special securities account for repurchase opened by the company and cancelled after deliberation and approval by the shareholders' meeting on December 19, 2022. After the cancellation in 2023, the company reduced its share capital and capital reserve by RMB2 million and RMB2 million respectively, and reduced its treasury shares by RMB4 million.

On March 30, 2023, the 14th meeting of the ninth board of directors was held to consider and approve the bill on the repurchase and cancellation of restricted shares that have been granted to some incentive targets of the restricted stock incentive plan in 2020 but have not yet been lifted. It is agreed that the company will repurchase and cancel 1.13 million restricted shares that have been granted but have not yet been lifted held by some incentive targets. The total amount of restricted shares repurchased and cancelled that time was 2 million. The above-mentioned repurchase restricted shares were transferred to the company's repurchase professional securities account and cancelled after deliberation by the shareholders' meeting on May 29, 2023. After the cancellation in 2023, the company reduced its share capital and capital reserve by RMB1 million and RMB1 million respectively, and reduced its treasury shares by RMB2 million.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XII. SHARE-BASED PAYMENT (CONTINUED)

1. The general introduction of share-based payment (Continued)

The 14th meeting of the 9th board of directors and the 7th Meeting of the 9th board of supervisors held on March 30, 2023 considered and approved the bill on cancellation of shares in the company's special securities account for repurchase, and agreed to cancel the remaining 408,623 treasury shares in the company's special securities account for repurchase.

2. Overview

The total amount of various equity instruments granted by the company in the current period (10,000 shares)	0
The total amount of various equity instruments granted by the company in the current period (10,000 shares)	0
The total amount of various equity instruments expired in the current period (10,000 shares)	113

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XII. SHARE-BASED PAYMENT (CONTINUED)

2. Overview (Continued)

Among them, the introduction of share-based payment settled by equity:

Determination method of fair value of equity instruments on grant date	Based on the market value of shares granted to Japanese companies
Determination basis for the number of exercisable equity instruments	Estimated and determined according to the performance conditions of each unlocking period specified in the restricted stock plan
Reasons for the significant differences between the current estimates and the previous estimates	None
Total employee services in exchange for share-based payments	73
Accumulated amount of equity-settled share-based payment included in capital reserve	32
Total expenses recognized for equity-settled share-based payments in the current period	0

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Items	30 June 2023	31 December 2022
Investment contracts entered but not yet performed or performed partially	14	14
Construction and renovation contracts entered but not yet performed or performed partially	3,169	3,036
Total	3,183	3,050

2. Contingencies

As of June 30, 2023, the group has no material contingencies to disclose.

XIV. SUBSEQUENT EVENTS

On May 29, 2023, the company held the 2022 annual general meeting, the 2023 first A share class meeting, and the H Share Class Meeting, which considered and approved The repurchase and cancellation of part of the Restricted Shares, The Cancellation of the Shares in the Designated Security Account for Repurchase, The Adjustment to the Registered Capital of the Company and The Proposed Amendments to The Articles of Association.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XIV. SUBSEQUENT EVENTS (CONTINUED)

According to the provisions of the 2020 incentive plan and relevant laws and regulations, 11 original incentive objects granted for the first time and 1 original incentive object reserved for the grant have failed to meet the incentive conditions, and the company repurchased and cancelled 1,128,370 shares of restricted shares that have been granted but have not been released from restricted sales. On July 10, 2023, BDO China Shu Lun Pan Certified Public Accountants LLP issued the Capital Verification Report, After the cancellation, the share capital of the company was changed from 9,400,979,520 shares to 9,399,851,150 shares.

Reviewed and confirmed by the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd, on July 21, 2023, the company cancelled a total of 408,623 treasury shares in the repurchase special industry securities account. After the cancellation, the share capital of the company was changed from 9,399,851,150 shares to 9,399,442,527 shares.

XV. OTHER SIGNIFICANT INTRODUCTIONS

As of June 30, 2023, the group had no other important matters to explain.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Accounts Receivable

(1) Classification of Accounts Receivable

Item	30 June 2023				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	882	19.05	732	82.99	150
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	3,749	80.95	4	0.11	3,745
Risk group combination on the basis of aging-matrix	712	15.37	4	0.56	708
Total	4,631	100.00	736	15.89	3,895

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. Accounts Receivable (Continued)

(1) Classification of Accounts Receivable (Continued)

Item	31 December 2022				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	904	26.22	751	83.08	153
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,544	73.78	4	0.16	2,540
Risk group combination on the basis of aging-matrix	1,026	29.75	4	0.39	1,022
Total	3,448	100.00	755	21.90	2,693

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. Accounts Receivable (Continued)

- (2) Accounts receivable subject to separate assessment for bad debts provision

Debtors	30 June 2023			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Tianjin Property Group Finance Co., Ltd.	566	442	78.09	Notes overdue
HNA Group Finance Co., Ltd.	199	179	89.95	Notes overdue
Chongqing Lifan Finance Co., Ltd.	50	45	90.00	Notes overdue
Anshan Zhongyou Tianbao Steel Pipe Co., Ltd.	67	66	98.51	The business is in trouble and it does not have the ability to pay debts
Total	882	732		

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. Accounts Receivable (Continued)

(3) Accounts Receivable classified by aging

Aging	30 June 2023	31 December 2022
Within 1 year	3,733	2,540
1 to 2 years	18	5
2 to 3 years		
3 to 4 years	809	832
4 to 5 years		
Over 5 years	71	71
Total	4,631	3,448

(4) Bad debt provision at the end of the period

Type	31 December 2022	Increase/Decrease		30 June 2023
		Bad debt provision	Resale or Reverse verification	
Accounts Receivable	755	(19)		736

(5) Accounts receivable written off this period

There are no accounts receivables that have been written off this period.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. Accounts Receivable (Continued)

- (6) The condition of accounts receivable of the top five debtors by the balances as of 30 June 2023

The total amount of top five accounts receivable according to closing balance of debtors of the company was RMB3,314 million as of 30 June 2023, which accounted for 71.56% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB442 million as of 30 June 2023.

- (7) Accounts receivable derecognized resulting from transfer of financial assets

The company transferred accounts receivable on a non-recourse basis of RMB1,182 million and incurred costs related to derecognition of RMB17 million during the period.

2. Other receivables

Items	30 June 2023	31 December 2022
Dividends receivable (<i>Note</i>)	13	17
Other receivables	95	47
Total	108	64

Note: The debtor of dividends receivable of the Company is FAW Angang.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2.1 Other receivables

(1) Classification of other receivables

Items	30 June 2023				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	96	100.00	1	1.04	95
Including: Risk-free group combination	31	32.29			31
Risk group combination on the basis of aging-matrix	65	67.71	1	1.54	64
Total	96	100.00	1	1.04	95

Items	31 December 2022				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	48	100.00	1	2.08	47
Including: Risk-free group combination	31	64.58			31
Risk group combination on the basis of aging-matrix	17	35.42	1	5.88	16
Total	48	100.00	1	2.08	47

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2.1 Other receivables (Continued)

(2) Other receivables classified by the nature

Type	30 June 2023	31 December 2022
Petty cash		4
Money lent to subsidiary	30	30
Industrial injury loan	7	7
Bid security	3	1
Others	56	6
Total	96	48

(3) Other receivables classified by aging

Aging	30 June 2023	31 December 2022
Within 1 year	90	42
1 to 2 years		4
2 to 3 years	5	1
3 to 4 years		
4 to 5 years		
Over 5 years	1	1
Total	96	48

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2.1 Other receivables (Continued)

(4) The recognition of bad debt provision

Bad debt provision	The first stage	The second stage	The third stage	Total
	Expected credit losses within the next 12 months	Expected credit losses for the entire duration of the period (no credit impairment)	Expected credit losses for the entire duration of the period (credit impairment has occurred)	
Balance at 1 January 2023			1	1
Bad debt provision				
Reverse				
Resale or verification				
Write of				
Other changes				
Balance at 30 June 2023			1	1

(5) Bad debt provision at the end of the period

Type	31 December 2022	Increase/Decrease		30 June 2023
		Bad debt provision	Resale or verification	
Other receivables	1			1

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

2.1 Other receivables (Continued)

- (6) Other receivables with the top five balances on June 30, 2023

The summary amount of the top five other receivables collected by the company according to the debtor on June 30, 2023 is 74 million, accounting for 77.08% of the total balance of other receivables on June 30, 2023, and the summary amount of the corresponding bad debt provision on June 30, 2023 is 0 million.

3. Long-term equity investments

- (1) Classification of long-term equity investment

Items	30 June 2023			31 December 2022		
	Book balance	Provision	Book value	Book balance	Provision for	Book value
		for impairment			impairment	
Investments in subsidiaries	10,598		10,598	10,598		10,598
Investments in joint ventures and associates	3,006		3,006	3,035		3,035
Total	13,604		13,604	13,633		13,633

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(2) Investments in subsidiaries

The invested entity	31 December		30 June 2023	Provision for impairment Provision
	2022	Increment Decrement		
Angang Wuhan	237		237	
Angang Hefei	281		281	
Angang Guangzhou	90		90	
Shenyang International Trade	321		321	
Shanghai Trade	303		303	
Tianjin Trade	203		203	
Guangzhou Trade	315		315	
Angang Shenyang	181		181	
Angang Tianjin	27		27	
Angang Dalian	266		266	
Ningbo Trade	100		100	
Yantai Trade	200		200	
Angang Kobelco	357		357	
ASPD-CC	496		496	
Technology and Development	50		50	
Angang Zhengzhou	229		229	
Chaoyang Iron and Steel	3,545		3,545	
Energy and Technology	124		124	
Chemical Technology	2,677		2,677	
FAW Angang	119		119	
Delin Zhilian	55		55	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(2) Investments in subsidiaries (Continued)

The invested entity	31 December		30 June 2023	Provision for impairment	Provision
	2022	Increment			
Hangzhou Auto					
Material	60		60		
Beijing International					
Trade	198		198		
Delin Industrial					
Products	164		164		
Total	10,598		10,598		

(3) Investments for the joint ventures and associates

Please refer to Note VI.10 (excluding Zhong'an Water and Angang CIMC).

4. Operating income and operating cost

(1) Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	51,169	51,807	61,677	58,999
Other operating	109	93	214	188
Total	51,278	51,900	61,891	59,187

Note: The Company is classified into an operating segment based on the type of business: production and sale of steel products.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Operating income and operating cost

(2) Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	47,521	58,434
Foreign exchange income from outside borders	3,757	3,457
Total	51,278	61,891

(3) Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	51,278	61,891
Total	51,278	61,891

5. Investment income

Items	This period	Last period
Long-term equity investment income measured at cost method	478	856
Long-term equity investment income measured at equity method	160	101
Investment income of other investments in equity instruments	2	2
Others	(54)	
Total	586	959

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XVII. NET CURRENT ASSETS

Items	30 June 2023	31 December 2022
Current assets	27,742	29,232
Less: Current liabilities	33,879	36,154
Net current assets/(liabilities)	(6,137)	(6,922)

XVIII. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	30 June 2023	31 December 2022
Total assets	95,754	96,935
Less: Current liabilities	33,879	36,154
Total assets less current liabilities	61,875	60,781

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XIX. SUPPLEMENTARY DOCUMENTS

1. Non-recurring gains and losses

Items	This period	Last period
Gains and losses from disposal of non-current assets	3	(6)
Government grant recorded into profit and loss for current period except that relevant to enterprise operation and in compliance with government policies	21	18
Changes in the fair value of other non-current financial assets	4	
Other non-current liabilities-part of embedded derivative financial instruments, derivative financial liabilities-changes in fair value of foreign exchange swap contracts	(37)	49
The receivables that are separately tested for impairment and reversal of provision for impairment of contract assets	19	
Other non-operating income and loss not listed above	2	2
Subtotal	12	63
Less: Effect on taxation	3	16
Effect on minority interest (after tax)		
Total	9	47

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XIX. SUPPLEMENTARY DOCUMENTS

1. Non-recurring gains and losses (Continued)

The Company's confirmation of non-recurring profit and loss items is carried out in accordance with the provisions of the Interpretive Announcement No. 1 of the Company Information Disclosure of Public Offering Securities – Non-recurring Gains and Losses (CSRC Announcement [2008] No. 43).

2. Return on equity (ROE) and Earnings per Share (EPS)

Profit in this period	Weighted average (ROE) (%)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	(2.34)	(0.143)	(0.143)
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	(2.36)	(0.144)	(0.144)

The above data is calculated using the following formula:

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XIX. SUPPLEMENTARY DOCUMENTS

2. Return on equity (ROE) and Earnings per Share (EPS) (Continued)

- (1) Weighted average return on equity

$$\text{Weighted average return on equity} = \frac{P_0}{(E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)}$$

Among them, P₀ corresponds to the net profit attributable to ordinary shareholders of the company and the net profit attributable to ordinary shareholders of the company after deducting non-recurring gains and losses; NP is the net profit attributable to ordinary shareholders of the company; E₀ is the net assets at the beginning of the period attributable to ordinary shareholders of the company; E_i is the new net assets attributable to ordinary shareholders of the company, such as the issuance of new shares or debt to equity swap during the reporting period; E_j is the net assets attributable to ordinary shareholders of the company reduced by repurchase or cash dividend during the reporting period; M₀ is the number of months in the reporting period; M_i is the cumulative number of months from the next month of new net assets to the end of the reporting period; M_j is the cumulative number of months from the next month after the reduction of net assets to the end of the reporting period; E_k is the increase or decrease in net assets attributable to ordinary shareholders of the company due to other transactions or events; M_k is the cumulative number of months from the month following the increase or decrease in other net assets to the end of the reporting period.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XIX. SUPPLEMENTARY DOCUMENTS

2. Return on equity (ROE) and Earnings per Share (EPS) (Continued)

(2) Basic earnings per share

Basic earnings per share= $P0 \div S$, $S=S0+S1+Si \times Mi \div M0-Sj \times Mj \div M0-Sk$

Among them, P.0 is the net profit attributable to ordinary shareholders of the company or the net profit attributable to ordinary shareholders after deducting non-recurring gains and losses; S is the weighted average number of ordinary shares outstanding; S0 is the total number of shares at the beginning of the year; Si is the number of shares increased due to the conversion of provident fund into share capital or stock dividend distribution during the reporting period; Si is the number of shares increased due to the issuance of new shares or debt to equity swap during the reporting period; SJ is the number of shares reduced due to repurchase during the reporting period; SK is the number of shares withdrawn during the reporting period; M0 number of months in the reporting period; Mi is the cumulative number of months from the next month after the increase of shares to the end of the reporting period; MJ is the cumulative number of months from the next month after the reduction of shares to the end of the reporting period.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2023 (Expressed in million RMB unless otherwise indicated)

XIX. SUPPLEMENTARY DOCUMENTS

2. Return on equity (ROE) and Earnings per Share (EPS) (Continued)

(3) Diluted earnings per share

Diluted earnings per share = $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Weighted average number of common shares increased by warrants, share options, convertible bonds, etc.})$

Among them, P1 is the net profit attributable to ordinary shareholders of the company or the net profit attributable to ordinary shareholders of the company after deducting non-recurring gains and losses, and considering the impact of dilution of potential ordinary shares, it is adjusted in accordance with the accounting standards for business enterprises and relevant provisions. When calculating the diluted earnings per share, the company shall consider the impact of all diluted potential ordinary shares on the net profit attributable to ordinary shareholders of the company or the net profit attributable to ordinary shareholders of the company after deducting non-recurring gains and losses and the weighted average number of shares, and shall include them in the diluted earnings per share in the order of dilution from large to small until the diluted earnings per share reaches the minimum.

Documents Available for Inspection

1. Financial statements signed by the Responsible Officer, Chief Accountant and Person-in-charge of the accounting firm and with seal affixed;
2. Originals of all documents and manuscripts of announcements disclosed by the Company at the website designated by the CSRC during the Reporting Period;
3. Text of the Articles of Association;
4. Interim report of the Company disclosed in the Hong Kong stock market.

The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited* situated at Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC.

Angang Steel Company Limited*

The Board

30 August 2023

Note: This report is prepared in both Chinese and English. The Chinese version shall prevail in case of any inconsistency between the two versions.



鞍 鋼 股 份 有 限 公 司
ANGANG STEEL COMPANY LIMITED*

