



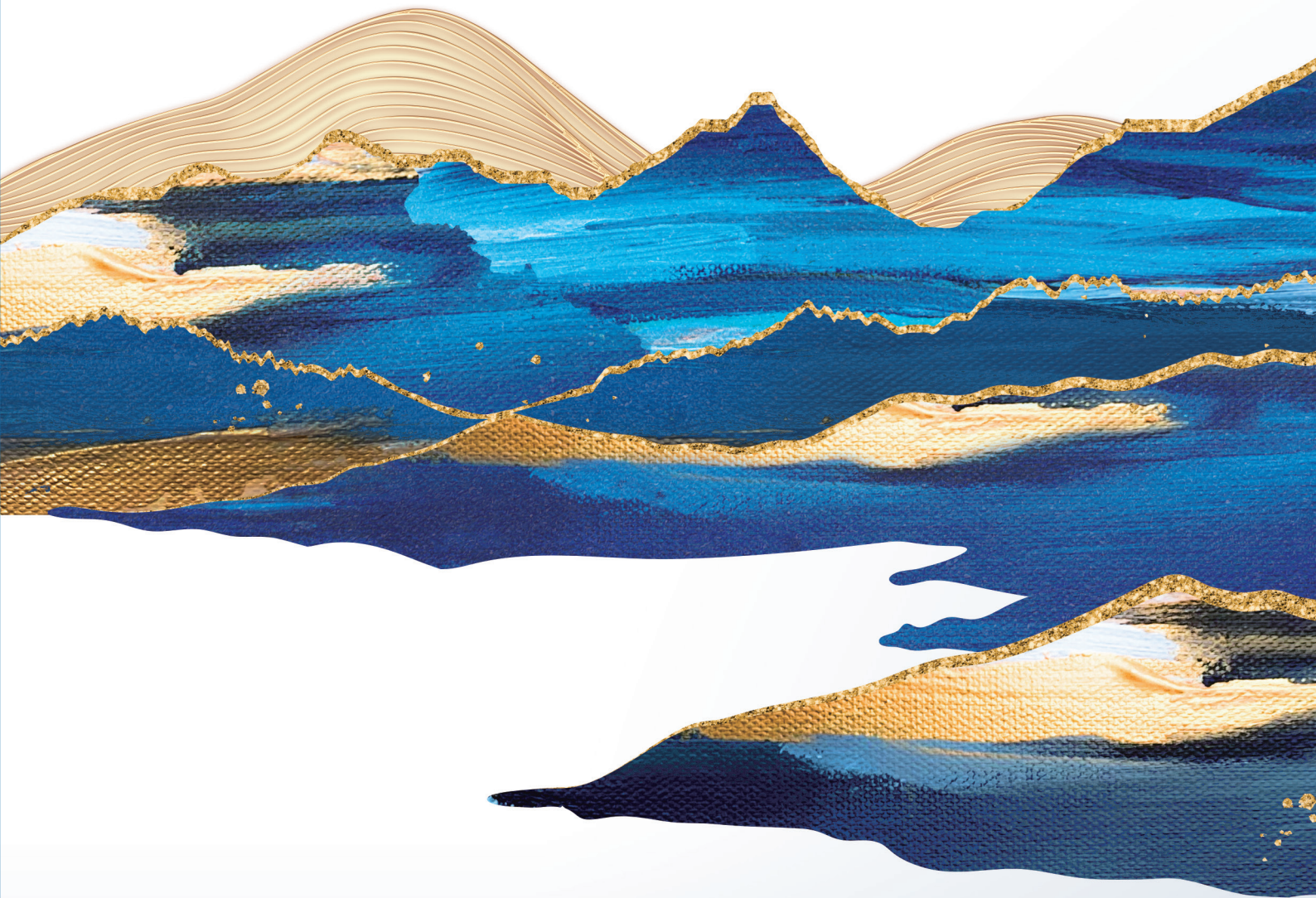
MAANSHAN IRON & STEEL COMPANY LIMITED

H Share Code: 323

A Share Code: 600808

2023

Interim Report



Contents

| | | |
|------|---|----|
| I | Definitions | 2 |
| II | Company Introduction and Major Financial Indicators | 5 |
| III | Management Discussion and Analysis. | 8 |
| IV | Corporate Governance | 39 |
| V | Environmental and Social Responsibility | 41 |
| VI | Significant Events | 51 |
| VII | Movements in Share Capital and Shareholders | 62 |
| VIII | Financial Statements | 69 |

| | |
|-----------------------------------|--|
| DOCUMENT AVAILABLE FOR INSPECTION | <p>A copy of the interim report signed by the chairman of the Board.</p> <p>Financial statements signed and sealed by the Company's legal representative, chief accountant and head of Accounting Department.</p> <p>Original copies of all documents and announcements of the Company disclosed in Shanghai Securities News, the website of the Shanghai Stock Exchange and the website of the Hong Kong Stock Exchange during the Reporting Period.</p> <p>Interim report announced on the website of the Hong Kong Stock Exchange.</p> <p>The Articles of Association of the Company.</p> <p>Other Related Information.</p> |
|-----------------------------------|--|

IMPORTANT NOTICE

- The board of directors (the "Board"), the supervisory committee, the directors, the supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from this interim report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report.
- All directors of the Company attended the Board meeting.
- This interim report has not been audited, but reviewed by the Audit Committee of the Company.
- Mr. Ding Yi, representative of the Company, Mr. Ren Tianbao, person overseeing the accounting operations, and Mr. Xing Qunli, head of Accounting Department, make representations in respect of the truthfulness, accuracy and completeness of the financial statements contained in the interim report.
- Profit distribution plan or plan for the capitalisation of capital reserve was not considered by the Board.
- Risk relating to forward-looking statements
The report analyses major risks faced by the Company. Please refer to "(I) Potential risks" of "V. Other Disclosures" in Section III "Management Discussion and Analysis" of the report for details. Future plans and other forward-looking statements contained in this report do not constitute any substantive commitments to investors by the Company. Investors should be fully aware of the risks.
- During the Reporting Period, no appropriation of fund on a non-operating basis by the controlling shareholder or other related parties was found in the Company.
- During the Reporting Period, there is no violation of regulations, decisions or procedures in relation to provisions of external guarantees.
- During the Reporting Period, there is no situation that more than half of the directors cannot guarantee the authenticity, accuracy and completeness of the interim report disclosed by the Company.
- Significant risk warning
The Company has no significant risk that needs to draw special attention of investors.
- Others
This report is prepared in both Chinese and English. In the event of any discrepancy between the Chinese and English versions, please subject to Chinese text.

I Definitions

In this report, unless the context otherwise requires, the following terms have the following meanings:

DEFINITION OF COMMON WORDS

| | | |
|--|-------|---|
| “Company” or “the Company” or “Magang Stock/Masteel” | means | Maanshan Iron and Steel Company Limited |
| The Group, Masteel Group | means | the Company and its subsidiaries |
| China Baowu or Baowu | means | China Baowu Steel Group Co., Ltd., the controlling shareholder of the Holding |
| Baosteel Investment | means | Baosteel Hong Kong Investment Company Limited, a wholly-owned subsidiary of China Baowu |
| The Holding | means | Magang (Group) Holding Company Limited, the direct controlling shareholder of the Company |
| Shareholders’ General Meeting | means | the Shareholders’ General Meeting of the Company |
| The Board | means | the board of directors of the Company |
| Strategic Development Committee | means | the Strategic and Sustainable Development Committee of the Board of the Company |
| Audit Committee | means | the Audit and Compliance Committee of the Board of the Company, formerly known as the Audit Committee (審核(審計)委員會) |
| Directors | means | the directors of the Company |
| Supervisory Committee | means | the supervisory committee of the Company |
| Supervisors | means | the supervisors of the Company |
| Senior Management | means | the senior management of the Company |
| Hong Kong Stock Exchange | means | The Stock Exchange of Hong Kong Limited |
| SSE | means | Shanghai Stock Exchange |

I Definitions (Continued)

DEFINITION OF COMMON WORDS (CONTINUED)

| | | |
|---------------------------------|-------|---|
| A Shares | means | a nominal value of RMB1.00 per share, which are listed on the SSE |
| H Shares | means | a nominal value of RMB1.00 per share, which are listed on the Hong Kong Stock Exchange |
| PRC | means | the People's Republic of China |
| Hong Kong | means | the Hong Kong Special Administrative Region |
| RMB | means | Renminbi Yuan |
| CSRC | means | China Securities Regulatory Commission |
| CISA | means | China Iron and Steel Association |
| The Articles of Association | means | The articles of association of Maanshan Iron and Steel Company Limited |
| Changjiang Steel | means | Anhui Changjiang Steel Co., Ltd., a controlling subsidiary of the Company |
| Ma Steel (Hefei) | means | Ma Steel (Hefei) Iron & Steel Co., Ltd., a controlling subsidiary of the Company |
| Baowu Finance | means | Baowu Group Finance Co., Ltd., a subsidiary of China Baowu |
| Magang Finance | means | Magang Group Finance Co. Ltd., a controlling subsidiary of the Company, was cancelled in April 2023 after being absorbed and merged by Baowu Finance as approved at the general meeting on 29 December 2022. It was no longer included in the scope of consolidation from May 2023. |
| Masteel Transportation Material | means | Baowu Group MaSteel Rail Transportation Material Technology Co., Ltd., a wholly-owned subsidiary of the Company |
| MG-VALDUNES | means | MG-VALDUNES S.A.S, a wholly-owned subsidiary of the Company |

I Definitions (Continued)

DEFINITION OF COMMON WORDS (CONTINUED)

| | | |
|------------------------------|-------|---|
| Ma Steel (Hong Kong) | means | Ma Steel (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company |
| Inventories and receivables | means | Utilization of funds on inventories and accounts receivable |
| Equity Incentive Plan | means | The 2021 Restricted A Share Incentive Plan of the Company |
| “Double 8” traction strategy | means | 8 core indicator projects aiming at improving 8 core indicators such as molten iron cost and 8 quick-win projects for product structure adjustments |
| Reporting Period | means | From 1 January 2023 to 30 June 2023 |

Section II Company Introduction and Major Financial Indicators

1. COMPANY PROFILE

| | |
|---|---------------------------------------|
| Statutory Chinese name of the Company | 馬鞍山鋼鐵股份有限公司 |
| Statutory Chinese short name of the Company | 馬鋼股份 |
| Statutory English name of the Company | Maanshan Iron & Steel Company Limited |
| Statutory English short name of the Company | MAS C.L. |
| Legal representative of the Company | Ding Yi |

2. CONTACT PERSON AND METHODS

| | Secretary to the Board | Joint company secretary | |
|------------------------|---|---|--|
| Name | Ren Tianbao | He Hongyun | Rebecca Chiu |
| Correspondence address | No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC | No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC | Room 1204-06, 12/F, The Hong Kong Chinese Bank Building, 61 Des Voeux Road Central, Hong Kong, the PRC |
| Telephone | 86-555-2888158/2875251 | 86-555-2888158/2875251 | (852)21552649 |
| Fax | 86-555-2887284 | 86-555-2887284 | (852)21559568 |
| Email address | mggf@baowugroup.com | mggf@baowugroup.com | rebeccachiu@chiuandco.com |

3. BASIC INFORMATION

| | |
|--|---|
| Registered address | No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province |
| Historical changes of the Company's registered address | January 1993 to June 2009, No. 8, Hongqi Middle Road, Maanshan City, Anhui Province; June 2009 to present, No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province |
| Office address | No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province |
| Postal code of the office address | 243003 |
| The Company's website | www.magang.com.cn (A Shares); www.magang.com.hk (H Shares) |
| Email address | mggf@baowugroup.com |

4. INFORMATION DISCLOSURE AND CHANGES IN LOCATION FOR INSPECTION

| | |
|--|-------------------------------------|
| Name of newspaper designated for information disclosure | Shanghai Securities News |
| Internet website for interim report publication | www.sse.com.cn: www.hkex.com.hk |
| Location for inspection of interim report of the Company | The secretariat office of the Board |

Section II Company Introduction and Major Financial Indicators (Continued)

5. BRIEF INFORMATION ON THE SHARES OF THE COMPANY

| Type of shares | Stock exchange for listing of shares | Short name of stock | Stock code |
|----------------|--------------------------------------|-----------------------|------------|
| A Shares | SSE | Magang Stock | 600808 |
| H Shares | Hong Kong Stock Exchange | Maanshan Iron & Steel | 00323 |

The address of the A share registrar of the Company: China Securities Depository and Clearing Company Limited Shanghai Branch, No. 188 Yanggao South Road, Pudong New District, Shanghai, the PRC.

The address of the H share registrar of the Company: Hong Kong Registrars Limited, Room 1712-1716, Level 17, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

6. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(1) Major accounting data

Unit: RMB

| Major accounting data | Reporting Period (January to June) | Corresponding period of the previous year | Increase/decrease at the Reporting Period compared to the same period of the previous year (%) |
|---|---------------------------------------|---|---|
| Revenue | 48,980,452,872 | 56,366,882,559 | -13.10 |
| Net profit attributable to owners of the parent | -2,235,498,496 | 1,427,570,875 | -256.59 |
| Net profit excluding non-recurring gains or losses attributable to owners of the parent | -2,628,980,022 | 1,140,842,321 | -330.44 |
| Net cash flows from operating activities | 1,910,429,612 | 3,378,563,965 | -43.45 |

| | As at the end of the Reporting Period | As at the end of previous year | Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%) |
|---|---|-----------------------------------|---|
| Net assets attributable to owners of the parent | 26,856,392,704 | 29,194,825,322 | -8.01 |
| Total assets | 83,436,327,222 | 96,887,310,222 | -13.88 |
| Total share capital | 7,769,787,186 | 7,775,731,186 | -0.08 |

Section II Company Introduction and Major Financial Indicators (Continued)

6. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (CONTINUED)

(2) Major financial indicators

| Major Financial Indicators | Reporting Period (January to June) | Corresponding period of the previous year | Increase/decrease at the Reporting Period compared to the same period of the previous year (%) |
|---|---------------------------------------|---|---|
| Basic earnings per share (<i>RMB/share</i>) | -0.289 | 0.185 | -256.22 |
| Diluted earnings per share (<i>RMB/share</i>) | -0.289 | 0.185 | -256.22 |
| Basic earnings per share excluding non-recurring gains or losses (<i>RMB/share</i>) | -0.340 | 0.147 | -331.29 |
| Return on net assets (weighted average) (%) | -7.95 | 4.44 | Decreased by 12.39 percentage points |
| Return on net assets excluding non-recurring gains or losses (weighted average) (%) | -9.35 | 3.55 | Decreased by 12.90 percentage points |

7. NON-RECURRING GAINS OR LOSSES ITEMS AND AMOUNT

Unit: RMB

| Non-recurring gains or losses items | Amount |
|--|--------------------|
| Gains or losses from disposal of non-current assets | 16,883,791 |
| Government grants recognised in current period profit or loss (excluding those closely related to the Company's ordinary business, conforming to the national policies and regulations and enjoying ongoing fixed amount or quantity according to certain standards) | 52,456,933 |
| Profit or loss on exchange of non-monetary assets | 334,259,810 |
| Except for the effective hedging business related to the ordinary business of the Company, profit or loss on change in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities as well as investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments | 2,139,084 |
| Gain from disposal of an associate | -4,370,587 |
| Net non-recurring income or expenses other than the above items | 1,270,382 |
| Less: Income tax effect | -5,800,821 |
| Non-controlling interests effect (net of tax) | -3,357,066 |
| Total | 393,481,526 |

Section III Management Discussion and Analysis

1. INTRODUCTION OF THE COMPANY'S INDUSTRY PERFORMANCE AND MAJOR BUSINESSES DURING THE REPORTING PERIOD

(1) Main business and operation model

As one of the largest iron and steel producers and sellers in China, the Company's major businesses are production and sales of iron and steel products; the main production processes include iron making, steel making, steel rolling, etc. Major products of the Company are steel, which is composed of four product series of "excellent special steel, wheels and axles, long products and plates". It has automobile plate, household appliance plate, pickling plate, container plate, ship plate, zinc aluminum magnesium, heavy H-section steel, railway vehicle materials, H-section steel for offshore oil platform, medium profile mining steel, low-temperature reinforcement, energy steel, high-speed wheel and other high-end products, which are widely used in aviation, railway, ocean, automobile, household appliance, shipbuilding, construction, machinery manufacturing and other fields and national key projects with broad market prospects.

Excellent special steel series: Major products include continuous casting round billet, special steel bar and industrial wire rod. Continuous casting round billet is mainly used in wheel, axle, wind power, energy and other industries. Special steel bar is mainly used in axle for rail transit, bearing gear for machinery, gear for automobile, bearing, spring, combined steel, etc. Industrial wire rod is mainly used for high carbon steel, cold heading steel, spring steel, bearing steel, excellent carbon steel, etc. for automobile machinery.

Wheels and axles series: Major products include train wheels, axles and rings, which are widely used in railway transport, port machinery, petrochemical industries, aerospace industry, and so forth.

Long products series: Major products include section steel and wire rod. Section steel is mostly used in construction, steel structures, machinery manufacturing and the construction of petroleum drilling platforms and railways. Hot-rolled ribbed bars are mainly used in construction. High-speed wire rod products are mostly used in construction, the production of fasteners, strand steel wires and spring steel wires.

Plates series: Major products include hot and cold-rolled thin plates, galvanized plates and coil coating plates. Hot-rolled thin plates are mostly used in the construction, automobile, bridge building, machinery businesses and petroleum transportation, while cold-rolled thin plates are used in high-grade light industries, home electrical appliances, and medium and high-grade production of automobile parts. Galvanized plates are positioned to be used as automobile plates, home electrical appliances plates, high-grade construction plates, and plates for businesses like packaging and utensil manufacturing. Coil-coating plates can be used in both interior and exterior of buildings, home electrical appliances and steel windows.

Section III Management Discussion and Analysis (Continued)

1. INTRODUCTION OF THE COMPANY'S INDUSTRY PERFORMANCE AND MAJOR BUSINESSES DURING THE REPORTING PERIOD (CONTINUED)

(1) Main business and operation model (Continued)

The Company adopts different business models for different products. The products of excellent special steel are mainly operated in the form of direct supply terminal sales; wheels and axles are mainly operated in the form of direct supply terminal sales; long products are mainly operated in the form of direct supply for projects and spot sales based on storages in provinces; plate products are mainly operated in the form of direct supply terminal sales, and supplemented by sales through dealers.

During the Reporting Period, the major businesses, main products and their usages, operation modes, major driving factors of performance did not experience substantial changes.

(2) Steel industry during the Reporting Period

During the Reporting Period, China's national economy continued to recover and grow steadily with a GDP growth of 5.5% in the first half of the year. China produced 452 million tonnes of pig iron, 536 million tonnes of crude steel and 677 million tonnes of steel, respectively, representing a year-on-year increase of 2.7%, 1.3% and 4.4%, respectively. However, steel enterprises are still confronted with great challenges in production and operation due to the circumstances of weaker-than-expected demand, higher decrease in steel prices than steel costs and significant decline in the overall efficiency of the iron and steel industry.

So far this year, the average level of steel prices has decreased year-on-year, showing a trend of narrow fluctuations. The average value of the steel price index for the Chinese domestic market was 113.21 points, representing a year-on-year decrease of 15.4%. In particular, the average value of price index for long products was 117.53 points, representing a year-on-year decrease of 15.5%; and the average value of price index for plates was 113.51 points, representing a year-on-year decrease of 13.9%. (Data source: National Bureau of Statistics, China Iron and Steel Association)

Section III Management Discussion and Analysis (Continued)

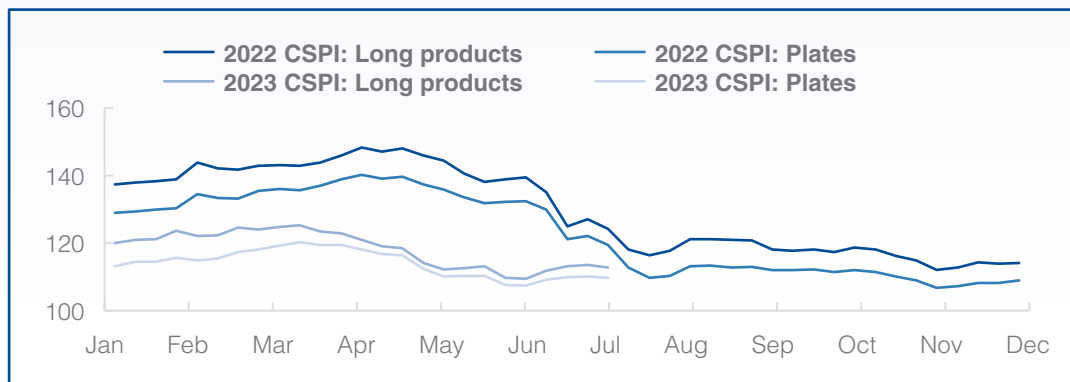
1. INTRODUCTION OF THE COMPANY'S INDUSTRY PERFORMANCE AND MAJOR BUSINESSES DURING THE REPORTING PERIOD (CONTINUED)

(2) Steel industry during the Reporting Period (Continued)

Figure 1 China Steel Composite Price Index since 2022



Figure 2 Long Products and Steel Plates Price Indices since 2022



The procurement cost of raw fuel has decreased, and the price of imported ores is still at a high level. In the first half of the year, the average import price of iron ore was USD114.5 per ton, representing a year-on-year decrease of 11.7%.

Section III Management Discussion and Analysis (Continued)

2. THE COMPANY'S CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

(1) Synergy advantage

The Company actively integrated into the ecosystem of China Baowu, deepened the all-round benchmarking and difference finding, and continued to further promote the coordinated cost reduction of the Group based on the project. Through the coordination in planning, manufacturing, marketing, procurement, R&D, services and other aspects, the Company continued to enhance the purchasing and bargaining power, optimise the sales channels, innovate the marketing model, and break through the technical bottleneck. Through management benchmarking and implementation of technical support projects, the Company improved economic and technical indicators, and comprehensively improved the comprehensive competitiveness of the Company.

(2) Location advantage

The Company is located in the bridgehead position of Anhui Province integrating into the national strategy of Yangtze River Delta integration development, located in the two metropolitan areas of Nanjing and Hefei, closing to the downstream market with great market demand potential and closed to the riverside with convenient transportation.

(3) Product structure advantage

The unique product structure of “excellent special steel, wheels and axles, long products and plates” enables the Company to allocate resources flexibly, so as to enlarge the percentage of high value-added products.

(4) Variety matching advantage

The three major iron and steel production bases of the headquarters, Changjiang Steel and Ma Steel (Hefei) have complete supporting varieties and professional production level, and the scale advantage of complete supporting varieties and specifications can be actively used to realize the management and control operation mode of “one headquarters with multiple bases”, and improve the market share and brand influence.

(5) Technical advantage

As at the end of the Reporting Period, the Group had owned 2,567 valid patents, including 1,312 invention patents; 20 foreign invention patents and 4,991 technical know-hows; and owned 84, 67 and 23 independent intellectual property rights and core technologies for high-speed wheel, H-beam and cold heading steel, respectively.

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION

(1) Operating results and measures on main tasks

1. *Operating results*

In the first half of 2023, the Company faced a challenging market environment externally and a rigorous test of “four phases” internally, including strategic transformation, project construction, product mix upgrading, and operating quality improvement in industry winter, causing immense pressure in production and operation. By firmly adhering to “focus on performance, responsibility, strict execution, and performance-based assessment” as the main thread of work, the Company conducted comprehensive benchmarking, optimized variety structure, strengthened technological support, and innovated institutional mechanisms, however, the overall operational performance did not meet expectations.

During the Reporting Period, the Group produced 9.39 million tons of pig iron, produced 10.29 million tons of crude steel and produced 10.13 million tons of steel, representing a year-on-year decrease of 2.39%, 6.28% and 5.33%, respectively (of which the Company produced 7.83 million tons of pig iron, representing a year-on-year increase of 4.82%, produced 8.71 million tons of crude steel, representing a year-on-year decrease of 1.91%, and produced 8.47 million tons of steel, representing a year-on-year increase of 2.05%). Calculated in accordance with Chinese Accounting Standards for Business Enterprises, the Group’s revenue for the Reporting Period amounted to RMB48,980 million, representing a year-on-year decrease of 13.1%; net loss attributable to shareholders of the listed company amounted to RMB2,235 million, representing a year-on-year decrease of 256.59%; basic earnings per share amounted to RMB-0.289, representing a year-on-year decrease of 256.22%. As at the end of the Reporting Period, the Group’s total assets amounted to RMB83,436 million, representing a year-on-year decrease of 13.88%; net assets attributable to shareholders of the listed company amounted to RMB26,856 million, representing a year-on-year decrease of 8.01%.

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Operating results and measures on main tasks (Continued)

2. Main tasks and results

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

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Operating results and measures on main tasks (Continued)

2. *Main tasks and results (Continued)*

the Company broadened the resource channels, deepened lean procurement, promoted the ecosphere coordination to reduce costs, and reduce inventory based on achieving economical and safe supply. During the Reporting Period, the eight quick-win projects of the Company for structural adjustments accumulated a total of 656,000 tonnes in orders, the wheels produced by the Company became an exclusive supply for the first domestic interprovincial inter-city railway, the Chuzhou-Nanjing Inter-City Railway, the first batch of 32 pieces of wheels for type C regional EMUs were successfully delivered, low-temperature resistant rebar was applied in multiple LNG projects, and supply for two new automotive manufacturers with 17 galvanized outer plate components were secured.

- (3) **Accelerating the transformation and upgrading.** During the Reporting Period, key projects such as the section steel upgrading project in the southern area of Masteel – 2# continuous casting machine and the new special steel project (Phase I) were successfully completed and put into production, laying a crucial foundation for accelerating the transformation and upgrading of the Company, building a differentiated competitive advantage for new special steel products and cultivating a new growth point of efficiency. Especially the new special steel project (Phase I) put into production on 6 June 2023 achieved monthly production target in the first month. At present, the Company implements the variety structure quantity ramp-up plan focusing on “key products and high-end products” of new special steel production line. As at the end of June 2023, the Company has developed 27 new products and obtained certification for 25 new products.

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Operating results and measures on main tasks (Continued)

2. Main tasks and results (Continued)

- (4) **Insisting on the green development.** Firstly, in accordance with the relevant requirements of the Ministry of Ecology and Environment, the Company has undertaken further optimization and rectification measures for the exhaust emissions from heating furnaces. By implementing optimization of operations and improving gas balance, the Company achieved a continuous and stable ultra-low emission, which was recognized by the Ministry of Ecology and Environment and the China Iron and Steel Association. Secondly, to consolidate the achievements in ultra-low emission, the Company developed a standardized operational management plan. Weekly inspections were conducted for the simultaneous operation of on-site environmental protection facilities, ultra-low emission compliance operation, unorganized emission control, and the on-site overall environmental renovation. During the Reporting Period, the Company and Changjiang Steel achieved A-class environmental performance enterprise creation, signifying a new milestone in the journey towards green development of the Company. The Company was selected as one of the “China ESG Leading 100 Listed Companies” issued by China Media Group’s Economic and Financial Program Center in collaboration with the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), All-China Federation of Industry and Commerce (ACFIC) and the Chinese Academy of Social Sciences (CASS).
- (5) **Reinforcing technological support.** The Company placed technological innovation at the core of high-quality development, continuously shaping new drivers and advantages for its growth. The Company supported benefit creation of new products, proactively promoted the production of new high-benefit products, and made efforts to accelerate the ramp-up of production of new special steel products, aiming to achieve benefit creation through the means of technology; the Company supported the solution of on-site problems, and established teams dedicated to tackling issues related to bottleneck and constraints such as ultimate efficiency, manufacturing cost reduction, quality improvement, and energy conservation and strived to make technological breakthroughs, driving improvements in key indicators; the Company supported process optimization, and the technical units provided technological support in various areas such as product design, casting and rolling of billets, improvement of billet quality, transition from electric furnaces to convertor for special steels, and hot charging and hot delivery processes; the Company supported market expansion, and deepened EVI technology services to build a differentiated competitive advantage.

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Operating results and measures on main tasks (Continued)

2. Main tasks and results (Continued)

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

3. Cash flow

During the Reporting Period, the net increase in cash and cash equivalents of the Group was RMB0.856 billion, compared with RMB0.508 billion in the previous year. Among them, the net cash inflow from operating activities was RMB1.910 billion, compared with RMB3.379 billion in the previous year, with a year-on-year decrease of RMB4.523 billion, mainly due to the decrease in cash received from the sale of goods and the provision of labor services. The net cash inflow from investing activities was RMB3.103 billion, compared with net outflow of RMB2.139 billion in the previous year, with a year-on-year increase of RMB5.242 billion, mainly due to the year-on-year decrease in cash paid for investment by Finance Company. The net cash outflow from financing activities was RMB4.186 billion, compared with the net outflow of RMB0.770 billion in the previous year, mainly due to the planned reduction of the size of interest-bearing liabilities according to the Company's business strategy during the period, and the increase of loan repayment amount while ensuring the demand for production and operation funds.

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Operating results and measures on main tasks (Continued)

4. *Financial position and exchange risks*

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

The amount of all loans of the Group changed with the scale of production and construction. At present, the Company finances its construction projects mainly with its own funds. There was no overdue loan during the Reporting Period. At the end of the Reporting Period, banking facilities available to the Group amounted to approximately RMB71.917 billion, of which the unutilised facilities amounted to approximately RMB37.461 billion.

The Group's imports of raw materials are mainly settled in US dollars, imported equipment and spare parts are settled in Euro or Japanese Yen, and export products are settled in US dollars. During the Reporting Period, US dollars paid for imported raw materials were settled by handling forward foreign exchange as necessary while locking the purchase exchange rate of U.S. dollars. The amount of equipment purchased from Europe and Japan is small, and the purchase payment is relatively insignificant as affected by exchange rate fluctuation.

5. *Internal control and risk management*

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

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Operating results and measures on main tasks (Continued)

5. *Internal control and risk management (Continued)*

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

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

The Board heard the 2022 Comprehensive Risk Management and Internal Control Work Report on 30 March 2023 and reviewed 2023 Comprehensive Risk Management and Internal Control Work Promotion Plan, confirming that the Company would take appropriate control measures for strategic risks, financial risks, market risks, operational risks, legal risks and environmental risks, etc. in 2022 and the risks were under control. During the Reporting Period, the Company evaluated the risks, formulated the measures for identified risks, and carried out key prevention and control to ensure that the risks were under control.

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

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(2) The environment for production and operation and coping strategies

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

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

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

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(2) The environment for production and operation and coping strategies (Continued)

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

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

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

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

Section III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(2) The environment for production and operation and coping strategies (Continued)

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

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

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

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD

(1) Analysis of principal operations

1. Analysis of changes in relevant items in the financial statements

Unit: RMB

| Accounts | Amount of the current period | Amount of the same period of last year | Change (%) |
|--|------------------------------|--|------------|
| Revenue | 48,980,452,872 | 56,366,882,559 | -13.10 |
| Cost of sales | 49,523,478,031 | 52,616,766,538 | -5.88 |
| Selling expenses | 177,901,863 | 128,478,727 | 38.47 |
| General and administrative expenses | 456,380,406 | 628,974,051 | -27.44 |
| Financial expenses | 178,963,793 | 324,095,963 | -44.78 |
| R&D expenses | 643,423,988 | 663,418,837 | -3.01 |
| Net cash flows from operating activities | 1,910,429,612 | 3,378,563,965 | -43.45 |

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(1) Analysis of principal operations (Continued)

1. Analysis of changes in relevant items in the financial statements (Continued)

| Accounts | Amount of the current period | Amount of the same period of last year | Change (%) |
|--|------------------------------|--|------------|
| Net cash flows from investing activities | 3,103,866,889 | -2,139,922,312 | N/A |
| Net cash flows from financing activities | -4,186,460,774 | -770,441,348 | N/A |
| (Losses)/gains on the changes in fair value | -34,558,767 | 56,378,972 | -161.30 |
| Credit impairment gains/(losses) | 40,958,117 | 10,845,117 | 277.66 |
| Gains from disposal of assets | 16,883,791 | 420,584,323 | -95.99 |
| Operating (losses)/profit | -2,362,608,534 | 1,947,036,359 | -221.34 |
| (Losses)/profit before tax | -2,361,338,152 | 1,873,342,133 | -226.05 |
| Income tax expense | 72,049,656 | 257,565,942 | -72.03 |
| Net (losses)/profit | -2,433,387,808 | 1,615,776,191 | -250.60 |
| Net profit/(losses) attributable to owners of the parent | -2,235,498,496 | 1,427,570,875 | -256.59 |
| Profit or loss attributable to non-controlling interests | -197,889,312 | 188,205,316 | -205.15 |

Compared with the same period of last year, the main changes and reasons are as follows:

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

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

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(1) Analysis of principal operations (Continued)

1. Analysis of changes in relevant items in the financial statements (Continued)

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

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

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

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

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

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

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

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

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

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(1) Analysis of principal operations (Continued)

1. Analysis of changes in relevant items in the financial statements (Continued)

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

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

2. Industry and Product Analysis

Unit: million RMB

| PRINCIPAL OPERATIONS BY INDUSTRY | | | | | | |
|----------------------------------|------------------|---------------|-------------------------|--|--|--|
| By industry | Revenue of sales | Cost of sales | Gross profit margin (%) | Year-on-year increase or decrease in revenue (%) | Year-on-year increase or decrease in cost of sales (%) | Year-on-year increase or decrease in gross profit margin (%) |
| Steel industry | 44,999 | 47,581 | -5.74 | -13.84 | 1.58 | Decreased by 15.97 percentage points |

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(1) Analysis of principal operations (Continued)

2. Industry and Product Analysis (Continued)

| PRINCIPAL OPERATIONS BY PRODUCT | | | | | | |
|---------------------------------|------------------|---------------|-------------------------|--|--|--|
| By product | Revenue of sales | Cost of sales | Gross profit margin (%) | Year-on-year increase or decrease in revenue (%) | Year-on-year increase or decrease in cost of sales (%) | Year-on-year increase or decrease in gross profit margin (%) |
| Long products | 19,534 | 20,692 | -5.93 | -16.72 | -5.76 | Decreased by 12.13 percentage points |
| Plates | 20,607 | 22,069 | -7.09 | -14.11 | 7.12 | Decreased by 21.22 percentage points |
| Wheels and axles | 1,318 | 1,132 | 14.11 | -6.19 | -9.73 | Increased by 3.36 percentage points |

During the Reporting Period, the principal operation income of the Group amounted to RMB47,624 million, of which the steel industry income amounted to RMB44,999 million, accounting for 94% of the principal operation income. There was no significant change in the proportion. The sales volume of steel was approximately 1,020 million tonnes, of which the sales volume of long products, plates and wheels and axles were 5.27 million tonnes, 4.82 million tonnes and 120,000 tonnes, respectively; exported 390,000 tonnes of steel, accounting for 3.85% of the total sales volume of steel.

3. *There is no significant change in the business type, profit composition or profit source of the Company in the current period*

(2) There is no material change in profit due to non-principal business

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(3) Analysis of assets and liabilities

1. Assets and liabilities

Unit: million RMB

| Item | Closing balance of the current period | Percentage of closing balance of the current period in total assets (%) | Closing balance of last year | Percentage of closing balance of last year in total assets (%) | Year-on-year change (%) |
|---|---------------------------------------|---|------------------------------|--|-------------------------|
| Cash and bank balances | 6,360,496,388 | 7.62 | 6,534,701,307 | 6.74 | -2.67 |
| Financial assets held for trading | - | - | 625,997,138 | 0.65 | -100.00 |
| Notes receivables | 524,560,869 | 0.63 | 1,933,419,913 | 2.00 | -72.87 |
| Inventories | 10,617,168,517 | 12.72 | 10,244,541,734 | 10.57 | 3.64 |
| Financial assets purchased under agreements to resell | - | - | 2,680,209,514 | 2.77 | -100.00 |
| Loans and advances to customers | - | - | 2,644,197,648 | 2.73 | -100.00 |
| Other current assets | 488,968,879 | 0.59 | 9,763,174,357 | 10.08 | -94.99 |
| Total current assets | 22,439,153,612 | 26.89 | 39,317,078,246 | 40.58 | -42.93 |
| Long-term receivables | 0 | 0.00 | 4,136,391 | 0.00 | -100.00 |
| Long-term equity investments | 7,038,429,148 | 8.44 | 4,449,421,983 | 4.59 | 58.19 |
| Investment properties | 56,202,287 | 0.07 | 57,207,919 | 0.06 | -1.76 |
| Property, plant and equipment | 41,601,215,751 | 49.86 | 42,432,233,911 | 43.80 | -1.96 |
| Construction in progress | 9,627,969,434 | 11.54 | 7,766,555,935 | 8.02 | 23.97 |
| Right-of-use assets | 273,090,065 | 0.33 | 289,244,099 | 0.30 | -5.58 |
| Other non-current assets | 6,163,812 | 0.01 | 4,020,703 | 0.00 | 53.30 |
| Customer deposits | - | - | 9,082,110,579 | 9.37 | -100.00 |
| Repurchase agreements | - | - | 659,635,255 | 0.68 | -100.00 |
| Short-term loans | 8,773,620,958 | 10.52 | 9,198,483,165 | 9.49 | -4.62 |
| Payroll and employee benefits payable | 166,541,362 | 0.20 | 488,255,914 | 0.50 | -65.89 |
| Non-current liabilities due within one year | 3,200,841,489 | 3.84 | 2,059,412,922 | 2.13 | 55.42 |
| Long-term loans | 7,250,337,107 | 8.69 | 7,982,390,765 | 8.24 | -9.17 |
| Lease liabilities | 298,224,844 | 0.36 | 305,546,394 | 0.32 | -2.40 |
| Long-term payables | 105,928,072 | 0.13 | 168,053,940 | 0.17 | -36.97 |
| Deferred tax liabilities | 200,100 | 0.00 | 3,397,498 | 0.00 | -94.11 |
| Other comprehensive income | 12,340,363 | 0.01 | -30,006,411 | -0.03 | -141.13 |
| General reserve | - | - | 271,501,110 | 0.28 | -100.00 |

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(3) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Compared with the end of last year, the main changes and reasons are as follows:

Financial assets held for trading, financial assets purchased under agreements to resell, loans and advances to customers, customer deposits, repurchase agreements and general reserve all decreased to zero, mainly due to the absorption and merger of Magang Finance by Baowu Finance in the current period, and the Company ceased to include financial statements of Magang Finance.

Notes receivables decreased by 72.87%, mainly due to the increase in notes payment ratio by the Company to ensure the safety of funds and improve the operating cash flow.

Other current assets decreased by 94.99%, mainly due to the absorption and merger of Magang Finance by Baowu Finance in the current period, and the Company no longer merged the interbank deposits in the financial statements of Magang Finance.

Long-term equity investments increased by 58.19%, mainly due to the fact that the Company increased the capital of Baowu Finance with 91% equity interest of Magang Finance, which was accounted in accordance with the joint venture investment item.

Other non-current assets increased by 53.30%, mainly due to the increase in reclassification of long-term prepayments in the current period.

Payroll and employee benefits payable decreased by 65.89%, mainly due to the fact that the accrued but unpaid social insurance premiums were paid in the current period as a result of the adjustment of the social insurance base at the end of last year, and the accrued but unpaid salary at the end of last year was paid in the current period.

Long-term liabilities due within one year increased by 55.42%, mainly due to the increase in the transfer of long-term loans due within one year.

Deferred tax liabilities decreased by 94.11%, mainly due to the decrease in deferred income tax of subsidiaries.

Long-term payables decreased by 36.97%, mainly due to the withdrawal of certain equity incentive participants in the current period and the Company's repurchase and cancellation of the unlocked restricted shares held by the Company.

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(3) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Other comprehensive income amounted to RMB12 million, compared with RMB-30 million at the end of last year, which was mainly due to the large fluctuation of exchange rate in the current period, the appreciation of foreign currency compared with RMB and the increase of translation difference of foreign currency statements.

2. Overseas assets

(1) Scale of assets

The overseas assets amounted to RMB1.45 billion, accounting for 1.74% of the total assets.

3. Major restricted assets at the end of the Reporting Period

At the end of the Reporting Period, the aggregate restricted assets of the Company amounted to approximately RMB1,540 million, among that: bank deposits for bank acceptance notes amounted to approximately RMB908 million, and bank acceptance bill of RMB632 million pledged to banks for short-term loans.

(4) Investment analysis

1. General analysis of external equity investments

Unit: million RMB

| | |
|--|--------|
| Investment amount as at the end of the Reporting Period of the Company | 13,523 |
| Changes in investment amount | 639 |
| Investment amount as at the end of previous year of the Company | 12,884 |
| Increase/decrease in investment amount (%) | 4.96 |

- In April 2023, the absorption and merger of the controlling subsidiary Magang Group Finance Co. Ltd. by Baowu Group Finance Co., Ltd. was completed, and Maanshan Iron and Steel Group Finance Co., Ltd. was cancelled. The Company holds 29.68% equity interests of Baowu Group Finance Co., Ltd.
- In May 2023, the Company transferred 16.14% equity interests of Ouyeel Factoring to Shanghai Ouyeel Financial Information Service Co., Ltd. at a price of RMB162 million, and the Company no longer holds equity interests of Ouyeel Factoring.

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Investment analysis

1. General analysis of external equity investments (Continued)

(1) Significant Equity Investment

Applicable Not applicable

(2) Significant Non-equity Investment

Unit: million RMB

| Project name | Budgeted investment | New investment during the Reporting Period | Project progress |
|---|---------------------|--|------------------|
| Product quality projects | 28,268 | 1,642 | 36% |
| Energy-saving and environment protection projects | 12,006 | 492 | 73% |
| Equipment advancement and other modification projects | 7,758 | 411 | 77% |
| Other projects | N/A | 574 | N/A |
| Total | / | 3,119 | / |

By the end of the Reporting Period, progresses of the major projects under construction were as follows:

Unit: million RMB

| Project name | Budget of total investment | Project progress |
|--|----------------------------|---------------------------------------|
| New special steel project | 8,457 | Put into operation of the first stage |
| Section steel upgrading project in the southern area of Masteel – 2# continuous casting machine | 569 | Put into operation |
| Production line planning supporting renovation of long products of Masteel – supporting renovation project of finishing and grinding capacity of special steel company | 344 | Equipment installation phase |
| Intellectual control center project of special steel company | 100 | Commissioning phase |
| Total | 9,470 | / |

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Investment analysis

1. General analysis of external equity investments (Continued)

(2) Significant Non-equity Investment (Continued)

Project construction fund of the Company comes from the Company's own fund and bank loans.

By the end of the Reporting Period, progresses of the major projects under construction of Changjiang Steel were as follows:

Unit: million RMB

| Project name | Budget of total investment | Project progress |
|---|----------------------------|-------------------------|
| Energy saving and emission reduction gasfired power generation project | 573 | Equipment installation |
| Smart manufacturing and informatization project | 402 | Basically completed |
| 220 kV electric transmission and transformation project of Chang Jiang Iron and Steel | 369 | Equipment installation |
| Sintering machine flue gas desulfurization and denitration project | 213 | Basically completed |
| Steelmaking 600,000 tonnes steel slag treatment project | 158 | Basically completed |
| Recovery and utilization of waste heat from electric furnace | 119 | Equipment commissioning |
| Phase II of smart manufacturing project of Changjiang Iron and Steel | 110 | Basically completed |
| Total | 1,944 | / |

The construction fund of Changjiang Steel comes from its own fund and bank loans.

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

- (5) During the Reporting Period, there was no significant disposal of the assets or equity
- (6) Analysis of the Group's major subsidiaries and investees

1. *Controlling subsidiary*

- (1) Anhui Changjiang Steel Co., Ltd. has a registered capital of RMB1,200 million, in which the Company holds a direct stake of 55%. It is mainly engaged in the production and distribution of ferrous metallurgy, screw threaded steel, round steel, section steel, angle steel, deformed steel, wire and rod; as well as the sales, import and export of iron ore, iron ore fines and scrap steel. The net loss for the Reporting Period amounted to RMB473 million. At the end of the Reporting Period, its total assets and net assets amounted to RMB10,736 million and RMB5,099 million, respectively.

During the Reporting Period, the revenue of Changjiang Steel from principal operation was RMB8,559 million, the loss therefrom was RMB219 million, and the net loss was RMB477 million, representing a year-on-year decrease of 279%, mainly due to the significant decrease in steel prices and the higher procurement cost of major raw fuel during the Reporting Period.

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(6) Analysis of the Group's major subsidiaries and investees

1. Controlling subsidiary (Continued)

- (2) Ma Steel (Hefei) Iron & Steel Co., Ltd. has a registered capital of RMB2,500 million, in which the Company holds a direct stake of 71%. It is mainly engaged in extended processing of iron and steel products, production and distribution of metallic products; agency sales of iron and steel products; technical services of iron and steel products and iron and steel industry related business. The net profit for the Reporting Period amounted to RMB23 million. At the end of the Reporting Period, the total assets and net assets amounted to RMB3,962 million and RMB3,419 million, respectively.
- (3) Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. has a registered capital of RMB1,486 million. It is principally engaged in the design, research and development, manufacturing, maintenance and sales of rail wheels, axles, wheel sets, bogies and other rail equipment. The net profit for the Reporting Period was RMB165 million, with total assets of RMB3,489 million and net assets of RMB1,984 million as at the end of the Reporting Period.
- (4) MG-VALDUNES, a wholly-owned subsidiary of the Company, has a registered capital of EUR150.2 million, and is mainly specialised in design, manufacturing, processing, putting into production, repairing and maintaining of all kinds of products and facilities applied in railway transportation, urban transportation and mechanical industry. In the Reporting Period, the net losses amounted to RMB86 million; at the end of the Reporting Period, the total assets and net assets were RMB507 million and RMB125 million, respectively.
- (5) The Company's wholly-owned subsidiary Maanshan Iron & Steel (Australia) Proprietary Limited has a registered capital of AUD21.7379 million and is mainly engaged in investment and trading. The net profit for the Reporting Period amounted to RMB36 million. At the end of the Reporting Period, it had total assets amounting to RMB144 million and net assets of RMB142 million.
- (6) The Company's wholly-owned subsidiary Ma Steel (Hong Kong) Co., Ltd. has a registered capital of HKD350 million, and is mainly engaged in trading of steel products and pig iron. The net profit for the Reporting Period amounted to RMB44 million. At the end of the Reporting Period, it had total assets amounting to RMB769 million and net assets of RMB556 million.

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(6) Analysis of the Group's major subsidiaries and investees 1. Controlling subsidiary (Continued)

2. Major investees

- (1) Henan Jinma Energy Co. Ltd. has a registered capital of RMB535.421 million and the Company directly holds 26.89% of its equity. It's mainly engaged in coke, coal tar, crude benzene, ammonium sulfate, coke oven gas production and sales; coke oven gas power generation, heat production. The net profit for the Reporting Period was approximately RMB16 million. At the end of the Reporting Period, its total assets and net assets were RMB11,786 million and RMB4,712 million, respectively.
- (2) Anhui Magang Chemicals & Energy Technology Co., Ltd. has a registered capital of RMB696.65 million and the Company directly holds 32% of its equity. It's mainly engaged in the research & development, production and sales of chemical products (excluding hazardous chemicals and precursor chemicals). The net profit for the Reporting Period was approximately RMB5 million. At the end of the Reporting Period, its total assets and net assets were RMB1,594 million and RMB1,072 million, respectively.
- (3) Shenglong Chemical Co., Ltd. has a registered capital of RMB568.8 million and the Company directly holds 31.99% of its equity. It's mainly engaged in the production and sales of coke, ammonium sulfate, and coal coke chemical products (excluding other dangerous chemicals); maintenance and processing of mechanical equipment (excluding special equipment). The net loss for the Reporting Period was approximately RMB54 million. At the end of the Reporting Period, the total assets and net assets were RMB7,446 million and RMB4,285 million, respectively.
- (4) Maanshan Ma Steel Linde Gases Company Limited has a registered capital of RMB468 million and the Company directly holds 50% of its equity. It's mainly engaged in the production and distribution of air or liquid form of air products as well as the preparation for other industrial gas products. During the Reporting Period, the net profit amounted to RMB56 million. At the end of the Reporting Period, the total assets and net assets were RMB661 million and RMB603 million, respectively.
- (5) Baowu Group Finance Co., Ltd. has a registered capital of RMB4,840 million and the Company directly holds 29.68% of its equity. It's mainly engaged in corporate group finance company services. During the Reporting Period, the net profit amounted to RMB103 million. At the end of the Reporting Period, the total assets and net assets were RMB70,069 million and RMB7,484 million, respectively.

Section III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(7) There is no structured entity controlled by the Company

5. OTHER DISCLOSURES

(1) Potential risks

The main risks that the Company may face include safety management risks, environmental protection risks, continuous loss and competitiveness improvement of subsidiaries, fluctuation in prices of bulk raw materials and the risk of synergy between purchase and sale, cash flow control risk, as well as the "Accounts Receivable and Inventory" control risk.

| Risks | Response |
|-------------------------|--|
| Safety management risks | 1) Carry out in-depth "2+1" basic management promotion action in a "small cut" manner to push the overall level of the Company's safety basic management to a higher level. 2) Adhere to the problem orientation and solidly promote five key special rectification work such as special rectification of environmental protection facilities. 3) Adhere to the systematically implementation and promote the daily operation of the system to be more efficient. Promote the normalization of the dual prevention mechanism of risk management and control and hidden danger investigation, and create a visual safety supervision application based on "one map". Continue to deepen the management concept of "violation is a crime", and incorporate employees' violation scoring into the annual performance evaluation system. Increase training and education, and comprehensively improve the safety ability of managers at all levels. 4) Optimize and improve the safety management mode of internal synergy and social collaboration, strictly control the access of internal synergy and social collaboration entities, continue to promote the professional integration of low-output, small sized, fragmented social collaboration entities, and deepen the improvement of the safety skills of employees in internal synergy and social collaboration. 5) Promote the construction of smart security and improve the level of smart security. Produce and operate according to laws and regulations to lay a solid foundation for safety. |

Section III Management Discussion and Analysis (Continued)

5. OTHER DISCLOSURES (CONTINUED)

(1) Potential risks (Continued)

| Risks | Response |
|--------------------------------------|--|
| Environmental protection risks | <p>1) Deepen the work of “ultralow emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanliness, greening, beautifying and culture”, consolidate the achievements of “higher than standards, better than urban districts and integrated into cities”, and promote the continuous progress of green development level. 2) Further rectify and improve the problems existing in organized emission, unorganized emission and clean transportation links and operate according to ultralow emission standards for the year; Accelerate the construction of projects such as “zero emission of waste water” and realize the annual industrial waste water emission reduction of 5 million tonnes in combination with water saving and emission reduction management; improve the level of no shipping out of solid waste, expand the scope of no shipping out of hazardous waste,, and support the pilot construction of the “waste-free group”. 3) Strengthen the management of environmental protection equipment, strengthen on-site performance control, and ensure the stable operation of environmental protection equipment and pollutant discharge standards. 4) Regularly sort out and identify environmental risks, implement risk control and contingency measures for environmental emergencies, solidify effective control measures, and achieve normalized risk management.</p> |
| Continuous loss risks of MG-VALDUNES | <p>1) Set up VALDUNES Working Group to deeply analyze the reasons why the operating results of MG-VALDUNES failed to meet expectations and sum up experiences and lessons. 2) Make plans and countermeasures according to the potential risks. 3) Arrange the order reasonably, and determine the order based on the marginal benefit and payment speed, so as to improve the order fulfillment rate. 4) Formulate the “Reducing Two Funds” plan of MG-VALDUNES to reduce the inventory and speed up the collection of accounts receivable. 5) Further strengthen coordination and boost synergy and efficiency.</p> |

Section III Management Discussion and Analysis (Continued)

5. OTHER DISCLOSURES (CONTINUED)

(1) Potential risks (Continued)

| Risks | Response |
|---|--|
| Risks for comprehensive competitiveness improvement of Changjiang Steel | <p>1) Enhance product competitiveness, and build, upgrade and transform certain production lines. Use electric furnace and convertor to realize efficient production; further improve steel rolling yield and comprehensively enhances the competitiveness of rebars. 2) Be close to the market, seize opportunities, and increase the benefits of both markets. The sales side further improves the accuracy of market research and judgment, and strives to create more benefits while ensuring the balance between production and sales. The purchasing side extensively searches for market resources, actively communicates with production units, introduces new technologies and varieties, and further does a good job in cost reduction. 3) Deepen internal cost reduction and increase efficiency. Further carry out benchmarking to find out gaps, keep a close eye on key indicators such as molten iron cost, profit per ton of steel, consumption of ferrous materials, focus on reducing process costs, make up shortcomings, strengthen weak items, promote improvement, fully tap the potential in cost reduction and efficiency improvement, process optimization, etc., and make every effort to narrow the gaps. 4) Optimize human resources, build a talent team with professional optimization and reasonable structure, and increase the production per capita. 5) Deepen mixed-ownership reform.</p> |
| Fluctuation in prices of bulk raw materials and the risk of synergy between purchase and sale | <p>1) Establish a normalized market analysis mechanism, use commodity financial derivatives in compliance, and prevent the risk of significant fluctuations in bulk commodity prices. 2) Focus on policy changes and unexpected events, conduct research and judgment on the bulk commodity market, adhere to the principle of “stable operation, no game in the market”, combine industry and finance, actively plan to use commodity financial derivatives in a compliant, reasonable, and strategic manner, and ensure raw materials supply at low cost. 3) Adhere to the strategy of low inventory and efficient economic operation of imported ore, promote smart procurement, and strive to reduce the turnover days of all varieties of inventory. 4) Establish a multi-department linkage alloy purchase and sale mechanism, reasonably establish inventory scale indicators and carry out systematic warning and control in accordance with the reasonable inventory scale.</p> |

Section III Management Discussion and Analysis (Continued)

5. OTHER DISCLOSURES (CONTINUED)

(1) Potential risks (Continued)

| Risks | Response |
|--|---|
| Cash flow control risk | Adhere to the work of reducing leverage and controlling liabilities, and dynamically adjust control strategies and management measures; establish the evaluation index of operating cash flow, and the operating profit ratio is not less than 100%; pay attention to the fund balance of subsidiaries with significant losses/high liabilities, intervene in advance and optimize the debt structure; promote the accountability of credit risk events, establish the necessary filing mechanism, and promote market development; put the risk control indicators into the post in advance, give early warning and follow-up to deal with risk events during the event, investigate the responsibility of illegal operation afterwards, and implement the control requirements through strict system design, strict business execution and serious accountability. |
| "Accounts Receivable and Inventory" control risk | Strictly control the total amount of "Accounts Receivable and Inventory", formulate control goals and action plans for "Accounts Receivable and Inventory", and ensure that the growth rate of the total amount of "Accounts Receivable and Inventory" is not higher than that of sales revenue; improve the level of refined inventory management and strive to reduce the turnover days of full-caliber ore; improve mechanisms and optimize accounts receivable management; and make strict performance-oriented assessment mechanism. |

Section III Management Discussion and Analysis (Continued)

5. OTHER DISCLOSURES (CONTINUED)

(2) Other disclosures

1. Work of the Audit Committee. The Audit Committee of the Company comprises independent Directors Ms. Zhu Shaofang, Ms. Zhang Chunxia, Mr. Guan Bingchun and Mr. He Anrui. The Audit Committee has reviewed the 2023 interim results.
2. Significant Events Affecting the Group after the Reporting Period. Since the end of the Reporting Period and up to the date of this announcement, there is no significant event affecting the Group that needs to be disclosed.
3. Purchase, Sale or Redemption of Listed Securities of the Company. During the Reporting Period, the Company repurchased and cancelled a total of 5.944 million unlocked restricted A shares held by certain equity incentive participants under the relevant provisions of the share incentive scheme. Except as mentioned above, the Company did not redeem any of its listed stocks, nor did the Company and its subsidiaries purchase or resale any of the listed stocks.
4. Pre-emptive Rights. There are no requirements under the Articles of Association of the Company and Chinese laws that the current shareholders shall purchase new shares based on their holding shares before the Company issues new shares.
5. Code on Corporate Governance Practices. During the Reporting Period, the Company had complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No deviation behaviour from the code was found.
6. Model Code for Securities Transactions by Directors of Listed Issuers. During the Reporting Period, the Company had complied with the requirements stipulated by the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No deviation behavior from the code was found.
7. Shareholders' Rights. Any shareholder who holds shares carrying 10% or more of the voting rights in the Company, either individually or jointly, has the right to demand an extraordinary general meeting or a class general meeting according to the Articles of Association. When the Company convenes general meeting, any shareholder who meets the conditions specified in Article 60 of the Articles of Association is entitled to file a new bill with the Company in writing. Shareholders may send inquiries or comments to the Board by mail to the Company (No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC).

Section IV Corporate Governance

1. SHAREHOLDERS' GENERAL MEETING

The Company held the 2023 first extraordinary general meeting on 10 March 2023 to consider and approve the resolution in relation to transfer of assets related to the lime business of the Company and the resolution in relation to transfer of equity interest in Ouyeel Commercial Factoring Company Limited.

The Company held the 2023 second extraordinary general meeting, 2023 first class meeting of the holders of A Shares and 2023 first class meeting of the holders of H Shares on 29 March 2023 to consider and approve the resolution in relation to repurchase and cancellation of certain restricted shares.

The Company held the 2022 annual general meeting on 16 June 2023 to consider and approve the work report of the board of directors for the year 2022, the work report of the supervisory committee for the year 2022, the audited financial statements for the year 2022, the resolution in relation to the appointment of auditor for the year 2023, the profit distribution plan for the year 2022 and the remuneration of directors, supervisors and senior management for the year 2022.

The above-mentioned meetings were all held at Magang Office Building, No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, and were presided over by Mr. Ding Yi, the chairman. All Directors, Supervisors, senior management members of the Company, and the Secretary to the Board were present at the meetings. All resolutions were approved by the shareholders.

2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

| Name | Position | Changes |
|--------------|------------------------|-------------|
| Zhang Maohan | Deputy general manager | Resignation |

Mr. Zhang Maohan tendered the written resignation to the Board on 13 April 2023 to resign as the deputy general manager of the Company due to personal reasons.

3. PROPOSAL OF PROFIT DISTRIBUTION OR PROPOSAL OF TRANSFERRING CAPITAL RESERVE TO SHARE CAPITAL

The interim plan for proposal of profit distribution or proposal of transferring capital reserve to share capital

| | |
|---|----|
| Whether distributed or capitalised | No |
| Number of bonus shares for every 10 shares (<i>share</i>) | – |
| Dividend amount per 10 shares (<i>RMB</i>) (<i>tax inclusive</i>) | – |
| Number of shares capitalised for every 10 shares (<i>share</i>) | – |

Section IV Corporate Governance (Continued)

4. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

- (1) Relevant equity incentive events disclosed in provisional announcements but without subsequent development or changes during implementation

| Summary of matter | Index of documents |
|--|---|
| Announcement in relation to Implementation of Repurchase and Cancellation of Certain Restricted Shares | http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-07/600808_20230307_FHM0.pdf |
| Announcement on Repurchase and Cancellation of Certain Restricted Shares | http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-11/600808_20230311_YQ41.pdf |
| Announcement in relation to Implementation of Repurchase and Cancellation of Certain Restricted Shares | http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-05-31/600808_20230531_P7YC.pdf |
| Announcement on Repurchase and Cancellation of Certain Restricted Shares | http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-07-29/600808_20230729_K6IK.pdf |

Section V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION

(1) Notes on environmental protection by the Company and its key subsidiaries listed among key pollution producers by the environment authority

1. Pollutant emission information

The Company and its controlling subsidiaries, Ma Steel (Hefei) and Changjiang Steel, operate in highly polluting industries identified by the state environment authority and all of them implement a series of emission standards for the iron and steel industry. Magang Rail Transportation Equipment is a simplified management emission unit, implementing the emission standard of air pollutants for steel rolling industry, and the discharge standard of water pollutants for iron and steel industry. Main pollutants are waste water, waste gases and solid wastes. Details are as follows:

| Name of Company | Pollutant Category | Typical Pollutants | Way of Discharge | Processing Equipment | Number and Distribution of Discharge Outlets |
|------------------|--------------------|---|--|----------------------|--|
| Masteel | Waste gases | Dust, NO _x , SO ₂ , etc. | Emitted into the air via chimney stack after dust elimination, desulfidation and denitration | 325 sets | 376 distributed along the production lines |
| | Waste water | SS, COD, oil, ammonia nitrogen, etc. | Discharged after up to standard processing | 66 sets | 11 |
| | Solid wastes | Iron dust, iron oxide scale, metallurgical slag, etc. | Comprehensive utilization, outsourced compliant disposal, compliant storage | 20 sets | – |
| Changjiang Steel | Waste gases | Dust, NO _x , SO ₂ , etc. | Emitted into the air via chimney stack after dust elimination, desulfidation and denitration | 80 sets | 77 distributed along the production lines |
| | Waste water | SS, COD, oil, ammonia nitrogen, etc. | Discharged after up to standard processing | 13 sets | 0 sewage outfall and 1 rainwater outfall |
| | Solid wastes | Iron dust, iron oxide scale, metallurgical slag, etc. | Comprehensive utilization, outsourced compliant disposal | 1 set | – |

Section V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

(1) Notes on environmental protection by the Company and its key subsidiaries listed among key pollution producers by the environment authority (Continued)

1. Pollutant emission information (Continued)

| Name of Company | Pollutant Category | Typical Pollutants | Way of Discharge | Processing Equipment | Number and Distribution of Discharge Outlets |
|---------------------------------|--------------------|--|--|----------------------|--|
| Ma Steel (Hefei) | Waste gases | Dust, acid (alkali) fog, NO _x , SO ₂ , etc. | Discharged after up to standard processing | 11 sets | 16 distributed along the production lines |
| | Waste water | Acid and alkali, COD, oil, ammonia nitrogen, etc. | Discharged after up to standard processing | 1 set | 1 |
| | Solid wastes | Emulsified liquid slag, oil sludge, waste filter paper, bottom residue, etc. | Outsourced compliant disposal, comprehensive utilization | – | – |
| Masteel Transportation Material | Waste gases | Dust, NO _x , SO ₂ , etc. | Dust removal | 11 | 20 distributed along the production lines |
| | Waste water | SS, COD, oil, ammonia nitrogen, etc. | Industrial wastewater circulates internally within the sewage treatment station. | 2 | 1 |

Section V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

- (1) Notes on environmental protection by the Company and its key subsidiaries listed among key pollution producers by the environment authority (Continued)

1. *Pollutant emission information (Continued)*

During the Reporting Period, the emission density, total emission amount of main typical pollutants and the approved annual emission permit limit are as follows:

| Name of Company | Pollutant Category | Typical Pollutants | Emission density | Emission Permit Limit (Ton/Year) | Total Emissions during the Reporting Period (Ton) |
|---------------------------------|--------------------|--------------------|------------------------|-------------------------------------|--|
| Masteel | Waste gases | Dust | ≤8.4mg/m ³ | 11,506.307 | 3,371 |
| | | SO ₂ | ≤5.94mg/m ³ | 17,469.511 | 1,750 |
| | | NO _x | ≤10mg/m ³ | 33,859.444 | 3,297 |
| | Waste water | COD | ≤12.1mg/l | 1,573.6 | 66 |
| | | Ammonia nitrogen | ≤0.88mg/l | 161.6 | 4.8 |
| Changjiang Steel | Waste gases | Dust | ≤7.27mg/m ³ | 2,938.2 | 964 |
| | | SO ₂ | ≤1.59mg/m ³ | 3,243.25 | 149 |
| | | NO _x | ≤3.8mg/m ³ | 7,091.746 | 354 |
| | Waste water | COD | ≤0mg/l | 0 | 0 |
| | | Ammonia nitrogen | ≤0mg/l | 0 | 0 |
| Ma Steel (Hefei) | Waste gases | Dust | ≤13mg/m ³ | 51.9 | 7.2 |
| | | SO ₂ | ≤5mg/m ³ | 6.04 | 0.5 |
| | | NO _x | ≤31mg/m ³ | 38.06 | 13.7 |
| | Waste water | COD | ≤40mg/l | 106.82 | 10.4 |
| | | Ammonia nitrogen | ≤2mg/l | 16.1 | 0.9 |
| Masteel Transportation Material | Waste gases | Dust | ≤15mg/m ³ | / | 3.9 |
| | | SO ₂ | ≤150mg/m ³ | / | 22.4 |
| | | NO _x | ≤300mg/m ³ | / | 50.7 |
| | Waste water | COD | 0mg/l | / | 0 |
| | | Ammonia nitrogen | 0mg/l | / | 0 |

Section V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

(1) Notes on environmental protection by the Company and its key subsidiaries listed among key pollution producers by the environment authority (Continued)

1. Pollutant emission information (Continued)

Notes: The total discharge amount is based on the standard statistics of the original Ministry of Environmental Protection (renamed as Ministry of Ecology and Environment of the PRC in 2018) in accordance with the Technical Specification for Application and Issuance of Pollutant Permit for Iron and Steel Industry (HJ846-2017). During the Reporting Period, the total amount of smoke and dust emission of Masteel includes 2,500 tonnes of organized emission and 871 tonnes of unorganized emission. The total amount of smoke and dust emission of Changjiang Steel includes 678 tonnes of organized emission and 286 tonnes of unorganized emission. The particle emissions from Ma Steel (Hefei) amounted to 7.2 tonnes.

Generation, disposal and storage of solid and hazardous waste from January to June 2023

| Company Name | Solid waste (10,000 tonnes) | | | | Hazardous waste (10,000 tonnes) | | |
|--------------------------------|-----------------------------|--|---------------------------|--------------------|---------------------------------|------------------------|-----------------------|
| | Amount generated | Amount disposed | | | Amount generated | Disposal in compliance | Storage in compliance |
| | | Recycle for production and utilization | Comprehensive utilization | Compliant disposal | | | |
| The Company's head office | 541.66 | 150.74 | 390.91 | 0.01 | 3.4 | 3.5 | 0.04 |
| Changjiang Steel | 141.21 | 36.51 | 104.68 | 0.03 | 0.41 | 0.40 | 0.02 |
| Ma Steel (Hefei) | 0.05 | - | - | 0.05 | 0.04 | 0.04 | - |
| Magang Transportation Material | 0.41 | 0.40 | - | 0.01 | 0.04 | 0.04 | - |
| Total | 683.33 | 187.65 | 495.59 | 0.10 | 3.89 | 3.98 | 0.06 |

Note: 1,000 tonnes of hazardous waste stored in compliance at the end of the previous year has been disposed of in compliance during the period by the Company.

Emission of volatile organic compounds (VOC): Units such as Magang Rail Transportation Equipment and the coking factory of the Company have prepared VOC "one enterprise one case" according to requirements. No. 1 and No. 2 incinerators of color coated plate lines in cold rolling plant are managed for VOC. The units carried out self-monitoring, installed automatic online monitoring facilities, and the VOC emission data during the Reporting Period was stable and up to standard.

Section V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

(1) Notes on environmental protection by the Company and its key subsidiaries listed among key pollution producers by the environment authority (Continued)

2. *Construction and operation of pollution prevention and control facilities*

In the first half of 2023, all processes in the Company's head office have been constructed with pollution prevention and control facilities in accordance with the requirements of the EIA and were operating normally. The environmental protection facilities currently in operation include: 66 (sets) of wastewater treatment facilities, 325 (sets) of waste gas treatment facilities and 20 (sets) of solid waste treatment facilities. Online monitoring and controlling facilities have been installed at all main discharge outlets of wastewater and waste gas, with 411 sets of online monitoring facilities (200 sets of national control and 211 sets of internal control), which were networked in accordance with government requirements; and 174 sets of video monitoring facilities. Industrial solid waste disposal facilities such as blast furnace water slag, converter steel slag, electric furnace steel slag and iron-containing dust sludge are in place. Each production process of the Company is equipped with facilities such as noise elimination, noise reduction, sound insulation and isolation, which effectively control the emission of environmental noise.

Changjiang Steel was equipped with 80 sets of exhaust gas pollution prevention and control facilities, 13 sets of wastewater pollution prevention and control facilities, and 1 set of solid waste treatment facilities, with 29 sets of online monitoring equipment for exhaust gas and 1 set of online monitoring equipment for rainwater discharge.

Ma Steel (Hefei) was equipped with 11 sets of exhaust gas pollution prevention and control facilities, 4 sets of wastewater pollution prevention and control facilities, with 1 set of online monitoring equipment for wastewater discharge, which mainly monitors COD, ammonia nitrogen, pH value and drainage flow.

Magang Transportation Material was equipped with 2 (sets) of wastewater treatment facilities and 11 (sets) of exhaust gas treatment facilities, with 12 sets of online monitoring equipment for exhaust gas and 1 set of online monitoring equipment for rainwater discharge.

All of the pollution prevention and control facilities were running synchronously with the main production lines and were operating in good condition.

Section V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

(1) Notes on environmental protection by the Company and its key subsidiaries listed among key pollution producers by the environment authority (Continued)

3. *Environmental impact assessment of construction projects and other environmental protection administrative licenses*

The Group has applied for a total of four emission permits: the head office, Changjiang Steel, Ma Steel (Hefei), Magang Rail Transportation Equipment, all of which have been completed in 2022. All legal entities have commenced self-monitoring and made public their monitoring status in accordance with the requirements of the emission permits, and filed quarterly and annual reports on the implementation of the emission permits.

In the first half of 2023, the EIA of 3 projects, including the renovation project for stevedoring technology system and supporting facilities of the Company's head office, the Baowuteye supporting public auxiliary – power system supporting project, was approved smoothly. 5 projects, including the desulfurization project of No. 1 blast furnace gas in south area of the coking plant, have completed the filing of the EIA registration form. 7 major projects, including hazardous waste storage and scrap iron barrel utilization project in Resources Branch and the No. 2 E-type coking coal silo project in the port raw material plant, have successfully obtained acceptance.

On 3 February 2023, an approval reply to the environmental impact report form of 220 kV power transmission and transformation project of Anhui Changjiang Iron and Steel Co., Ltd. (Changjiang Steel Transformation) was obtained.

4. *Emergency Response Plans for Environmental Incidents*

The Company has submitted the “Emergency Response Plans for Environmental Incidents” to the Maanshan City Ecology and Environment Protection Bureau for filing. The filing number is 340500-2020-101-H. Currently, we are proceeding with the planned revisions to the Emergency Response Plans.

The Company has formulated the 2023 Emergency Plan Drill Plan and conducted drills in accordance with the drill plan. Currently, drills have been organized for various emergency scenarios, including hazardous chemical leakage emergencies at the coal coking company, hazardous waste accidents at the Long Products Division, environmental emergencies at the cold rolling plant, and X-ray accidents at the No. 4 Steel Rolling Plant. Ma Steel (Hefei) conducted a drill for a hydrochloric acid tank leakage incident.

Section V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

(1) Notes on environmental protection by the Company and its key subsidiaries listed among key pollution producers by the environment authority (Continued)

4. *Emergency Response Plans for Environmental Incidents (Continued)*

The Emergency Response Plan for Environmental Incidents of Changjiang Steel was filed with the Maanshan City Ecology and Environment Protection Bureau, with the file number 340500-2022-073-H. During the Reporting Period, Changjiang Steel carried out 3 emergency drills, including the “Emergency Drill for Bag Drop Incident of Flue Gas Desulphurization Facility in the Head of Sintering Machine”.

In order to ensure that no environmental incident occurs, and pollution sources can be effectively controlled to minimize the impact on the environment, the Company will continue its emergency preparedness drills in the second half of the year, strictly implement the relevant requirements of the government for the management of emergency response plans for environmental incidents, and carry out drills according to filed plans of respective units.

5. *Environmental self-monitoring programme*

In strict accordance with the “Measures for Self-monitoring and Information Disclosure by National Key Monitoring Enterprises (Trial)” (Huanfa [2013] No. 81), the National Technical Guidelines for Self-monitoring and the Technical Specifications for Application and Issuance of Emission Permits, the Company has conducted a comprehensive review of waste water, waste gas, noise, radiation, soil and groundwater points, and completed self-monitoring programmes for Masteel, Changjiang Steel, Ma Steel (Hefei), Magang Rail Transportation Equipment respectively. The Company’s selfmonitoring programme for the year 2023 was reported to the Eco-environmental Bureau of Maanshan City and Hefei City for filing according to their respective locations. The monitoring is carried out in two ways: continuous automatic monitoring and manual monitoring, with all data stored for more than five years, and the results uploaded to the “Platform for Public Disclosure of Self-monitoring and Supervisory Supervision Information of Key Emission Units”; manual monitoring by qualified third-party monitoring agencies is commissioned, and the monitoring data is made public in real time.

6. *Administrative penalties imposed for environmental problems during the Reporting Period*

During the Reporting Period, the Company, Magang Rail Transportation Equipment, Changjiang Steel and Ma Steel (Hefei) were not subject to administrative penalties for environmental issues.

Section V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

- (2) Description of the environmental profile of companies other than key pollutant producers

Applicable Not Applicable

- (3) Description of subsequent progress or changes in the disclosure of environmental information content during the Reporting Period

Applicable Not Applicable

- (4) Information on the protection of the ecology, the prevention of pollution and the fulfilment of environmental responsibilities

In the first half of 2023, the Group continued to implement ultra-low emission transformation projects and build an environmental performance A-class enterprise. The Company and Changjiang Steel successfully passed the A-level enterprise classification certification of the Department of Ecology and Environment of Anhui Province on 26 May. In order to strengthen the regular operation after obtaining the A-level certification, the Company has formulated a management plan for the normalized operation of ultra-low emissions and organized its implementation.

In order to implement the requirements of the Yangtze River Protection Law, the Company formulated and adjusted its Action Plan for the “Yangtze River Protection” in 2023. Through measures such as improving the operation and management of zero wastewater discharge, implementing outlet optimization, conducting systematic rectification of river discharges, and implementing soil and groundwater pollution monitoring, prevention and control, the industrial wastewater discharge during the Reporting Period has decreased by 630,000 tons, a reduction of 52.9% as compared to that of the previous year.

- (5) Measures taken to reduce its carbon emissions during the Reporting Period and their effectiveness

The application of the new generation combustion monitoring system in heating furnaces of the 2250 steel rolling lines reduces CO₂ emissions by approximately 137,000 tonnes per year. The utilization of the circulating ammonia water refrigeration unit in the 7.63-meter coke ovens, which is the first of its kind in both domestic and international large-scale coke oven systems, reduces energy consumption in the coking process by 3 kgce/t and reduces CO₂ emissions by approximately 16,000 tonnes per year.

Section V Environmental and Social Responsibility (Continued)

2. THE SPECIFIC WORK TO CONSOLIDATE AND EXPAND THE ACHIEVEMENTS IN POVERTY ALLEVIATION AND TO PROMOTE RURAL REVITALIZATION

The Company has formulated and issued the 2023 targeted assistance and key assistance work plan, in accordance with the requirements of Anhui Province and China Baowu for targeted assistance and paired assistance, and promoted the implementation.

(1) Fulfilling the responsibility of assistance and implementing the assistance work mechanism

The Secretary of the Party committee and chairman of the Board of the Company, Mr. Ding Yi, visited Longtai Village, Lintou Town, Hanshan County to conduct assistance research, and provided guidance and suggestions for the development of the assisted area. The Company also formulated the “Management Measures for Targeted Assistance Work” and carried out a special inspection and self-assessment on the issues of misconduct and corruption in the rural revitalization field, and submitted the self-assessment report to the disciplinary inspection and supervision department.

(2) Utilizing the advantages of resources to promote the development of the assisted areas

1. Implementing free assistance projects. The Company’s Rural Revitalization Office and the Disciplinary Inspection and Supervision Department, Audit Department, Operation Improvement Department, Business and Finance Department, Legal Department, etc., jointly formed a research team that visited Longtai Village in Hanshan County to conduct on-site feasibility research on the village’s collective investment in a yellow peach processing project.
2. Introducing compensated assistance projects and funds. The Company’s Rural Revitalization Office actively liaised with assistance cadres in Jiangcheng County and promoted the successful registration of the Pu'er Xinqing Tea Industry Group Co., Ltd. in Jiangcheng County. As a result, a compensated assistance fund of RMB5 million has been introduced. The project is based on the development of tea industry in Jiangcheng County, which can create employment opportunities for 150 people in the surrounding areas, increase income for tea farmers, and promote the industrialization development of the tea industry in Jiangcheng County.

(3) Extensive organization and promotion of consumer assistance

The Company held a meeting on 2023 Consumer Assistance Work, where it outlined and implemented the tasks related to consumer assistance. During the Reporting Period, the Company participated in the “Central Enterprise Consumer Assistance Spring Action” and the consumer assistance activities in Ma'anshan City, launched campaigns such as group purchases of heat-prevention and cooling product in summer and the exhibition and sales of fresh fruits and vegetables from Longtai Village in the canteen, with a total of approximately RMB3.34 million in consumer assistance.

Section V Environmental and Social Responsibility (Continued)

2. THE SPECIFIC WORK TO CONSOLIDATE AND EXPAND THE ACHIEVEMENTS IN POVERTY ALLEVIATION AND TO PROMOTE RURAL REVITALIZATION (CONTINUED)

(4) Highlighting the leadership of Party building to enhance the effectiveness of assistance work

In advancing rural revitalization assistance work, the Company highlighted the leadership of Party building and fully leveraged the strength of primary-level Party organizations. It organized paired assistance units to visit and offer help and comfort to poverty-alleviated households and needy households in Liji Village, Funan County, and Longtai Village, Hanshan County. The General Party Branch of the Administrative Affairs Center collaborated and jointly established partnerships with Saiqintala Gacha and Derisu Gacha in Ongniud Banner, Inner Mongolia, driving progress in primary-level Party building through collaborative initiatives and promoting rural revitalization.

(5) Strengthening communication and coordination and participating in the Baowu demonstration project

The Company promoted the development of the “Dun Dai Small Town” industrial project in Luotian County, Hubei Province through procurement cooperation. In the first half of this year, the Company spent approximately RMB1.2 million on products from Hubei Baoxin Packaging.

The General Office of Anhui Province Party Committee and the General Office of Anhui Provincial Government conducted a comprehensive evaluation of the targeted assistance work of Masteel Group and gave it the highest rating of “excellent”. Masteel, as the core enterprise of Magang Group, has played a major role.

Section VI Significant Events

1. PERFORMANCE OF UNDERTAKINGS

(1) Undertakings made by actual holder, shareholders, related parties, acquirers and the Company during the Reporting Period or subsisting to the Reporting Period

During the period when applying to CSRC for redemption for cash offer acquisition of the A Shares of the Company in 2019, and the following three commitments were made: first, to avoid horizontal competition, China Baowu issued the “Commitment Letter on Avoiding Horizontal Competition”; second, to regulate and reduce the related party transactions between China Baowu and the Company, China Baowu issued the “Commitment Letter on Regulating and Reducing Related Party Transactions”; third, to keep the independence of the Company, China Baowu issued the “Commitment Letter on Ensuring the Independence of Listed Companies”.

For details of such commitments, please refer to the Company’s 2019 and 2020 annual reports published on the website of the Shanghai Stock Exchange or the feedback reply of China Baowu on the “Notice regarding China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items”. During the Reporting Period, China Baowu didn’t violate the commitments.

2. THERE WAS NO APPROPRIATION OF FUND ON A NON-OPERATING BASIS BY THE CONTROLLING SHAREHOLDER OR ITS RELATED PARTIES WAS FOUND DURING THE REPORTING PERIOD

3. THERE WAS NO VIOLATION OF GUARANTEE DURING THE REPORTING PERIOD

4. AUDIT OF INTERIM REPORT

1 Appointment and dismissal of accounting firms

Appointment and dismissal of accounting firms

In accordance with the relevant regulations of the Notice on the Issuance of Administrative Measures for State-owned Enterprises and Listed Companies to Select and Engage Accounting Firms (Cai Kuai [2023] No. 4) (《關於印發〈國有企業、上市公司選聘會計師事務所管理辦法〉的通知》(財會[2023]4號)) issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council and the China Securities Regulatory Commission, the Company changed to appoint KPMG Huazhen LLP (“KPMG Huazhen”) as the auditor of the Company for the year 2023 as Ernst & Young Hua Ming LLP has been providing auditing services for the Company for consecutive years.

Section VI Significant Events (Continued)

4. AUDIT OF INTERIM REPORT (CONTINUED)

1 Appointment and dismissal of accounting firms (Continued)

The Audit Committee of the Company verified KPMG Huazhen's professional competence, investor protection capability, integrity and independence, and the independent directors of the Company confirmed the change of appointment in advance and expressed their independent opinions. The Resolution in relation to the Appointment of the Auditor for the Year 2023 was considered and approved by the Board on 19 May 2023, which agreed to appoint KPMG Huazhen as the auditor of the Company for the year 2023 and recommended the Shareholders' General Meeting to authorize the Board to determine its remuneration. For details, please refer to the Company's announcement at http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-05-20/600808_20230520_AQT1.pdf.

With the approval of the Company's 2022 Annual General Meeting on 16 June 2023, the Company appointed KPMG Huazhen as the auditor of the Company for the year 2023.

5. CHANGES AND TREATMENT OF MATTERS RELATED TO NON-STANDARD AUDIT OPINIONS IN THE FINANCIAL REPORT OF THE PREVIOUS YEAR

Applicable Not Applicable

6. THERE WAS NO INSOLVENCY OR RESTRUCTURING RELATED MATTERS DURING THE REPORTING PERIOD

7. THERE WERE NO MAJOR LITIGATION OR ARBITRATION CASES DURING THE REPORTING PERIOD

8. NO PUNISHMENT OR RECTIFICATION ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL HOLDER AND ACQUIRERS WAS MADE DURING THE REPORTING PERIOD

9. EXPLANATION OF THE CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND ACTUAL HOLDER DURING THE REPORTING PERIOD

Applicable Not Applicable

Section VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS

(1) Related party transactions related to normal operations

1. *Matters that have been disclosed in the temporary announcement and have no progress or change in subsequent implementation*

The transactions between the Group and China Baowu together with its subsidiaries were carried out in the daily course of business and were settled in cash or notes. The details of which are as follows:

- (1) The continuing related party transactions under the 2022–2024 “Sale and Purchase of Product Agreement” between the Company and China Baowu

In 2021, the Company and China Baowu signed the 2022–2024 “Sale and Purchase of Product Agreement”, as approved at the Shareholders’ General Meeting. During the Reporting Period, the amount of related party transactions under the Agreement was as follows:

Unit: million RMB

| | Amount | Proportion of transaction of the same category (%) |
|--------------------------------------|---------------|--|
| Sales of products to China Baowu | 5,026 | 12.96 |
| Purchasing products from China Baowu | 13,771 | 29.89 |
| Total | 18,797 | / |

The prices of ores, scrap, spare parts and other products the Group purchases from China Baowu and the prices of steel, energy media and other products the Group sells to it every year are negotiated between the parties on arm’s length by referring to comparable market prices and determined as per general terms and conditions during the term of the Agreement.

All Directors of the Board who are not associated with China Baowu (including Independent Non-executive Directors) considered that those transactions were carried out in the daily course of business under normal commercial terms and in accordance with the terms of “Sale and Purchase of Product Agreement”. The terms were fair and were in the best interest of the shareholders of the Company as a whole. During the Reporting Period, the amount of such transaction was under the 2023 annual cap of RMB54,674 million specified in the “Sale and Purchase of Product Agreement”.

Section VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Related party transactions related to normal operations (Continued)

1. *Matters that have been disclosed in the temporary announcement and have no progress or change in subsequent implementation (Continued)*

(2) The continuing related party transactions under the 2022–2024 “Acceptance and Provision of Services Agreement” between the Company and China Baowu

In 2021, the Company and China Baowu signed the 2022–2024 “Acceptance and Provision of Services Agreement”, as approved at the Shareholders’ General Meeting. During the Reporting Period, the amount of related party transactions under the Agreement was as follows:

Unit: million RMB

| | Amount | Proportion of transaction of the same category (%) |
|--------------------------------------|--------------|--|
| Provision of services to China Baowu | 2 | 7.78 |
| Receiving services from China Baowu | 3,785 | 36.67 |
| Total | 3,787 | / |

The price the Group receives annually from China Baowu for the provision of infrastructure technology moderation and environmental protection engineering and other services, and the price for the provision of services including steel billets processing, metering, inspection, railway transport and others are negotiated between the parties on arm’s length by referring to comparable market prices and determined as per general terms and conditions during the term of agreement.

All Directors of the Board who are not associated with China Baowu (including Independent Non-executive Directors) considered that those transactions were carried out in the daily course of business under normal commercial terms and in accordance with the terms of “Acceptance and Provision of Services Agreement”. The terms were fair and were in the best interest of the shareholders of the Company as a whole. During the Reporting Period, the amount of such transaction was under the 2023 annual cap of RMB12,344 million specified in the “Acceptance and Provision of Services Agreement”.

Section VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Related party transactions related to normal operations (Continued)

1. *Matters that have been disclosed in the temporary announcement and have no progress or change in subsequent implementation (Continued)*

- (3) The continuing related party transactions under the 2022–2024 “Financial Services Agreement” between Masteel Finance and the Holding

In 2021, Masteel Finance and the Holding signed the 2022–2024 “Financial Service Agreement”, as approved at the Shareholders’ General Meeting. During the Reporting Period, the transaction amount under the agreement was as follows:

Unit: million RMB

| Business Nature | | Amount of loan or deposit | Interest income/ expenses | |
|---|---------------------------------------|---------------------------|---------------------------|------|
| Deposit | Maximum daily deposit | 6,976 | Interest expenses | 36 |
| | Monthly average maximum daily deposit | 6,267 | | |
| Loan | Maximum daily loan | 2,197 | Interest income | 9 |
| | Monthly average maximum daily loan | 1,297 | | |
| Other income | | | | |
| Net income from handling fee and commission | | | | 10.2 |
| Income from discount interest | | | | 0.6 |

When Masteel Finance provides the deposit service to the Holding and its subsidiaries, the deposit interest rate shall be determined with reference to the benchmark interest rate and floating range stipulated by the People’s Bank of China under the market-based principle, and not be higher than the interest rate offered by other independent commercial banks in China to the Holding and its affiliates for the same type of deposit in the same period. When Masteel Finance provides loan services to the Holding and its affiliates, the loan interest rate shall be determined with reference to the benchmark interest rate stipulated by the People’s Bank of China under the market-based principle, and not be less than the interest rate charged by other independent commercial banks in China to the Holding and its affiliates for the same type of loan interest in the same period. When Masteel Finance provides other financial services to the Holding and its affiliates, the fees shall not be less than the fees charged by other independent commercial banks in China for providing the Holding and its affiliates with other financial services of the same type in the same period, in accordance with the market-based principle.

Section VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Related party transactions related to normal operations (Continued)

1. *Matters that have been disclosed in the temporary announcement and have no progress or change in subsequent implementation (Continued)*

- (3) The continuing related party transactions under the 2022–2024 “Financial Services Agreement” between Masteel Finance and the Holding (Continued)

All Directors of the Board (including Independent Non-executive Directors) who are not associated with the Holding considered that those transactions were set and conducted in daily course of business under normal commercial terms and in accordance with the terms of “Financial Services Agreement”. The terms were fair and were in the best interest of the shareholders of the Company as a whole. During the Reporting Period, such transactions were carried out according to the terms for the “Financial Services Agreement” and their transaction amount was under the annual cap of 2023 for that agreement, amounted to the maximum daily loan that did not exceed the daily cap of RMB4,900 million, while interests, handling and service fees were less than RMB250 million.

- (4) The continuing related party transactions under the 2023–2024 “Financial Services Agreement” between the Group and Baowu Finance

Due to the absorption and merger of Magang Finance and Baowu Finance, the Group and Baowu Finance entered into the 2023–2024 “Financial Services Agreement” on 15 November 2022 based on practical needs. The agreement was approved at the Shareholders’ General Meeting on 29 December 2022. During the Reporting Period, the transaction amount under the agreement was as follows:

Unit: million RMB

| Project | Annual cap | Amount |
|---|------------|--------|
| Maximum daily deposit balance | 10,000 | 4,310 |
| Comprehensive credit line provided by Baowu Finance to the Company | 10,000 | 3,610 |
| Service fee paid by the Company to Baowu Finance for financial services | 210 | 4 |
| Total interest on the Company’s deposits with Baowu Finance | 190 | 0.00 |

Section VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(1) Related party transactions related to normal operations (Continued)

1. *Matters that have been disclosed in the temporary announcement and have no progress or change in subsequent implementation (Continued)*

(4) The continuing related party transactions under the 2023–2024 “Financial Services Agreement” between the Group and Baowu Finance (Continued)

Baowu Finance provides deposit services to the Company at the deposit interest rate determined in accordance with that of the same type and under the same terms promulgated by the People’s Bank of China, in principle, not lower than the deposit interest rate of the same type and under the same terms of the independent major commercial banks in the PRC. The preferential credit interest rates and fee rates offered by Baowu Finance to the Company in respect of its credit facilities such as loans, bill acceptance and bill discounting are, in principle, not higher than the interest rates and fee rates of the Company’s credit facilities of the same type and at the same time, which the Company obtains from independent major commercial banks in the PRC. Baowu Finance shall follow the principles of fairness and reasonableness to provide other financial services to the Company, and charge the relevant fees not higher than the fair market prices obtained by the Company from independent major commercial banks in the PRC or the standards stipulated by the State.

All Directors of the Board (including Independent Non-executive Directors) who are not associated with Baowu Finance considered that those transactions were set and conducted in daily course of business under normal commercial terms and in accordance with the terms of “Financial Services Agreement”. The terms were fair and were in the best interest of the shareholders of the Company as a whole. During the Reporting Period, such transactions were carried out according to the terms for the “Financial Services Agreement” and each transaction amount was under the annual cap of 2023 for that agreement.

(5) Other continuing related party transactions

In December 2022, with the approval of the Board, the Company entered into the Industrial Finance Cooperation Framework Agreement with Hwabao Investment Co., Ltd., and Masteel Finance entered into the “Financial Services Agreement” with Ouye Lianjin Renewable Resources Co., Ltd.. As of the end of the Reporting Period, no transaction has been carried out under these agreements.

Section VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Substantial related party transactions in respect of jointly investment

1. Matters disclosed in extraordinary announcements without progress or change in the follow-up implementation

| Summary of matter | Index of enquiry |
|---|---|
| Transfer of 16.14% equity interest in Ouye Commercial Factoring Company Limited to Shanghai Ouyeel Financial Information Services Co., Ltd. | http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-02-10/600808_20230210_RWIC.pdf |
| Transfer of assets related to the Company's lime business to Maanshan Baozhichun Calcium and Magnesium Technology Company Limited (馬鞍山寶至純鈣鎂科技有限公司). | http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-02-10/600808_20230210_ZO9G.pdf |

(3) There were no substantial related party transactions in respect of jointly investment during the Reporting Period

(4) Financial business between the Company and its related financial companies and financial business between the Company's holding financial company and its related parties

1. Deposits business

Unit: million RMB

| Related party | Connection | Daily maximum deposit limit | Interest rate range of deposits | Amount for the period | | | Balance at the end of the period |
|----------------------------------|--|-----------------------------|---------------------------------|--|--|--|----------------------------------|
| | | | | Balance at the beginning of the period | Total amount deposited during the period | Total amount withdrawn during the period | |
| The Holding and its subsidiaries | Financial business between the Company's holding financial company and its related parties | 250 | 0.42%-2.18% | 7,908.21 | 79,598.13 | 87,506.34 | - |
| Baowu Finance | Financial business between the Group and related financial companies | 10,000 | 0.44%-2.08% | - | 82,802.84 | 73,886.19 | 8,916.65 |
| Total | / | / | / | 7,908.21 | 162,400.97 | 161,392.53 | 8,916.65 |

Section VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

- (4) Financial business between the Company and its related financial companies and financial business between the Company's holding financial company and its related parties
(Continued)

2. Loans business

Unit: million RMB

| Related party | Connection | Amount for loan | Interest rate range of loans | Amount for the period | | | |
|----------------------------------|--|-----------------|------------------------------|--|----------------------------------|---------------------------------------|----------------------------------|
| | | | | Balance at the beginning of the period | Total loan amount for the period | Total amount repaid during the period | Balance at the end of the period |
| The Holding and its subsidiaries | Financial business between the Company's holding financial company and its related parties | 4,900 | 2.58%-4.60% | 1,385.75 | 2,280.00 | 3,665.75 | - |
| Baowu Finance | Financial business between the Group and its related financial companies | 10,000 | 2.05%-3.16% | - | 4,400.00 | 460.00 | 3,940.00 |
| Total | / | / | / | 1,385.75 | 6,680 | 4,125.75 | 3,940.00 |

3. Credit business or other financial business

Unit: million RMB

| Related party | Connection | Business types | Total | Actual amount |
|----------------------------------|--|-------------------------------|-------|---------------|
| The Holding and its subsidiaries | Financial business between the Company's holding financial company and its related parties | Charge for financial services | 10.13 | 10.13 |
| Baowu Finance | Financial business between the Group and its related financial companies | Charge for financial services | 21.77 | 21.77 |

Section VI Significant Events (Continued)

11. MATERIAL CONTRACTS AND EXECUTION THEREOF

1. During the Reporting Period, there was no entrustment, contracting and leasing
2. Significant guarantees performed and outstanding during the Reporting Period

Unit: RMB100 million

Guarantees Offered by the Company (excluding guarantees offered to subsidiaries)

| | |
|--|---|
| Total amount guarantees incurred in the Reporting Period (excluding guarantees offered to subsidiaries) | – |
| Total ending balance of guarantees (excluding guarantees offered to subsidiaries) (A) | – |

Guarantees Offered to Subsidiaries

| | |
|--|-------|
| Total amount of guarantees newly offered to subsidiaries during the Reporting Period | – |
| Total ending balance of guarantees offered to subsidiaries (B) | – |
| Total Amount of Guarantees Offered by the Company (including guarantees offered to subsidiaries) | |
| Total amount of guarantees (A+B) | 31.50 |
| Total amount of guarantees as a percentage of net assets of the Company (%) | 13.62 |
| of which: | |
| Amount of guarantees offered to shareholders, actual holder and their related parties (C) | – |
| Amount of debt guarantees offered to those with asset-liability ratio exceeding 70%, directly or indirectly (D) | – |
| The portion of total guarantees in excess of 50% of net assets (E) | – |
| Total amount of the preceding three types of guarantees (C+D+E) | – |

Explanation on guarantees At the end of the Reporting Period, the Company provided Ma Steel (Hong Kong) with a guarantee for banking facilities of RMB3 billion for its trade financing, and the actual amount was nil; Changjiang Steel provided its wholly-owned subsidiaries with a guarantee cap of RMB150 million, and the actual amount was nil.

Section VI Significant Events (Continued)

12. OTHER MAJOR EVENTS

- (1) Compare with the previous accounting period, there were no changes in accounting policies, accounting estimates and accounting method.
- (2) During the Reporting Period, there were no cases where corrections to major accounting errors needed to be restated retrospectively.
- (3) Index for information disclosure during the Reporting Period

According to the “Securities Law”, the “Rules Governing Information Disclosure of Listed Companies”, and relevant regulations, major events of the Company happened during the Reporting Period were disclosed as interim reports on the websites of SSE and the Hong Kong Stock Exchange. Relevant search index and date by published are set out as follows:

| Items | Date by published |
|--|-------------------|
| Announcement on Estimated Loss in Annual Results of 2022 | 2023.1.31 |
| Announcement of Transfer of Equity Interests and Related Party Transaction for Investee Subsidiary | 2023.2.10 |
| Announcement of Transfer of Lime-related Assets and Related Party Transaction | 2023.2.10 |
| Announcement on Completion of Partial Equity Transfer Registration by Controlling Shareholders | 2023.3.4 |
| Announcement on the Implementation of Repurchase and Cancellation of Certain Restricted Shares under the 2021 A Share Incentive Scheme | 2023.3.7 |
| Announcement of Repurchase and Cancellation of Certain Restricted Shares | 2023.3.11 |
| Announcement on Launch of Futures Hedging Activities in the Year 2023 | 2023.3.11 |
| Announcement on Mixed Ownership Reform of Wholly-owned Subsidiaries | 2023.3.11 |
| Announcement on Resolution Passed at the 2023 First Extraordinary General Meeting | 2023.3.11 |
| Announcement on Resolution Passed at the 2023 Second Extraordinary General Meeting, 2023 First Class Meeting of A Shareholders and First Class Meeting of H Shareholders | 2023.3.30 |
| Notice to Creditors Announcement | 2023.3.31 |
| Announcement on Accounting Policy Changes | 2023.3.31 |
| Announcement of Main Operating Data in 2022 | 2023.3.31 |
| Announcement of the Annual Results Presentation 2022 | 2023.3.31 |
| Announcement on the Profit Distribution Plan for the Year 2022 | 2023.3.31 |
| Announcement of Resignation of Deputy General Manager | 2023.4.14 |
| Announcement of Operating Data in the first quarter of 2023 | 2023.4.28 |
| Announcement on Approval of Registration of Short-term Financing Bonds | 2023.5.13 |
| Announcement on Change of Accounting Firm | 2023.5.20 |
| Announcement on Participation in the Investor Exchange Event of “Unified Investor Meeting for Listed Companies under China Baowu” | 2023.5.27 |
| Announcement on the Implementation of Repurchase and Cancellation of Certain Restricted Shares under the 2021 A Share Incentive Scheme | 2023.5.31 |
| Announcement of Resolutions Passed at the 2022 Annual General Meeting | 2023.6.17 |

The above announcements were released on Shanghai Securities News, the website of SSE (<http://www.sse.com.cn>) and that of the HKEx (<http://www.hkex.com.hk>).

VII Movements in Share Capital and Shareholders

1. SHARE MOVEMENTS

(1) Table on share movements

1. Table on share movements

Unit: Share

| | Before the change | | Increase/(decrease) during the period | | | | | After the change | |
|---|-------------------|----------------|---------------------------------------|--------------|---------------------------------------|------------|------------|------------------|----------------|
| | Number of shares | Percentage (%) | New shares issued | Bonus shares | Shares converted from surplus reserve | Others | Sub-total | Number of shares | Percentage (%) |
| A. Shares with selling restriction | 75,050,000 | 0.97 | - | - | - | -5,944,000 | -5,944,000 | 69,106,000 | 0.89 |
| 1. State-owned shares | - | - | - | - | - | - | - | - | - |
| 2. State-owned legal person shares | - | - | - | - | - | - | - | - | - |
| 3. Other domestically owned shares | 75,050,000 | 0.97 | - | - | - | -5,944,000 | -5,944,000 | 69,106,000 | 0.89 |
| Including: Domestic non-state-owned legal person shares | - | - | - | - | - | - | - | - | - |
| Shares owned by domestic natural persons | 75,050,000 | 0.97 | - | - | - | -5,944,000 | -5,944,000 | 69,106,000 | 0.89 |
| 4. Foreign shareholding | - | - | - | - | - | - | - | - | - |
| Including: Overseas legal person shares | - | - | - | - | - | - | - | - | - |
| Overseas natural person shares | - | - | - | - | - | - | - | - | - |
| B. Tradable shares without selling restriction | 7,700,681,186 | 99.03 | - | - | - | - | - | 7,700,681,186 | 99.11 |
| 1. RMB ordinary shares | 5,967,751,186 | 76.75 | - | - | - | - | - | 5,967,751,186 | 76.81 |
| 2. Foreign shares listed domestically | - | - | - | - | - | - | - | - | - |
| 3. Foreign shares listed overseas | 1,732,930,000 | 22.29 | - | - | - | - | - | 1,732,930,000 | 22.30 |
| 4. Other shares | - | - | - | - | - | - | - | - | - |
| C. Total | 7,775,731,186 | 100 | - | - | - | -5,944,000 | -5,944,000 | 7,769,787,186 | 100 |

VII Movements in Share Capital and Shareholders (Continued)

1. SHARE MOVEMENTS (CONTINUED)

(1) Table on share movements (Continued)

2. Description of securities issuance and share changes

Six participants are no longer qualified as participants due to their respective reasons, and 13 participants gave up their participation in the Company's share incentive scheme due to work re-arrangement and participation in the share incentive scheme of subsidiaries. These participants held a total of 5,944,000 restricted shares. In accordance with the provisions of the Company's share incentive scheme and with the approvals of the Shareholders' General Meetings of the Company, the Company repurchased and cancelled these restricted shares, which were implemented during the Reporting Period.

3. Impact of share changes occurring after the Reporting Period and up to the date of disclosure of the interim report on financial indicators such as earnings per share and net assets per share (if any)

Applicable Not Applicable

(2) Change of restrictive shares

Unit: '0,000 shares

| Name of shareholders | No. of restrictive shares at the beginning of the period | No. of shares unlocked during the Reporting Period | No. of new restrictive shares during the Reporting Period | No. of restrictive shares at the end of the period | Reason for selling restriction | Unlocking date |
|-------------------------------|--|--|---|--|--------------------------------|----------------|
| Equity incentive participants | 7,505 | – | -594.4 | 6,910.6 | Equity incentive | N/A |
| Total | 7,505 | – | -594.4 | 6,910.6 | / | / |

Note: According to the share incentive scheme, if the conditions for unlocking restricted shares are met, the restricted shares will be unlocked in three batches, and the lock-up periods for each batch are 24 months, 36 months and 48 months from 10 May 2022, respectively.

VII Movements in Share Capital and Shareholders (Continued)

2. SHAREHOLDERS

(1) Total shareholders

Numbers of Shareholders as end of the Reporting Period (*unit*) 158,403

(2) Shareholding of the top ten shareholders and the top ten tradable shareholder (or shareholders without selling restrictions) at the end of the Reporting Period

Unit: Share

| Name of shareholder (full name) | Shareholding of the top ten shareholders | | | Pledged, marked or frozen situations | | Shareholder nature |
|--|---|------------------------------------|----------------|--|--------------|-------------------------|
| | Increase/decrease within the Reporting Period | No. of shares at the end of period | Percentage (%) | No. of shares held with selling restrictions | Share status | |
| Magang (Group) Holding Company Limited | 158,282,159 | 3,664,749,615 | 47.17 | - Nil | - | State-owned shareholder |
| Hong Kong Securities Clearing Company (Nominees) Limited | 24,608 | 1,716,669,128 | 22.09 | - Unknown | Unknown | Unknown |
| Central Huijin Investment Ltd. | - | 139,172,300 | 1.79 | - Unknown | Unknown | State-owned shareholder |
| China Merchants Bank Co., Ltd. – SSE Dividend Index ETF | 3,586,221 | 97,079,948 | 1.25 | - Unknown | Unknown | Unknown |
| Hong Kong Securities Clearing Company Limited | -47,826,223 | 71,481,323 | 0.92 | - Unknown | Unknown | Unknown |
| China Life Pension Strategy No. 4 Equity Pension Product – Industrial and Commercial Bank of China Limited | - | 34,531,120 | 0.44 | - Unknown | Unknown | Unknown |
| Beijing Guoxing Real Estate Management Co., Ltd. | - | 32,463,300 | 0.42 | - Unknown | Unknown | Unknown |
| Zhang Wu | 700,000 | 27,000,000 | 0.35 | - Unknown | Unknown | Unknown |
| Industrial and Commercial Bank of China Limited – Fullgoal China Securities Dividend Index EIF | Unknown | 25,989,300 | 0.33 | - Unknown | Unknown | Unknown |
| Shenwan Hongyuan Securities Co., Ltd. | Unknown | 21,639,961 | 0.28 | - Unknown | Unknown | Unknown |

VII Movements in Share Capital and Shareholders (Continued)

2. SHAREHOLDERS (CONTINUED)

- (2) Shareholding of the top ten shareholders and the top ten tradable shareholder (or shareholders without selling restrictions) at the end of the Reporting Period (Continued)

| Shareholding of the top ten shareholders held without selling restrictions | | | |
|--|---|--|---------------|
| Name of shareholder | No. of tradable shares held without selling restriction | Type and quantity of shares | |
| | | Type | Quantity |
| Magang (Group) Holding Company Limited | 3,664,749,615 | Ordinary shares in RMB | 3,664,749,615 |
| Hong Kong Securities Clearing Company (Nominees) Limited | 1,716,669,128 | Overseas listed foreign shares | 1,716,669,128 |
| Central Huijin Investment Ltd. | 139,172,300 | Ordinary shares in RMB | 139,172,300 |
| China Merchants Bank Co., Ltd. – SSE Dividend Index ETF | 97,079,948 | Ordinary shares in RMB | 97,079,948 |
| Hong Kong Securities Clearing Company Limited | 71,481,323 | Ordinary shares in RMB | 71,481,323 |
| China Life Pension Strategy No. 4 Equity Pension Product – Industrial and Commercial Bank of China Limited | 34,531,120 | Ordinary shares in RMB | 34,531,120 |
| Beijing Guoxing Real Estate Management Co., Ltd. | 32,463,300 | Ordinary shares in RMB | 32,463,300 |
| Zhang Wu | 27,000,000 | Ordinary shares in RMB | 27,000,000 |
| Industrial and Commercial Bank of China Limited – Fullgoal China Securities Dividend Index EIF | 25,989,300 | Ordinary shares in RMB | 25,989,300 |
| Shenwan Hongyuan Securities Co., Ltd. | 21,639,961 | Ordinary shares in RMB | 21,639,961 |
| Notes on the above shareholders' affiliated relation or concerted action | | Magang (Group) Holding Company Limited has no affiliated relation with any of the other foregoing shareholders, nor is a person acting in concerted action; however, it is not in the knowledge of the Company whether there is any affiliated relation among other foregoing shareholders and whether they are persons acting inconcerted action. | |

Note: At the end of the Reporting Period, Hong Kong Securities Clearing Company (Nominees) Ltd. held 1,716,669,128 H Shares of the Company on behalf of its clients, among which, 358,950,000 H Shares are held on behalf of Baosteel Hong Kong Investment Company Limited.

VII Movements in Share Capital and Shareholders (Continued)

2. SHAREHOLDERS (CONTINUED)

(2) Shareholding of the top ten shareholders and the top ten tradable shareholder (or shareholders without selling restrictions) at the end of the Reporting Period (Continued)

On 3 March 2023, the Company received a notification letter from the Holding that Masteel Group Investment Ltd. had transferred its all 158,282,159 A Shares in aggregate in the Company to the Holding. For details, please refer to the Company's announcement at http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-04/600808_20230304_JP79.pdf.

During the Reporting Period, no shares held by the Magang (Group) Holding Company Limited and Baosteel Investment were pledged, frozen or hosted. However, the Company was unaware whether shares held by other shareholders who have 5% and above of the total were pledged, frozen or hosted during the Reporting Period.

Shareholding of the top ten shareholders with selling restrictions and the selling restrictions:

Unit: 0'000 shares

| Serial number | Name of shareholders with selling restrictions | No. of shares held with selling restrictions | Shares with selling restrictions available for trading and selling restrictions |
|--|--|--|---|
| 1 | Ding Yi | 85 | These persons are all incentive participants under the Company's 2021 Restricted A Share Incentive Scheme and the availability for trading and selling restrictions are set out in the Company's announcement http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-05-11/600808_20220511_1_z2lpjPUU.pdf . |
| 2 | Mao Zhanhong | 60 | |
| 3 | Ren Tianbao | 60 | |
| 4 | Tang Qiming | 60 | |
| 5 | Fu Ming | 60 | |
| 6 | Zhang Maohan | 60 | |
| 7 | Wang Guangya | 45 | |
| 8 | Deng Songgao | 45 | |
| 9 | Luo Wulong | 45 | |
| 10 | Yang Xingliang | 45 | |
| Notes on the above shareholders' affiliated relation or concerted action | | | The above shareholders are all incentive participants of the Company's 2021 Restricted A Share Incentive Scheme. |

VII Movements in Share Capital and Shareholders (Continued)

2. SHAREHOLDERS (CONTINUED)

(3) Interests or short positions recorded according to the securities and futures ordinance

As of 30 June 2023, to the best knowledge of the Company, the following persons were recorded in the registry kept by the Company for holding interests or short positions in the shares or underlying shares of the Company according to the Securities and Futures Ordinance:

| Name of Shareholder | Identity held or deemed to be interested | Number of shares held or deemed to be interested (shares) | Approximate percentage of the Company's issued H Shares (%) |
|---|--|--|--|
| Baosteel Hong Kong Investment Company Limited | Beneficial holder | 358,950,000 (Long position) | 21.78 |

As at the end of the Reporting Period, for details of changes in shareholdings of Directors, Supervisors and senior executives of the Company, please refer to “(1) Changes in shareholdings of current and outgoing Directors, Supervisors and senior executives in the Reporting Period” in “3. Information on Directors, Supervisors and Senior Executives” in this section. Except for that, none of the other Directors, Supervisors, or senior management had any interests or short positions in the shares, underlying shares and bonds of the Company or any of its associated corporations (definition refers to the Securities and Futures Ordinance).

Save as disclosed above, as at the end of the Reporting Period, the Company was no aware of any interests or short positions recorded in the registry according to the Securities and Future Ordinance.

(4) During the Reporting Period, no strategic investors or general legal persons became the top ten shareholders of the Company due to the placement of new shares.

VII Movements in Share Capital and Shareholders (Continued)

3. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

- (1) There were no changes in shareholdings of current and outgoing Directors, Supervisors and senior executives in the Reporting Period
- (2) Equity incentives granted to Directors, Supervisors and senior management during the Reporting Period

Unit: share

| Name | Position | No. of restrictive shares held at the beginning of the period | No. of restrictive shares newly granted in the Reporting Period | No. of shares unlocked | No. of shares locked up | No. of restrictive shares held at the end of the period |
|--------------|--------------------------------|---|---|------------------------|-------------------------|---|
| Ding Yi | Director | 85 | - | - | 85 | 85 |
| Mao Zhanhong | Director | 60 | - | - | 60 | 60 |
| Ren Tianbao | Director | 60 | - | - | 60 | 60 |
| Fu Ming | Senior executive | 60 | - | - | 60 | 60 |
| Zhang Maohan | Senior executive (resigned) | 60 | - | - | 60 | 60 |
| Total | / | 325 | - | - | 325 | 325 |

4. DURING THE REPORTING PERIOD, THE CONTROLLING SHAREHOLDER OR ACTUAL CONTROLLER OF THE COMPANY DID NOT CHANGE.

VIII Financial Statements

1. AUDIT REPORT

Applicable Not applicable

2. FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

30 June 2023

(Expressed in Renminbi Yuan)

| ASSETS | <i>Note V</i> | 30 June 2023 | 31 December 2022 |
|--|---------------|-----------------------|------------------|
| | | (unaudited) | (audited) |
| CURRENT ASSETS: | | | |
| Cash and bank balances | 1 | 6,360,496,388 | 6,534,701,307 |
| Financial assets held for trading | 2 | – | 625,997,138 |
| Notes receivable | 3 | 524,560,869 | 1,933,419,913 |
| Trade receivables | 4 | 1,552,187,387 | 1,376,878,400 |
| Financing receivables | 5 | 2,028,062,545 | 2,659,676,438 |
| Prepayments | 6 | 512,349,306 | 523,771,038 |
| Other receivables | 7 | 355,359,721 | 330,510,759 |
| Inventories | 8 | 10,617,168,517 | 10,244,541,734 |
| Financial assets purchased under agreements to resell | 9 | – | 2,680,209,514 |
| Loans and advances to customers | 10 | – | 2,644,197,648 |
| Other current assets | 11 | 488,968,879 | 9,763,174,357 |
| Total current assets | | 22,439,153,612 | 39,317,078,246 |
| NON-CURRENT ASSETS: | | | |
| Long-term receivables | 12 | – | 4,136,391 |
| Long-term equity investments | 13 | 7,038,429,148 | 4,449,421,983 |
| Other equity instrument investments | 14 | 434,221,236 | 541,406,510 |
| Investment properties | 15 | 56,202,287 | 57,207,919 |
| Property, plant and equipment | 16 | 41,601,215,751 | 42,432,233,911 |
| Construction in progress | 17 | 9,627,969,434 | 7,766,555,935 |
| Right-of-use assets | 64 | 273,090,065 | 289,244,099 |
| Intangible assets | 18 | 1,818,236,594 | 1,875,095,733 |
| Deferred tax assets | 19 | 141,645,283 | 150,908,792 |
| Other non-current assets | | 6,163,812 | 4,020,703 |
| Total non-current assets | | 60,997,173,610 | 57,570,231,976 |
| TOTAL ASSETS | | 83,436,327,222 | 96,887,310,222 |

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financial Position (Continued)

30 June 2023

(Expressed in Renminbi Yuan)

| LIABILITIES AND SHAREHOLDERS' EQUITY | <i>Note V</i> | 30 June 2023 | 31 December 2022 |
|--|---------------|-----------------------|------------------|
| | | (unaudited) | (audited) |
| CURRENT LIABILITIES: | | | |
| Customer deposits | 20 | – | 9,082,110,579 |
| Funds from sales of financial assets with repurchasement agreement | 21 | – | 659,635,255 |
| Short-term loans | 22 | 8,773,620,958 | 9,198,483,165 |
| Notes payable | 23 | 6,224,257,622 | 5,220,978,025 |
| Trade payables | 24 | 16,627,260,626 | 17,224,018,731 |
| Contract liabilities | 25 | 5,191,389,696 | 4,987,638,416 |
| Payroll and employee benefits payable | 26 | 166,541,362 | 488,255,914 |
| Taxes payable | 27 | 532,936,797 | 639,849,357 |
| Other payables | 28 | 2,841,171,373 | 3,917,090,333 |
| Non-current liabilities due within one year | 29 | 3,200,841,489 | 2,059,412,922 |
| Accrued liabilities | 34 | 29,634,497 | 25,699,276 |
| Other current liabilities | 30 | 674,880,660 | 648,392,994 |
| Total current liabilities | | 44,262,535,080 | 54,151,564,967 |
| NON-CURRENT LIABILITIES: | | | |
| Long-term loans | 31 | 7,250,337,107 | 7,982,390,765 |
| Lease liabilities | 64 | 298,224,844 | 305,546,394 |
| Long-term payable | 32 | 105,928,072 | 168,053,940 |
| Long-term employee benefits payable | 33 | 17,302,359 | 16,423,474 |
| Deferred revenue | 35 | 943,227,215 | 933,916,449 |
| Deferred tax liabilities | 19 | 200,100 | 3,397,498 |
| Total non-current liabilities | | 8,615,219,697 | 9,409,728,520 |
| TOTAL LIABILITIES | | 52,877,754,777 | 63,561,293,487 |

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Financial Position (Continued)

30 June 2023

(Expressed in Renminbi Yuan)

| LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED) | <i>Note V</i> | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|---|---------------|-------------------------------------|-------------------------------|
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | 36 | 7,769,787,186 | 7,775,731,186 |
| Capital reserve | 37 | 8,434,454,101 | 8,442,757,852 |
| Less: Treasury shares | 38 | 158,252,740 | 171,864,500 |
| Other comprehensive income | 39 | 12,340,363 | (30,006,411) |
| Special reserve | 40 | 108,489,737 | 107,567,088 |
| Surplus reserve | 41 | 4,720,262,452 | 4,720,262,452 |
| General reserve | 42 | – | 271,501,110 |
| Retained earnings | 43 | 5,969,311,605 | 8,078,876,545 |
| Equity attributable to owners of the parent | | 26,856,392,704 | 29,194,825,322 |
| Non-controlling interests | | 3,702,179,741 | 4,131,191,413 |
| Total shareholders' equity | | 30,558,572,445 | 33,326,016,735 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 83,436,327,222 | 96,887,310,222 |

The financial statements were signed by the following persons:

Legal Representative
Ding Yi

Chief Accountant
Ren Tianbao

Head of Accounting
Xing Qunli

The accompanying notes are an integral part of these financial statements.

Consolidated Income Statement

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

| | | For the six months ended 30 June | |
|---|--------|----------------------------------|---------------------|
| | Note V | 2023 (unaudited) | 2022 (unaudited) |
| Revenue | 44 | 48,980,452,872 | 56,366,882,559 |
| Less: Cost of sales | 44 | 49,523,478,031 | 52,616,766,538 |
| Taxes and surcharges | 45 | 218,599,434 | 257,561,084 |
| Selling expenses | 46 | 177,901,863 | 128,478,727 |
| General and administrative expenses | 47 | 456,380,406 | 628,974,051 |
| R&D expenses | 48 | 643,423,988 | 663,418,837 |
| Financial expenses | 49 | 178,963,793 | 324,095,963 |
| Including: Interest expense | | 231,627,973 | 261,302,897 |
| Interest income | | 18,849,473 | 28,366,201 |
| Add: Other income | 50 | 52,456,933 | 111,692,169 |
| Investment income | 51 | 451,989,731 | 417,913,544 |
| Including: Share of profits of associates and joint ventures | | 84,511,457 | 315,092,323 |
| (Loss)/gain on the changes in fair value | 52 | (34,558,767) | 56,378,972 |
| Credit impairment gains/(losses) | 53 | 40,958,117 | 10,845,117 |
| Asset impairment losses | 54 | (672,043,696) | (817,965,125) |
| Gain from disposal of assets | 55 | 16,883,791 | 420,584,323 |
| Operating (loss)/profit | | (2,362,608,534) | 1,947,036,359 |
| Add: Non-operating income | 56 | 2,547,133 | 1,713,914 |
| Less: Non-operating expenses | 56 | 1,276,751 | 75,408,140 |
| (Loss)/profit before tax | | (2,361,338,152) | 1,873,342,133 |
| Less: Income tax expense | 57 | 72,049,656 | 257,565,942 |
| Net (loss)/profit | | (2,433,387,808) | 1,615,776,191 |
| Categorised by operation continuity: | | | |
| Net (loss)/profit from continuing operations | | (2,433,387,808) | 1,615,776,191 |
| Categorised by ownership: | | | |
| Net (loss)/profit attributable to owners of the parent | | (2,235,498,496) | 1,427,570,875 |
| Net (loss)/profit attributable to non-controlling interests | | (197,889,312) | 188,205,316 |

The accompanying notes are an integral part of these financial statements.

Consolidated Income Statement (Continued)

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

| | Note V | For the six months ended 30 June | |
|---|--------|----------------------------------|---------------------|
| | | 2023 (unaudited) | 2022 (unaudited) |
| Other comprehensive income, net of tax | 39 | 47,473,110 | (26,129,370) |
| Other comprehensive income attributable to owners of the parent, net of tax | | 47,473,110 | (26,129,370) |
| Other comprehensive income that will not be reclassified to profit or loss: | | | |
| Changes in fair value of other equity instrument investments | | (11,689,222) | (30,248,839) |
| Other comprehensive income that may be reclassified to profit or loss: | | | |
| Other comprehensive income using the equity method that may be reclassified to profit or loss | | 59,162,332 | 4,119,469 |
| Changes in fair value of other debt investments | | 24,974,091 | 71,103 |
| Exchange differences on translation of foreign operations | | 4,076,476 | 1,942,767 |
| | | 30,111,765 | 2,105,599 |
| Other comprehensive income attributable to non-controlling interests, net of tax | | – | – |
| Total comprehensive income | | (2,385,914,698) | 1,589,646,821 |
| Attributable to: | | | |
| Owners of the parent | | (2,188,025,386) | 1,401,441,505 |
| Non-controlling interests | | (197,889,312) | 188,205,316 |
| EARNINGS PER SHARE: | | | |
| Basic earnings per share (cent/share) | 58 | (28.92) | 18.53 |
| Diluted earnings per share (cent/share) | 58 | (28.92) | 18.53 |

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2023 (Unaudited)

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

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2022 (Unaudited)

| Note / | Attributable to owners of the parent | | | | | | | | | Non-controlling interests | Total shareholders' equity |
|--|--------------------------------------|-----------------|-----------------------|----------------------------|-----------------|-----------------|-----------------|-------------------|-----------------|---------------------------|----------------------------|
| | Share capital | Capital reserve | Less: treasury shares | Other comprehensive income | Special reserve | Surplus reserve | General reserve | Retained earnings | Sub-tota | | |
| 1. Balance at the end of last period | 7,700,681,186 | 8,344,594,034 | - | 12,271,369 | 45,427,634 | 4,688,014,995 | 300,334,506 | 11,661,535,210 | 32,752,858,934 | 4,658,324,544 | 37,411,183,478 |
| Change of accounting policy | - | - | - | - | - | - | - | - | - | - | - |
| 2. Balance at the beginning of the period | 7,700,681,186 | 8,344,594,034 | - | 12,271,369 | 45,427,634 | 4,688,014,995 | 300,334,506 | 11,661,535,210 | 32,752,858,934 | 4,658,324,544 | 37,411,183,478 |
| 3. Increase/(decrease) during the period | | | | | | | | | | | |
| (1) Total comprehensive income | - | - | - | (26,129,370) | - | - | - | 1,427,570,875 | 1,401,441,505 | 188,205,316 | 1,589,646,821 |
| (2) Shareholders' contributions and reduction in capital | | | | | | | | | | | |
| i. Capital contributions by shareholders | 75,050,000 | 96,814,500 | 171,864,500 | - | - | - | - | - | - | - | - |
| ii. Changes in other equity of associates and joint ventures | - | (2,625,717) | - | - | - | - | - | - | (2,625,717) | - | (2,625,717) |
| iii. Amount of sharebased payments recognised in equity | - | 10,942,290 | - | - | - | - | - | - | 10,942,290 | - | 10,942,290 |
| (3) Profit appropriation | 43 | | | | | | | | | | |
| i. Distribution to shareholders | - | - | - | - | - | - | - | (2,721,505,915) | (2,721,505,915) | (476,651,458) | (3,198,157,373) |
| ii. Transfer to general reserve | - | - | - | - | - | - | (59,379,089) | 59,379,089 | - | - | - |
| iii. Others | - | - | - | - | - | - | - | - | - | - | - |
| (4) Other comprehensive income carried forward to retained earnings | - | - | - | - | - | - | - | - | - | - | - |
| (5) Special reserve | | | | | | | | | | | |
| i. Additions | - | - | - | - | 46,612,000 | - | - | - | 46,612,000 | 8,330,783 | 54,942,783 |
| ii. Utilisation | - | - | - | - | (10,319,531) | - | - | - | (10,319,531) | (3,884,965) | (14,204,496) |
| iii. Changes in the share of associates and joint ventures' special reserve, net | - | - | - | - | 6,164,587 | - | - | - | 6,164,587 | - | 6,164,587 |
| (6) Others | - | - | - | - | - | - | - | - | - | - | - |
| 4. Balance at the end of the year | 7,775,731,186 | 8,449,725,107 | 171,864,500 | (13,858,001) | 87,884,690 | 4,688,014,995 | 240,955,417 | 10,426,979,259 | 31,483,568,153 | 4,374,324,220 | 35,857,892,373 |

The accompanying notes are an integral part of these financial statements.
2023 Interim Report

Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

| | Note V | For the six months ended 30 June | |
|--|--------|-------------------------------------|-------------------------|
| | | 2023 (unaudited) | 2022 (unaudited) |
| 1. Cash flows from operating activities: | | | |
| Cash received from sale of goods and rendering of services | | 44,491,157,473 | 55,504,379,461 |
| Tax refunds received | | 758,350,414 | 1,881,814 |
| Net decrease in deposits in the central bank | | 249,240,601 | 38,168,816 |
| Net decrease in financial assets purchased under agreements to resell | | 2,680,209,514 | – |
| Net increase in customer deposits and balances from banks and other financial institutions | | – | 200,052,340 |
| Net decrease in loans and advances to customers | | 1,645,825,963 | 998,558,553 |
| Cash received for interest charges, fees and commissions | | 93,262,097 | 148,867,571 |
| Cash received relating to other operating activities | 60(1) | 343,059,411 | 260,645,302 |
| Sub-total of cash inflows | | 50,261,105,473 | 57,152,553,857 |
| Cash paid for purchases of goods and services | | (41,964,850,644) | (46,358,885,494) |
| Net decrease in repurchase agreements | | (659,635,255) | (816,786,359) |
| Net increase in financial assets purchased under agreements to resell | | – | (2,653,497,995) |
| Net decrease in customer deposits and balances from banks and other financial institutions | | (2,493,266,501) | – |
| Cash paid to or on behalf of employees | | (2,314,894,462) | (2,149,356,950) |
| Taxes and surcharges paid | | (605,109,251) | (1,397,455,649) |
| Cash paid for interest charges, fees and commissions | | (48,659,682) | (85,776,622) |
| Cash paid relating to other operating activities | 60(2) | (264,260,066) | (312,230,823) |
| Sub-total of cash outflows | | (48,350,675,861) | (53,773,989,892) |
| Net cash flows from operating activities | 61(1) | 1,910,429,612 | 3,378,563,965 |

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

| | <i>Note V</i> | For the six months ended 30 June | |
|---|---------------|---|--------------------|
| | | 2023 | 2022 |
| | | (unaudited) | (unaudited) |
| 2. Cash flows from investing activities: | | | |
| Cash received from disposal of investments | | 5,971,251,763 | 13,014,288,002 |
| Cash received from investment income | | 37,571,643 | 68,475,397 |
| Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets | | 366,871,777 | 195,554,394 |
| Net cash received from disposal of subsidiaries and other business units | 61(2) | 790,122,876 | – |
| Cash received relating to other investing activities | 60(3) | 1,090,209 | 56,031,856 |
| Sub-total of cash inflows | | 7,166,908,268 | 13,334,349,649 |
| Purchases of property, plant and equipment, intangible assets and other non-current assets | | (2,250,176,321) | (4,514,685,242) |
| Cash paid for investments | | (1,812,865,058) | (10,959,586,719) |
| Sub-total of cash outflows | | (4,063,041,379) | (15,474,271,961) |
| Net cash flows from/(used in) investing activities | | 3,103,866,889 | (2,139,922,312) |

The accompanying notes are an integral part of these financial statements.

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

| | Note V | For the six months ended 30 June | |
|---|--------|-------------------------------------|---------------------|
| | | 2023 (unaudited) | 2022 (unaudited) |
| 3. Cash flows from financing activities: | | | |
| Cash received from investors | | – | 171,864,500 |
| Including: Capital injection from a subsidiary's non-controlling interests | | – | – |
| Cash received from borrowings | | 5,570,482,395 | 10,139,612,273 |
| Cash received relating to other financing activities | 60(4) | 395,122,276 | 473,115,130 |
| Sub-total of cash inflows | | 5,965,604,671 | 10,784,591,903 |
| Repayment of borrowings | | (9,883,271,111) | (10,860,003,538) |
| Cash paid for distribution of dividends or profits and for interest expenses | | (256,096,893) | (672,277,640) |
| Including: Dividends or profits paid to non- controlling interests by subsidiaries | | (13,913,579) | (455,580,143) |
| Cash paid relating to other financing activities | 60(5) | (12,697,441) | (22,752,073) |
| Sub-total of cash outflows | | (10,152,065,445) | (11,555,033,251) |
| Net cash flows used in financing activities | | (4,186,460,774) | (770,441,348) |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | | 28,699,270 | 40,094,761 |
| 5. Net increase in cash and cash equivalents | 61(1) | 856,534,997 | 508,295,066 |
| Add: Cash and cash equivalents at the beginning of the period | | 4,360,738,411 | 4,223,061,890 |
| 6. Cash and cash equivalents at the end of the period | 61(3) | 5,217,273,408 | 4,731,356,956 |

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position

30 June 2023

(Expressed in Renminbi Yuan)

| ASSETS | <i>Note XVI</i> | 30 June 2023 | 31 December 2022 |
|-------------------------------------|-----------------|-----------------------|------------------|
| | | (unaudited) | (audited) |
| CURRENT ASSETS: | | | |
| Cash and bank balances | | 3,811,878,576 | 4,947,811,247 |
| Financial assets held for trading | | – | 40,471,388 |
| Notes receivable | 1 | 761,294,000 | 2,028,976,500 |
| Trade receivables | 2 | 1,540,186,559 | 1,554,799,112 |
| Financing receivables | 3 | 1,567,483,220 | 2,090,411,894 |
| Prepayments | | 413,580,249 | 442,776,048 |
| Other receivables | 4 | 134,792,191 | 150,558,816 |
| Inventories | | 6,950,288,504 | 7,002,397,080 |
| Other current assets | | 262,843,194 | 462,906,022 |
| Total current assets | | 15,442,346,493 | 18,721,108,107 |
| NON-CURRENT ASSETS: | | | |
| Long-term equity investments | 5 | 12,728,874,113 | 11,994,505,601 |
| Other equity instrument investments | | 427,843,107 | 447,058,919 |
| Investment properties | | 56,202,287 | 57,207,919 |
| Property, plant and equipment | | 32,654,503,900 | 33,336,863,387 |
| Construction in progress | | 8,374,336,076 | 6,636,259,808 |
| Right-of-use assets | | 262,289,554 | 271,004,308 |
| Intangible assets | | 1,332,251,846 | 1,357,773,436 |
| Deferred tax assets | | 91,129,722 | 82,176,642 |
| Total non-current assets | | 55,927,430,605 | 54,182,850,020 |
| TOTAL ASSETS | | 71,369,777,098 | 72,903,958,127 |

The accompanying notes are an integral part of these financial statements.

Statement of Financial Position (Continued)

30 June 2023

(Expressed in Renminbi Yuan)

| LIABILITIES AND SHAREHOLDERS' EQUITY | Note | 30 June 2023 (unaudited) | 31 December 2022 (audited) |
|---|------|-----------------------------|-------------------------------|
| CURRENT LIABILITIES: | | | |
| Short-term loans | | 8,236,789,365 | 9,677,805,231 |
| Notes payable | | 2,724,382,121 | 2,468,071,491 |
| Trade payables | | 14,884,496,636 | 15,008,917,007 |
| Contract liabilities | | 3,751,187,277 | 4,221,839,659 |
| Payroll and employee benefits payable | | 70,150,755 | 354,868,355 |
| Taxes payable | | 428,963,993 | 474,452,288 |
| Other payables | | 6,194,721,161 | 3,972,412,391 |
| Non-current liabilities due within one year | | 3,199,638,094 | 2,057,457,424 |
| Other current liabilities | | 487,654,346 | 548,839,156 |
| Total current liabilities | | 39,977,983,748 | 38,784,663,002 |
| NON-CURRENT LIABILITIES: | | | |
| Long-term loans | | 7,133,337,107 | 8,214,390,765 |
| Lease liabilities | | 288,287,192 | 288,254,300 |
| Long-term payable | | 105,928,072 | 168,053,940 |
| Deferred revenue | | 729,828,072 | 692,633,615 |
| Total non-current liabilities | | 8,257,380,443 | 9,363,332,620 |
| Total liabilities | | 48,235,364,191 | 48,147,995,622 |
| SHAREHOLDERS' EQUITY: | | | |
| Share capital | | 7,769,787,186 | 7,775,731,186 |
| Capital reserve | | 8,429,681,081 | 8,447,275,568 |
| Less: Treasury shares | | 158,252,740 | 171,864,500 |
| Other comprehensive income | | 141,232,438 | 132,591,787 |
| Special reserve | | 64,761,240 | 69,568,483 |
| Surplus reserve | | 3,883,475,865 | 3,883,475,865 |
| Retained earnings | | 3,003,727,837 | 4,619,184,116 |
| Total shareholders' equity | | 23,134,412,907 | 24,755,962,505 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | 71,369,777,098 | 72,903,958,127 |

The accompanying notes are an integral part of these financial statements.

Statement of Income Statement

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

| | Note XVI | For the six months ended 30 June | |
|---|----------|----------------------------------|---------------------|
| | | 2023 (unaudited) | 2022 (unaudited) |
| Revenue | 6 | 38,799,331,439 | 48,775,294,696 |
| Less: Cost of sales | 6 | 39,777,699,441 | 46,365,564,775 |
| Taxes and surcharges | | 145,174,929 | 182,635,779 |
| Selling expenses | | 91,435,482 | 63,910,692 |
| General and administrative expenses | | 274,438,048 | 380,380,228 |
| R&D expenses | | 455,748,145 | 522,031,407 |
| Financial expenses | | 190,774,860 | 286,376,561 |
| Including: Interest expense | | 236,541,973 | 235,529,680 |
| Interest income | | 14,774,762 | 11,603,137 |
| Add: Other income | | 37,636,283 | 90,235,269 |
| Investment income | 7 | 1,195,221,861 | 2,088,771,774 |
| Including: Share of profits of associates and joint ventures | | 79,328,873 | 309,241,625 |
| (Loss)/gain on the changes in fair value | | (40,471,388) | 66,851,402 |
| Credit impairment gains/(losses) | | 9,421,447 | (6,246,027) |
| Asset impairment losses | | (543,680,703) | (781,555,137) |
| Gain from disposal of assets | | 10,991,718 | 57,976,374 |
| Operating (loss)/profit | | (1,466,820,248) | 2,490,428,909 |
| Add: Non-operating income | | 1,401,921 | 866,345 |
| Less: Income tax expense | | 712,916 | 52,034,683 |
| (Loss)/profit before tax | | (1,466,131,243) | 2,439,260,571 |
| Less: Income tax expense | | (6,070,708) | 30,018,968 |
| Net (loss)/profit | | (1,460,060,535) | 2,409,241,603 |

Statement of Income Statement (Continued)

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------|
| | Note XVI 2023 (unaudited) | 2022 (unaudited) |
| Categorised by operation continuity | | |
| Net (loss)/profit from continuing operations | (1,460,060,535) | 2,409,241,603 |
| Other comprehensive income, net of tax | 8,640,651 | (19,910,020) |
| Other comprehensive income that will not be reclassified to profit or loss: | | |
| Changes in fair value of other equity instrument investments | (16,333,440) | (19,981,123) |
| Other comprehensive income that may be reclassified to profit or loss: | | |
| Other comprehensive income using the equity method that may be reclassified to profit or loss | 24,974,091 | 71,103 |
| Total comprehensive income | (1,451,419,884) | 2,389,331,583 |

Statement of Changes in Equity

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2023 (Unaudited)

| | Share capital | Capital reserve | Less: Treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Retained earnings | Total Shareholders' equity |
|--|---------------|-----------------|-----------------------|----------------------------|-----------------|-----------------|-------------------|----------------------------|
| 1. Balance at the end of last period | 7,775,731,186 | 8,447,275,568 | 171,864,500 | 132,591,787 | 69,568,483 | 3,883,475,865 | 4,619,184,116 | 24,755,962,505 |
| Change of accounting policy | - | - | - | - | - | - | - | - |
| 2. Balance at the beginning of the period | 7,775,731,186 | 8,447,275,568 | 171,864,500 | 132,591,787 | 69,568,483 | 3,883,475,865 | 4,619,184,116 | 24,755,962,505 |
| 3. Increase/(decrease) during the period | | | | | | | | |
| (1) Total comprehensive income | - | - | - | 8,640,651 | - | - | (1,460,060,535) | (1,451,419,884) |
| (2) Shareholders' contributions and reduction in capital | | | | | | | | |
| i. Capital contributions by shareholders | (5,944,000) | (7,667,760) | (13,611,760) | - | - | - | - | - |
| ii. Changes in the share of other equity of associates and joint ventures | - | (4,388,089) | - | - | - | - | - | (4,388,089) |
| iii. Amounts of share-based payments recognised | - | (5,538,638) | - | - | - | - | - | (5,538,638) |
| (3) Profit appropriation | | | | | | | | |
| i. Distribution to shareholders | - | - | - | - | - | - | (155,395,744) | (155,395,744) |
| (4) Other comprehensive income carried forward to retained earnings | - | - | - | - | - | - | - | - |
| (5) Special reserve | | | | | | | | |
| i. Additions | - | - | - | - | 14,194,319 | - | - | 14,194,319 |
| ii. Utilisation | - | - | - | - | (23,547,660) | - | - | (23,547,660) |
| iii. Changes in the share of associates and joint ventures' special reserve, net | - | - | - | - | 4,546,098 | - | - | 4,546,098 |
| (6) Others | - | - | - | - | - | - | - | - |
| 4. Balance at the end of the period | 7,769,787,186 | 8,429,681,081 | 158,252,740 | 141,232,438 | 64,761,240 | 3,883,475,865 | 3,003,727,837 | 23,134,412,907 |

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity (Continued)

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2022 (Unaudited)

| | Share capital | Capital reserve | Less: Treasury shares | Other comprehensive income | Special reserve | Surplus reserve | Retained earnings | Total Shareholders' equity |
|--|---------------|-----------------|-----------------------|----------------------------|-----------------|-----------------|-------------------|----------------------------|
| 1. Balance at the end of last period | 7,700,681,186 | 8,349,111,750 | - | 193,384,920 | 19,760,287 | 3,851,228,408 | 7,050,462,914 | 27,164,629,465 |
| Change of accounting policy | - | - | - | - | - | - | - | - |
| 2. Balance at the beginning of the period | 7,700,681,186 | 8,349,111,750 | - | 193,384,920 | 19,760,287 | 3,851,228,408 | 7,050,462,914 | 27,164,629,465 |
| 3. Increase/(decrease) during the period | | | | | | | | |
| (1) Total comprehensive income | - | - | - | (19,910,020) | - | - | 2,409,241,603 | 2,389,331,583 |
| (2) Shareholders' contributions and reduction in capital | | | | | | | | |
| i. Capital contributions by shareholders | 75,050,000 | 96,814,500 | 171,864,500 | - | - | - | - | - |
| ii. Changes in the share of other equity of associates and joint ventures | - | (2,625,717) | - | - | - | - | - | (2,625,717) |
| iii. Changes in the share of other equity of associates and joint ventures | - | - | - | - | - | - | - | - |
| iv. Amounts of share-based payments recognised | - | 10,942,290 | - | - | - | - | - | 10,942,290 |
| (3) Profit appropriation | | | | | | | | |
| 1. Transfer to surplus reserves | - | - | - | - | - | - | - | - |
| 2. Distribution to shareholders | - | - | - | - | - | - | (2,721,505,915) | (2,721,505,915) |
| (4) Other comprehensive income carried forward to retained earnings | - | - | - | - | - | - | - | - |
| (5) Special reserve | | | | | | | | |
| i. Additions | - | - | - | - | 31,196,484 | - | - | 31,196,484 |
| ii. Utilisation | - | - | - | - | (4,709,599) | - | - | (4,709,599) |
| iii. Changes in the share of associates and joint ventures' special reserve, net | - | - | - | - | 6,164,587 | - | - | 6,164,587 |
| (6) Others | - | - | - | - | - | - | - | - |
| 4. Balance at the end of the period | 7,775,731,186 | 8,454,242,823 | 171,864,500 | 173,474,900 | 52,411,759 | 3,851,228,408 | 6,738,198,602 | 26,873,423,178 |

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

| | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|---|--|--|
| 1. Cash flows from operating activities: | | |
| Cash received from sale of goods and rendering of services | 31,399,978,788 | 44,767,258,216 |
| Tax refunds received | 643,449,435 | 1,712,017 |
| Cash received relating to other operating activities | 192,608,300 | 104,035,930 |
| Sub-total of cash inflows | 32,236,036,523 | 44,873,006,163 |
| Cash paid for purchase of goods and services | (29,694,345,618) | (37,532,252,398) |
| Cash paid to or on behalf of employees | (1,643,568,094) | (1,668,734,724) |
| Taxes and surcharges paid | (369,505,082) | (653,432,147) |
| Cash paid relating to other operating activities | (31,188,581) | (295,730,216) |
| Sub-total of cash outflows | (31,738,607,375) | (40,150,149,485) |
| Net cash flows from operating activities | 497,429,148 | 4,722,856,678 |
| 2. Cash flows from investing activities: | | |
| Cash received from disposal of investments | 155,536,610 | 111,342,400 |
| Cash received from investment income | 287,498,931 | 1,621,329,483 |
| Net cash received from disposal of property, plant and equipment, intangible assets and other non-current assets | 274,090,691 | 189,620,011 |
| Net cash received relating to other investing activities | 1,090,209 | 56,031,856 |
| Sub-total of cash inflows | 718,216,441 | 1,978,323,750 |
| Purchase of property, plant and equipment, intangible assets and other non-current assets | (2,106,481,798) | (3,819,553,755) |
| Cash paid for investments | - | (148,555,595) |
| Sub-total of cash outflows | (2,106,481,798) | (3,968,109,350) |
| Net cash flows used in investing activities | (1,388,265,357) | (1,989,785,600) |

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

(Expressed in Renminbi Yuan)

| | For the six months ended 30 June 2023 (unaudited) | For the six months ended 30 June 2022 (unaudited) |
|---|--|--|
| 3. Cash flows from financing activities: | | |
| Cash received from investors | – | 171,864,500 |
| Cash received from borrowings | 8,104,699,776 | 10,076,713,337 |
| Cash received relating to other financing activities | 3,397,118,868 | 473,115,130 |
| Sub-total of cash inflows | 11,501,818,644 | 10,721,692,967 |
| Repayment of borrowings | (11,424,415,407) | (10,661,315,850) |
| Cash paid for the distribution of dividend or profits and for interest expenses | (268,891,949) | (191,755,123) |
| Cash paid relating to other financing activities | (9,801,200) | (21,379,560) |
| Sub-total of cash outflows | (11,703,108,556) | (10,874,450,533) |
| Net cash flows used in financing activities | (201,289,912) | (152,757,566) |
| 4. Effect of foreign exchange rate changes on cash and cash equivalents | 14,584,169 | 22,332,037 |
| 5. Net (decrease)/increase in cash and cash equivalents | (1,077,541,952) | 2,602,645,549 |
| Add: Cash and cash equivalents at the beginning of the period | 4,643,475,839 | 2,531,052,187 |
| 6. Cash and cash equivalents at the end of the period | 3,565,933,887 | 5,133,697,736 |

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

I. GENERAL INFORMATION OF THE COMPANY

Maanshan Iron & Steel Company Limited (the “Company”), a joint stock limited company incorporated after the reorganisation of a state-owned enterprise known as Maanshan Iron and Steel Company (the “Original Magang”, now named as Magang (Group) Holding Company Limited), was established in Maanshan City, Anhui Province, the People's Republic of China (the “PRC”) on 1 September 1993. The unified social credit code of the Company's business license is 91340000610400837Y. The Company's A shares and H shares were issued and listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, respectively. The headquarter of the Company is located at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.

As of 30 June 2023, the Company had issued 7,769,790,000 shares in total, including ordinary A shares of 5,967,750,000 shares, restrictive A shares of 69,110,000 shares and ordinary H shares of 1,732,930,000 shares. The nominal value of each share is RMB1.

The Company, together with its subsidiaries (collectively known as the “Group”), is principally engaged in the manufacture and sale of iron and steel products and related by-products. Please refer to Note VII for details of the subsidiaries of the Company

The parent company of the Group is Magang (Group) Holding Company Limited (the “Holding”), which is incorporated in the PRC.

The ultimate controller of the Group is China Baowu Steel Group Corporation Limited (“China Baowu”).

The financial statements were approved by the Board of Directors on 30 August 2023.

The scope of the consolidated financial statements is determined on the control basis. During the reporting period, the information about decreases in the Group's subsidiaries is disclosed in Note VI.

II. BASIS OF PREPARATION

The financial statements are prepared on a going concern basis.

As of 30 June 2023, the net current liabilities of the Group amounted to RMB21,823,381,468. The directors of the Company have considered the availability of funding sources, including but not limited to unutilised banking facilities of RMB37.5 billion as at 30 June 2023 and the expected cash inflows from the operating activities in the upcoming 12 months. The Board of Directors of the Company believes that the Group has sufficient working capital to continue as a going concern for not less than 12 months after the end of reporting period. Therefore, the Board of Directors of the Company continues to prepare the Group's financial statements for the six months ended 30 June 2023 on a going concern basis.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

II. BASIS OF PREPARATION (CONTINUED)

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. Provision for asset impairment is provided in accordance with related regulations.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group has determined the accounting policies and accounting estimates based on the characteristics of the operation, especially those related to provision for impairment of financial assets measured at amortised cost, valuation method of inventories, depreciation of property, plant and equipment, amortisation of intangible assets, impairment of non-current assets excluding the financial instruments (other than goodwill), recognition of deferred tax assets, recognition and measurement of revenue, share-based payment and the provision for safety production reserve, etc.

1. Statement of compliance with the CAS

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises, which are also referred to as China Accounting Standards (“CAS”) issued by the Ministry of Finance (“MOF”) of the People’s Republic of China. These financial statements present truly and completely the consolidated and company financial position of the Company as at 30 June 2023, and the consolidated and company financial performance and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports” as revised by the China Securities Regulatory Commission (“CSRC”) in 2014.

2. Accounting period

The accounting period is from 1 January to 31 December.

3. Reporting currency

The Company’s functional currency is Renminbi, and these financial statements are presented in Renminbi. The functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company’s subsidiaries have functional currencies that are different from the Company’s functional currency. Their financial statements have been translated based on the accounting policy set out in Note III 7.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Accounting treatments for business combinations involving entities under common control and not under common control

A transaction or event constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets) which meet the definition of a Business. Business combinations are classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control the acquirer determines whether an acquired set of assets constitutes a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is a business. If the concentration test is met the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group should perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. The accounting treatments for business combinations described below are not applied.

(1) *Business combinations involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Accounting treatments for business combinations involving entities under common control and not under common control (Continued)

(2) *Business combinations involving entities not under common control*

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously-held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition (see Note III.10(2) (b)); For any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods is transferred to retained earnings and surplus reserve at the date of acquisition.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated financial statements

(1) *General principles*

The scope of consolidated financial statements is based on control, and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of the following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

Where the current loss assumed by non-controlling shareholders of a subsidiary exceeds the opening non-controlling interests, the balance offsets non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in full in the financial statements.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated financial statements (Continued)

(2) *Subsidiaries acquired through a business combination*

Where a subsidiary was acquired during the reporting period through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

(3) *Disposal of subsidiaries*

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, and any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a single transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated financial statements (Continued)

(3) Disposal of subsidiaries (Continued)

If each of the multiple arrangements does not form part of a single transaction, the arrangements conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note III.5(4)).

If each of the multiple transactions forms part of a single transaction which eventually results in the loss of control in the subsidiary, these multiple arrangements are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

(4) Changes in non-controlling interests

Where the Company acquires more interest in a subsidiary from the subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without losing control, the difference between the portion of the interest in the subsidiary's net assets being acquired or disposed of and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

7. Foreign currency transactions and translation of foreign currency financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Foreign currency transactions and translation of foreign currency financial statements (Continued)

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition and construction of qualifying assets (see Note III.14). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of equity investments at fair value through other comprehensive income, which are recognised in other comprehensive income.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed of.

8. Financial instruments

Financial instruments include cash at bank and on hand and equity securities other than those classified as long-term equity investments (see Note III.10), receivables, payables, loans and borrowings and share capital.

(1) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(1) *Recognition and initial measurement of financial assets and financial liabilities (Continued)*

A financial asset or financial liability is measured initially at fair value. For financial assets and financial liabilities measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Trade receivables that do not have a significant financing component or do not account for the significant financing component in one year or less contracts under the practical expedient are initially measured at the transaction price in accordance with Note III.21.

(2) *Classification and subsequent measurement of financial assets*

(a) Classification of financial assets

The classification of financial assets is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income (“FVOCI”), or at fair value through profit or loss (“FVTPL”).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held under a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(2) Classification and subsequent measurement of financial assets (Continued)

(a) Classification of financial assets (Continued)

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(2) Classification and subsequent measurement of financial assets (Continued)

(a) Classification of financial assets (Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(b) Subsequent measurement of financial assets

– Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

– Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method.

Financial guarantee liabilities

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Subsequent to initial recognition, deferred income related to a financial guarantee is amortised in profit or loss in accordance with the accounting policies set out in Note III.21.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(2) Classification and subsequent measurement of financial assets (Continued)

(b) Subsequent measurement of financial assets (Continued)

A financial guarantee liability is measured at the higher of:

- the amount of the loss allowance determined in accordance with the impairment policies for financial instruments (see Notes III.8(6)); and
 - the amount initially recognised less the cumulative amount of income.
- Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

(3) Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as measured at FVTPL or as financial liabilities measured at amortised cost.

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held for trading (including derivative financial liabilities) or if it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost

These financial liabilities are subsequently measured at amortised cost using the effective interest method.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(4) *Off setting*

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(5) *Derecognition of financial assets and financial liabilities*

A financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred; and although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the financial asset derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- debt instrument investments measured at FVOCI; and
- loan commitments and financial guarantee contracts.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(6) Impairment (Continued)

Measurement of ECLs (Continued)

Except for trade receivables, lease receivables and contract assets, the Group measures loss allowances at an amount equal to 12-month ECLs for the following financial instruments, and at an amount equal to lifetime ECLs for all other financial instruments:

- Financial instruments that have been determined to have low credit risk at the balance sheet date;
- Financial instruments for which credit risk has not increased significantly since initial recognition.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractual due dates;

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(6) Impairment (Continued)

Significant increases in credit risk (Continued)

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

When one or more quantitative and qualitative thresholds or upper limits are reached, the Group considers that the credit risk of the financial instrument has increased significantly:

- A quantitative threshold is a set percentage that as at the report day, compare to initial recognition, the probability of default over the remaining term exceeds;
- A qualitative threshold is significant adverse changes in the operating or financial situation of the key debtors, red flagged client list, etc;
- An upper limit is a certain period of time that a debtor failed to repay its matured contractual payments (both principal and interest).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(6) Impairment (Continued)

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulties of the issuer or debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulties, the Group having granted to the debtor a concession that it would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties of the issuer or debtor.

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income and not deducted from the carrying amount of the assets.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Financial instruments (Continued)

(6) *Impairment (Continued)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This generally occurs when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(7) *Equity instruments*

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. The entire repurchase expenditure is recorded as the cost of the treasury shares in the reference register. Treasury shares are excluded from profit distributions and are presented as a deduction from shareholders' equity on the balance sheet.

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Inventories

(1) *Classification and cost*

Inventories include raw materials, work in progress, semi-finished goods and spare parts.

Inventories are initially measured at cost. The cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

(2) *Measurement method of cost of inventories*

Cost of inventories recognised is calculated using the weighted average method.

Costs of general spare parts, lower valued consumables and packing materials are charged to profit or loss at consumption; accident spare parts are amortised in 8 years with 4% residual rate; large rolls on rolling mills are amortised according to the grinding amount. The amortization charge is included in the cost of the related assets or recognised in profit or loss for the current period.

(3) *Basis for determining the net realisable value and method for provision for obsolete inventories*

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in production is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities of inventories held by the Group exceed the quantities specified in sales contracts, the net realisable value of the excess portion of inventories is based on general selling prices.

Any excess of the cost over the net realisable value of each category of inventories is recognized as a provision for obsolete inventories, and is recognised in profit or loss.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Inventories

(4) *Inventory count system*

The Group maintains a perpetual inventory system.

10. Long-term equity investments

(1) *Investment cost of long-term equity investments*

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a single transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of the previously-held equity investment immediately before the business combination and the consideration paid for the interest newly acquired at the combination date is adjusted to share premium in the capital reserve, with any excess adjusted to retained earnings.
- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a single transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Long-term equity investments (Continued)

(1) *Investment cost of long-term equity investments (Continued)*

- (b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

(2) *Subsequent measurement of long-term equity investment*

- (a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement unless the investment is classified as held for sale. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

For the impairment of investments in subsidiaries, refer to Note III.16.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.5.

- (b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.10(3)) and rights to the net assets of the arrangement.

An associate is an entity over which the Group has significant influence (see Note III.10(3)).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Long-term equity investments (Continued)

(2) *Subsequent measurement of long-term equity investment (Continued)*

(b) Investment in joint ventures and associates (Continued)

An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.
- After acquiring the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), are recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Long-term equity investments (Continued)

(2) *Subsequent measurement of long-term equity investment (Continued)*

(b) Investment in joint ventures and associates (Continued)

- In calculating its share of the investee's net profit or loss, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income based on the fair value of the investee's identifiable net assets at the date of acquisition after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in full in the financial statements.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment of investments in joint ventures and associates, refer to Note III.16.

(2) *Criteria for determining the existence of joint control or significant influence over an investee*

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Long-term equity investments (Continued)

(2) *Criteria for determining the existence of joint control or significant influence over an investee (Continued)*

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's relevant activities unilaterally;
- Whether decisions relating to the investee's relevant activities require the unanimous consent of all participant parties that share control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control of those policies.

11. Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses. The cost of investment property, less its estimated residual value and accumulated impairment losses, is amortised using the straight-line method over its estimated useful life. For the impairment of investment properties, refer to Note III.16.

The estimated useful lives, residual value rates and depreciation rates of each class of investment properties are as follows:

| Class | Estimated useful life <i>(years)</i> | Estimated residual value <i>(%)</i> | Annual depreciation rate <i>(%)</i> |
|--------------|--|---|---|
| Buildings | 30 – 50 years | 3% | 1.9% – 3.2% |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Fixed assets

(1) *Recognition of fixed assets*

Fixed assets represent the tangible assets held by the Group for use in production of goods, supply of services, rental or administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.13.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

(2) *Depreciation of fixed assets*

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Fixed assets (Continued)

(2) Depreciation of fixed assets (Continued)

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

| Class | Estimated useful life (years) | Estimated residual value (%) | Annual depreciation rate (%) |
|-------------------------|--|---|---|
| Plant and buildings | 10 – 30 years | 3% | 3.2 – 9.7% |
| Machinery and equipment | 10 – 15 years | 3% | 6.5 – 9.7% |
| Office equipment | 5 – 10 years | 3% | 9.7 – 19.4% |
| Motor vehicles | 5 – 8 years | 3% | 12.1 – 19.4% |

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

(3) For the impairment of fixed assets, refer to Note III.16.

(4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- on disposal; or ;
- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

13. Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.14), and any other costs directly attributable to bringing the asset to working condition for its intended use.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Construction in progress (Continued)

A self-constructed asset is classified as construction in progress and transferred to fixed assets when it is ready for its intended use. No depreciation is recorded against construction in progress.

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.16).

When an enterprise sells products or by-products produced before a fixed asset is available for its intended use, the proceeds and related cost are accounted for in accordance with CAS 14 –Revenue and CAS 1 –Inventories respectively, and recognised in profit or loss for the current period.

14. Borrowing costs

Borrowing costs incurred that are directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before they are used on the asset.
- To the extent that the Group borrows funds generally and uses them for the acquisition of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Borrowing costs (Continued)

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition construction activities are interrupted abnormally for a period of more than three months.

15. Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.16). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life.

The useful lives of the Group's intangible assets are as follows:

| Item | Useful life <i>(year)</i> |
|--------------------|-------------------------------------|
| Concession rights | 25 years |
| Land use rights | 50 years |
| Mining rights | 25 years |
| Patents and others | 3–20years |

Concession right is the right to operate water supply factories. It is recorded at cost minus accumulative amortisation and impairment, if any. The amortisation is calculated within a period of 25 years using the straight-line method.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Intangible assets (Continued)

Land use rights that are purchased by the Group are accounted for as intangible assets. For internally generated plants and other buildings, the land use rights and buildings are accounted for as intangible assets and property, plant and equipment, respectively. With respect to the land use right purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as property, plant and equipment if it is difficult to allocate reasonably.

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

The expenditures for internal research and development projects of the Group were classified as research expenditures and development expenditures. All research expenditures are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised if, and only if, an entity can demonstrate all of the following: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale. (b) its intention to complete the intangible asset and use or sell it. (c) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset. (d) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. (e) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Product development expenditure which does not meet these criteria is expensed when incurred.

When an enterprise sells products or by products produced in the course of research and development, the proceeds and related cost are accounted for in accordance with CAS 14 Revenue and CAS 1 Inventories respectively, and recognised in profit or loss for the current period.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- Fixed assets
- Construction in progress
- Right-of-use assets
- Intangible assets
- Investment properties measured using a cost model
- Long-term equity investments, etc

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually and the recoverable amounts of intangible assets with indefinite useful lives at each year-end, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.17) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Impairment of assets other than inventories and financial assets (Continued)

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Impairment losses cannot be reversed in subsequent accounting periods.

17. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

18. Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Provisions

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

19. Share-based payments

(1) *Classification of share-based payments*

Share-based payment transactions in the Group are equity-settled share-based payments.

(2) *Accounting treatment of share-based payments*

- Equity-settled share-based payment

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Share-based payments (Continued)

(2) *Accounting treatment of share-based payments (Continued)*

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled share-based award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

20. Repurchase and reverse repurchase transactions

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised as “repurchase agreement” on the statement of financial position, reflecting the economic nature that such cash is a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date (“reverse repos”) are not recognised in the statement of financial position as a “reverse repurchase agreement.” The corresponding cash paid, including accrued interest, is recognised as a “reverse repurchase agreement” in the statement of financial position. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

Revenue is recognised when the Group has satisfied its performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price.

For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications, the Group recognises for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of CAS No.13 – Contingencies.

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue (Continued)

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer;
- the customer has accepted the goods or services and etc.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue (Continued)

The Group determines whether it is a principal or an agent, depending on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognises revenue in the gross amount of consideration to which it has received (or receivable). Otherwise, the Group is an agent, and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is the established amount or proportion.

For the sale of a product with a right of return, the Group recognises revenue when the Group obtains control of that product, in the amount of consideration to which the Group expects to be entitled in exchange for the product transferred (ie excluding the amount of which expected to be returned), and recognises a refund liability for the products expected to be returned. Meanwhile, an asset is recognised in the amount of carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value of returned products), and carry forward to cost in the amount of carrying amount of the transferred products less the above costs. At the end of each reporting period, the Group updates its assessment of future sales return. If there is any change, it is accounted for as a change in accounting estimate.

Trade receivables is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

(1) *Sale of goods*

Contracts for the sale of goods between the Group and its customers usually only involve the performance obligations of the transferring of the goods. The Group generally recognizes revenue based on the following considerations, taking into account the timing of control transfer. This includes obtaining the current collection rights of the goods, the transfer of the main risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the acceptance of the goods by the customer.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Revenue (Continued)

(1) *Sale of goods (Continued)*

Some of the Group's contracts with customers include rebate arrangements (the Group offers customers future discounts based on individual cumulative sales volume), therefore, considerations may vary. The Group makes its best estimate of the variable consideration based on expectations or the most likely amount. However, if the price of a transaction involving variable consideration does not exceed the cumulative amount of revenue that would have been recognised had the related uncertainty been resolved, it is highly unlikely that there would be a material reversal.

(2) *Rendering of services*

The service contract between the Group and its customers usually includes performance obligations for packaging, processing, technical consulting or technical services. As a result of the satisfaction of the performance obligation the Group, the customers obtain and consume the economic benefits of the service while the Group provides the service simultaneously. The Group is entitled to recover from the accumulative performance of the contract that has been completed to date, except when the progress of the performance cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. When the progress of the performance cannot be reasonably determined, and the costs incurred by the Group are expected to be compensated, the revenue will be recognised based on the amount of costs incurred, until the progress of the performance can be reasonably determined.

22. Payroll and employee benefits payable

(1) *Short-term employee benefits payable*

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Payroll and employee benefits payable (Continued)

(2) *Post-employment benefit – defined contribution plans*

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

(3) *Post-employment benefit – defined benefit plans*

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund.

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value of the defined benefit liability.

The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and interest expense on the defined benefit liability are charged to profit or loss or recognised as part of the cost of assets, and remeasurements of defined benefit liability are recognised in other comprehensive income.

(4) *Termination benefits*

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Payroll and employee benefits payable (Continued)

(4) Termination benefits (Continued)

- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(5) Other long-term employee benefits

Other long-term employee benefits apply the same recognition and measurement as for postemployment benefits but all changes in the carrying amount of liabilities for other long-term employment benefits are recognised in profit or loss.

23. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

Government grants are recognised in profit or loss, when they are highly probable to be received and all conditions are fulfilled.

If a government grant is in form of monetary asset, it is measured at the amount received or receivable. If a government grant is in form of nonmonetary asset, it is measured at fair value of the asset.

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income. Or included in other income directly.

For discounts appropriated to lending banks by the government, and the lending banks provide loans with policy preferential discounts, the Group accounts for the loans with the actual received amount, and calculates the relevant borrowing expenses based on principal and the preferential discounts of the loans.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Special reserve

The Group recognises a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the costs of the related products or expenses.

When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. When the safety fund is subsequently used for the construction or acquisition of fixed assets, the Group recognises the capitalised expenditure incurred as the cost of the fixed assets when the related assets are ready for their intended use. In such cases, the specific reserve is reduced by the amount that corresponds to the cost of the fixed assets and the credit side is recognised in the accumulated depreciation with respect to the related fixed assets. Consequently, such fixed assets are not depreciated in subsequent periods.

25. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is not recognized for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss). Deferred tax is also not recognised for taxable temporary differences arising from the initial recognition of goodwill.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Income tax (Continued)

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on either:
 - the same taxable entity; or
 - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

26. Leases

At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset or assets for a period of time in exchange for consideration.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Leases (Continued)

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be explicitly or implicitly specified in a contract and are physically distinct, or may be a portion of an asset's capacity or other portion of an asset that is not physically distinct but represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains multiple separate lease components, the lessee and the lessor separate the lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate the lease components from the non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note III.21.

(1) *As a lessee*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Leases (Continued)

(1) As a lessee (Continued)

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to obtain the ownership of the lease asset by the end of the lease term, the right-of-use asset is depreciated over the remaining useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated over the shorter of the lease term or the remaining useful life of the lease asset. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.16.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the lease commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or the Group has exercised the extension or termination option in a different manner from the original assessment.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Leases (Continued)

(1) *As a lessee (Continued)*

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

(2) *As a lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the asset under finance lease. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term with a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are accounted for in accordance with the accounting policy in Note III.8. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases are recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Dividends distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

28. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related-party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of the Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

29. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are the same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

For segment reporting, inter-segment revenues are measured on the basis of the actual transaction prices for such transactions, and segment accounting policies are consistent with those used to prepare the consolidated financial statements.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as the underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(1) Significant accounting estimates

Notes IX and XI contain information about the accounting estimates relating to assumptions and risk factors regarding valuation of fair value of financial instruments and share-based payments. Other significant accounting estimates are as follows:

(a) Impairment of financial assets

As stated in Note III.8, the group adopts expected credit loss model to assess the impairment of financial assets. The application of expected credit losses model requires significant judgements and estimates. The management needs to consider all reasonable and supportable information including forecasts information. When making the judgements and estimates, the Group should also infer the debtor's expected change in credit risk based on the past repayment statistics combining the economic policies, macro-economic indicators and industrial risk factors. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

(b) Estimation of inventories under net realisable value

As stated in Note III.9, management reviews the condition of inventories (including spare parts) of the Group and their net realisable values and makes provision accordingly. Net realisable value of inventories is the estimated based on expected selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature. Management reassesses the estimation at the end of each reporting period.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Significant accounting estimates and judgements (Continued)

(1) Significant accounting estimates (Continued)

- (c) Impairment of assets other than inventories and financial assets (goodwill excluded)

As stated in Note III.16, the Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When the carrying amount of an asset or asset group is higher than its recoverable amount, that is the higher of fair value less costs to sell and the present value of estimated future cash flows, the related asset or asset group is impaired. The fair value less costs to sell of an asset is determined as the contractual price of similar assets in an arm's length transaction, or the observable market price of similar assets, after deducting the additional costs directly attributable to the disposal of this asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

- (d) Fair values of investments in unlisted companies

The fair value of investments in unlisted companies is determined based on the expected future cash flows discounted using the current discount rate applicable to other financial instruments with similar contractual terms and risk characteristics. This requires the Group to make an estimation of the expected future cash flows, credit risk, volatility, and discount rate. Such estimation involve uncertainties.

- (e) Sales involving right of return

For contracts with sales clause involving right of return, the Group forms a reasonable estimate of the rate of return based on sales return historical data, current sales return, and consider all relevant information such as customer changes, market changes and etc. Estimates of the expected return rate may not be representative of the actual returns in the future. The Group re-evaluates the return rate on each balance sheet date, and based on the re-evaluated discount rates and return rates.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Significant accounting estimates and judgements (Continued)

(1) Significant accounting estimates (Continued)

(f) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and unused tax credit can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

(g) Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

(h) Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful life of its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions.

(2) Significant accounting judgements

Significant judgements made by the Group in the application of accounting policies are as follows:

- (a) Notes VII.1(1) and 3: Significant judgements and assumptions in determining control, joint control or significant influence over other entities.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Significant accounting estimates and judgements (Continued)

(2) Significant accounting judgements (Continued)

- (b) Note II: The going-concern of the Group relies on the cash inflows from borrowings and operating activities, in order to maintain sufficient cash on the due date of the relevant liabilities. The uncertainty of the Group's going-concern exists once the Group cannot obtain sufficient cash. The financial statements do not include any necessary adjustments related to book value and classification of assets and liabilities when the Group cannot operate continuously.
- (c) Note III. 26: The Group has entered into operating leases on its investment properties. The Group has determined that it retains substantially all the significant risks and rewards of ownership of these properties which are leased out and hence has classified the leases as operating leases according to the lease contracts.

The Group determines lease term as the non-cancellable period of a lease, together with periods (if applicable) covered by an option to extend the lease if the Group is reasonably certain to exercise that option. Some leases of the Group contain options to extend the leases to undertrained period. When the Group reassess whether it is reasonably certain to exercise an extension option, the Group would comprehensively consider the facts and situations that would bring economic benefits if chosen to extend the lease, including the expecting changes to the facts and situations from the commencement date to the exercise date. At the commencement date of the lease. Compared with the market price, the contract terms and articles are more economic, the cost of terminating a lease is expensive, and the leased assets are of great importance for the Group's operating and irreplaceable, the Group would reasonably certain to exercise the option to extension. Thus the lease term should include the period covered by the option to extend the lease. Therefore, the lease term includes the period covered by the renewal option. After the commencement date of the lease term, if any major event or change occurs within the control of the Group and affects whether the Group reasonably determines that it will exercise the corresponding renewal option, the Group will reassess whether to exercise the renewal option and modify the lease term according to the reassessment result.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Significant accounting estimates and judgements (Continued)

(2) Significant accounting judgements (Continued)

- (d) Note III.11: The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the portions are accounted for separately. If the portions could not be sold separately, the property is an investment property only if the portion held for use in the production or supply of goods or services or for administrative purposes is not significant.

Judgement is made on an individual basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

- (e) Note III. 8: The classification of a financial asset at initial recognition depends on the Group's business model of managing financial assets. In judging the business model, the Group considers the methods of corporate evaluation and reporting of financial asset performance to key management personnel, the risks affecting the performance of financial assets and their management methods, and the manner in which relevant management personnel are paid. In assessing whether to set the target for acquiring contractual cash flows, the Group needs to analyse and judge the reasons, time, frequency and value of the sale before the maturity date of the financial assets.

The classification of a financial asset at initial recognition depends on the characteristics of its contractual cash flows. This requires a determination of whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. It requires judgement to determine whether the contractual cash flows differ significantly with benchmark cash flows when assessing the adjustment of the time value of money. For financial assets with characteristics of paying in advance, it requires judgement to determine whether the fair value of this characteristics is insignificant.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IV. TAX

1. The principal kinds of taxes and related tax rates

| Tax type | Tax basis | Tax rate |
|---------------------------------------|--|--|
| Value-added tax | According to tax laws, output VAT is calculated on product sales and taxable services revenue. VAT payable is determined by deducting input VAT from output VAT for the period | 13% |
| City construction and maintenance tax | Based on VAT paid | 5% – 7% |
| Education surcharge | Based on VAT paid | 3% |
| Local education surcharge | Based on VAT paid | 2% |
| Land appreciation tax | Based on the appreciation amount of transferred property and the applicable tax rate | 30% – 60% |
| Property tax | 70% of the original cost of the property or the rental income | 1.2%.12% |
| Environment protection tax | The taxable pollutants shall be determined based on the pollution equivalent quantity converted from the quantity of pollutant discharged and the applicable tax rates | For air pollutant, the tax standard is RMB1.2 per pollution equivalent quantity; For water pollutant, the tax standard is RMB1.4 per pollution equivalent quantity |
| Income tax | Based on taxable profits | 15%.16.5%.25%.28%.30% |

The applicable income tax rates for the Group and its subsidiaries are 25% (31 December 2022: 25%) except for those stated in Note 2 which are eligible for preferential tax treatments, and Ma Steel (Hong Kong) Company Limited (“Ma Steel (HK)”), where the applicable income tax rate is 16.5%, Maanshan Iron and Steel (Australia) Proprietary Limited and Trading and Development GmbH (“MG Trading”), where the applicable income tax rate is 30%.

2. Tax preference

| Name of Company | Preferential tax rate | Reason |
|---|-----------------------|--------------------------------|
| Maanshan Iron & Steel Company Limited (“Magang Stock”) | 15% | Hi-tech Enterprises (note (i)) |
| Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. (“Masteel Transportation Material”) | 15% | Hi-tech Enterprises (note (i)) |
| Mascometal Co., Ltd. (“Mascometal”) | 15% | Hi-tech Enterprises (note (i)) |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IV. TAX (CONTINUED)

2. Tax preference (Continued)

Note (i) Pursuant to Article 28 of the Corporate Income Tax Law of the People's Republic of China, corporate income tax (CIT) is levied at a reduced rate of 15% for state-supported key high-tech enterprises. In accordance with Article 9 of the *Administrative Measures on Accreditation of High-tech Enterprises*, the qualification of an accredited high-tech enterprise is valid for three years from the date of issuance of the certificate. The company qualified as a high-tech enterprise in 2022, and the applicable income tax rate has been 15% since then and will remain so for 3 years. Mascometal, a subsidiary of the Group, was recognised as a high-tech enterprise in 2020. The preferential income tax rate of 15% is applicable in three years from 2020. Masteel Transportation Material, a subsidiary of the Group, was recognised as a high-tech enterprise in 2020. The preferential income tax rate of 15% is applicable in three years from 2020.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

| Item | Note | 30 June 2023 | 31 December 2022 |
|--|------|----------------------|----------------------|
| Cash on hand | | 1,069 | 2,210 |
| Bank balances | | 5,451,948,322 | 4,360,736,201 |
| Other monetary assets | | 908,546,997 | 1,366,044,310 |
| Mandatory reserves of Magang Group Finance Company Limited ("Masteel Finance") deposited in the central bank | | – | 807,918,586 |
| Total | | 6,360,496,388 | 6,534,701,307 |
| Including: Total overseas deposits | | 264,087,536 | 524,484,279 |
| Deposits with Baowu Group Finance Company Limited ("Baowu Finance") | | 2,961,322,352 | – |
| Restricted amount due to mortgage, pledge or freeze | V.62 | 908,546,997 | 2,173,962,896 |

2. Financial assets held for trading

| Item | | 30 June 2023 | 31 December 2022 |
|---|--|-----------------|---------------------|
| Financial assets at fair value through profit or loss | | – | 625,997,138 |
| Including: Debt instrument investments | | – | 585,525,750 |
| Derivative financial assets- Futures contracts | | – | 40,471,388 |
| Total | | – | 625,997,138 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes receivable

(1) Classification of notes receivable

| Item | 30 June 2023 | 31 December 2022 |
|--------------------------------|--------------------|---------------------|
| Bank acceptance notes | 524,560,869 | 1,933,419,913 |
| Less: Provisions for bad debts | — | — |
| Total | 524,560,869 | 1,933,419,913 |

All of the above notes are due within one year.

(2) The pledged notes receivable of the Group at the end of the period:

| | 30 June 2023 | 31 December 2022 |
|-----------------------|--------------------|---------------------|
| Bank acceptance notes | 174,799,833 | 581,980,154 |

(3) Outstanding endorsed or discounted notes that have not matured at the end of the period

| Item | 30 June 2023 | | 31 December 2022 | |
|-----------------------|------------------------|----------------------------|------------------------|----------------------------|
| | Amount derecognized | Amount not derecognized | Amount derecognized | Amount not derecognized |
| Bank acceptance notes | 14,245,488,398 | 371,675,223 | 9,544,110,862 | 1,281,016,240 |

(4) Notes transferred to accounts receivable due to non-performance of the issuers at the end of the period:

As of 30 June 2023, the Group did not have any note transferred to accounts receivable due to non-performance of the issuers (31 December 2022: Nil).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Trade receivables

(1) Trade receivables by customer type are as follows:

| Customer type | Note | 30 June 2023 | 31 December 2022 |
|--------------------------------|------|----------------------|---------------------|
| Related parties | X.6 | 477,438,646 | 420,196,646 |
| Third party | | 1,153,433,777 | 1,033,032,057 |
| Sub-total | | 1,630,872,423 | 1,453,228,703 |
| Less: Provisions for bad debts | | 78,685,036 | 76,350,303 |
| Total | | 1,552,187,387 | 1,376,878,400 |

(2) Age analysis of the trade receivables is as follows:

| Age | 30 June 2023 | 31 December 2022 |
|--------------------------------|----------------------|---------------------|
| Within one year (inclusive) | 1,541,926,711 | 1,335,955,228 |
| One to two years (inclusive) | 28,258,920 | 58,996,750 |
| Two to three years (inclusive) | 6,774,268 | 8,591,735 |
| Over three years | 53,912,524 | 49,684,990 |
| Sub-total | 1,630,872,423 | 1,453,228,703 |
| Less: Provisions for bad debts | 78,685,036 | 76,350,303 |
| Total | 1,552,187,387 | 1,376,878,400 |

The ageing is counted starting from the date when trade receivables are recognised.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

4. Trade receivables (Continued)

(3) Trade receivables by provisioning method

| Category | 30 June 2023 | | | | 31 December 2022 | | | | | | |
|--|----------------------|------------|-------------------------|-----------|----------------------|----------------------|-------------------------|---------------------|------------|----------------------|---|
| | Book value | | Provision for bad debts | | Book value | | Provision for bad debts | | Book value | | |
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) | |
| Assessed bad debt provision individually | - | - | - | - | - | - | - | - | - | - | - |
| Assessed bad debt provision in portfolios | 1,630,872,423 | 100 | (78,685,036) | 5 | 1,552,187,387 | 1,453,228,703 | 100 | (76,350,303) | 5 | 1,376,878,400 | |
| - Assessed bad debt provision in portfolios based on credit risk characteristics | 1,630,872,423 | 100 | (78,685,036) | 5 | 1,552,187,387 | 1,453,228,703 | 100 | (76,350,303) | 5 | 1,376,878,400 | |
| Total | 1,630,872,423 | 100 | (78,685,036) | 5 | 1,552,187,387 | 1,453,228,703 | 100 | (76,350,303) | 5 | 1,376,878,400 | |

Assessment of ECLs on trade receivables:

At all times the Group measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the aging and the expected loss rate. According to the historical experience of the Group, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Trade receivables (Continued)

(3) Trade receivables by provisioning method (Continued)

| | 30 June 2023 | | | 31 December 2022 | | |
|--------------------|----------------------------|----------------------|--|----------------------------|----------------------|--|
| | Expected credit loss ratio | Carrying amount | Impairment loss at the end of the period | Expected credit loss ratio | Carrying amount | Impairment loss at the end of the period |
| Within one year | 1% | 1,541,926,711 | 15,419,267 | 1% | 1,335,955,228 | 13,359,552 |
| One to two years | 21% | 28,258,920 | 5,898,368 | 16% | 58,996,750 | 9,439,480 |
| Two to three years | 51% | 6,774,268 | 3,454,877 | 45% | 8,591,735 | 3,866,281 |
| Over three years | 100% | 53,912,524 | 53,912,524 | 100% | 49,684,990 | 49,684,990 |
| Total | | 1,630,872,423 | 78,685,036 | | 1,453,228,703 | 76,350,303 |

The loss given default is measured based on the actual credit loss experience in the past, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

(4) The movements of provisions for bad debts is as follows:

| | 30 June 2023 | 31 December 2022 |
|--|--------------------|------------------|
| Opening balance | 76,350,303 | 56,899,956 |
| Increase | 7,708,070 | 24,871,073 |
| Recoveries or reversals during the period/year | (5,822,746) | (2,684,929) |
| Disposal of subsidiaries | – | (2,967,666) |
| Exchange gains or losses | 449,409 | 231,869 |
| Closing balance | 78,685,036 | 76,350,303 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

4. Trade receivables (Continued)

(5) The top five trade receivables classified by debtors are as follows:

| 30 June 2023 | Relationship with the Group | Ending balance | Ageing | Percentage of trade receivables | Ending balance of bad debt provision |
|--------------|-----------------------------|----------------|---------------|---------------------------------|--------------------------------------|
| Company 1 | Related party | 264,290,047 | Within 1 year | 18% | (2,642,900) |
| Company 2 | Third party | 118,088,413 | Within 1 year | 8% | (1,180,884) |
| Company 3 | Third party | 105,074,947 | Within 1 year | 6% | (1,050,750) |
| Company 4 | Third party | 102,083,432 | Within 1 year | 6% | (1,020,834) |
| Company 5 | Third party | 84,150,632 | Within 1 year | 5% | (841,506) |
| Total | | 673,687,471 | | 43% | (6,736,874) |

| 31 December 2022 | Relationship with the Group | Ending balance | Ageing | Percentage of trade receivables | Ending balance of bad debt provision |
|------------------|-----------------------------|----------------|---------------------------------|---------------------------------|--------------------------------------|
| Company 1 | Related party | 216,344,542 | Within 1 year | 15% | (2,163,445) |
| Company 2 | Third party | 122,489,920 | Within 1 year | 8% | (1,224,899) |
| Company 3 | Third party | 85,482,142 | within 2 years | 6% | (2,052,599) |
| Company 4 | Third party | 55,571,978 | Within 1 year | 4% | (555,720) |
| Company 5 | Third party | 53,828,607 | Within 3 years and over 3 years | 4% | (42,991,871) |
| Total | | 533,717,189 | | 37% | (48,988,534) |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Trade receivables (Continued)

(6) Derecognition of trade receivables due to transfer of financial assets

As of 30 June 2023, there were no trade receivables that were derecognised due to the transfer of financial assets (31 December 2022: Nil).

(7) Assets and liabilities recognised due to the transfer with continuing involvement of trade receivables

As of 30 June 2023, the Group had no assets or liabilities derived from transferring trade receivables in which the Group was continuingly involved (31 December 2022: Nil).

5. Financial receivables

| Item | Opening balance | Changes in fair value during the period | Ending balance | Accumulated impairment losses recognised in other comprehensive income |
|-----------------------|-----------------|---|----------------|--|
| Bank acceptance notes | 2,659,676,438 | - | 2,028,062,545 | - |

As of 30 June 2023 and 31 December 2022, there were no trade receivables transferred from notes receivable because of the drawers' inability to pay.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Prepayments

(1) *Dividend receivable by category:*

| Item | 30 June 2023 | 31 December 2022 |
|--------------------------|-----------------|---------------------|
| Prepayment for materials | 512,349,306 | 523,771,038 |
| Total | 512,349,306 | 523,771,038 |

(2) *Age analysis of the prepayments is as follows:*

| Age | 30 June 2023 | | 31 December 2022 | |
|--------------------------------|--------------|--------------|------------------|--------------|
| | Book value | Ratio (%) | Book value | Ratio (%) |
| Within one year (inclusive) | 503,996,364 | 98 | 512,652,749 | 98 |
| One to two years (inclusive) | 8,352,942 | 2 | 11,067,029 | 2 |
| Two to three years (inclusive) | – | – | 51,260 | – |
| Total | 512,349,306 | 100 | 523,771,038 | 100 |

The age is counted starting from the date when prepayments are recognised.

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Prepayments (Continued)

(3) Five largest prepayments by debtor at the end of the period:

| Debtor | Relationship with the Group | 30 June 2023 | |
|-----------|--------------------------------|----------------|-------------------------------------|
| | | Ending balance | Percentage of prepayments (%) |
| Company 1 | Third party | 61,530,051 | 12% |
| Company 2 | Third party | 57,915,053 | 11% |
| Company 3 | Third party | 40,891,532 | 8% |
| Company 4 | Third party | 34,138,461 | 7% |
| Company 5 | Third party | 34,065,341 | 7% |
| Total | | 228,540,438 | 45% |

| Debtor | Relationship with the Group | 31 December 2022 | |
|-----------|--------------------------------|------------------|-------------------------------------|
| | | Ending balance | Percentage of prepayments (%) |
| Company 1 | Third party | 97,859,301 | 19% |
| Company 2 | Third party | 55,328,760 | 11% |
| Company 3 | Third party | 51,544,820 | 10% |
| Company 4 | Associate of the Holding | 49,960,538 | 10% |
| Company 5 | Third party | 48,632,393 | 9% |
| Total | | 303,325,812 | 59% |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

7. Other receivables

(1) Other receivables by customer type:

| Customer type | Note | 30 June 2023 | 31 December 2022 |
|--------------------------------|------|-----------------|---------------------|
| Related parties | X.6 | 102,090,843 | 6,046,409 |
| Third party | | 341,863,402 | 399,712,452 |
| Sub-total | | 443,954,245 | 405,758,861 |
| Less: Provisions for bad debts | | 88,594,524 | 75,248,102 |
| Total | | 355,359,721 | 330,510,759 |

(2) Other receivables analysed by nature were as follows:

| Nature | 30 June 2023 | 31 December 2022 |
|---------------------------------------|-----------------|---------------------|
| Due from trading companies | 81,624,663 | 103,543,396 |
| Deposit for steel futures | 80,845,758 | 81,935,967 |
| Prepaid import tariff and VAT deposit | 70,000 | 30,020,000 |
| Tax refunds | 237,911 | 237,911 |
| Asset deposition | 260,992,048 | 169,786,572 |
| Others | 20,183,865 | 20,235,015 |
| Sub-total | 443,954,245 | 405,758,861 |
| Less: Provisions for bad debts | 88,594,524 | 75,248,102 |
| Total | 355,359,721 | 330,510,759 |

(3) Age analysis of other receivables is as follows:

| Age | 30 June 2023 | 31 December 2022 |
|--------------------------------|-----------------|---------------------|
| Within one year (inclusive) | 202,462,851 | 328,454,904 |
| One to two years (inclusive) | 172,537,778 | 4,644,213 |
| Two to three years (inclusive) | 555,856 | 1,181,678 |
| Over three years | 68,397,760 | 71,478,066 |
| Sub-total | 443,954,245 | 405,758,861 |
| Less: Provisions for bad debts | 88,594,524 | 75,248,102 |
| Total | 355,359,721 | 330,510,759 |

The age is counted starting from the date when other receivables are recognised.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(4) The movements of Provisions for bad debts is as follows

| | 30 June 2023 | | | | 31 December 2022 | | | |
|---|--------------|---|--|-------------|------------------|---|--|------------|
| | Stage I | Stage II Not credit- impaired financial assets 12-month expected credit losses | Stage III Credit- impaired financial assets (Lifetime expected credit losses) | Total | Stage I | Stage II Not credit- impaired financial assets (Lifetime expected credit losses) | Stage III Credit- impaired financial assets (Lifetime expected credit losses) | Total |
| Opening balance | 961,704 | 22,650,121 | 51,636,277 | 75,248,102 | 1,009,562 | 18,919,748 | 50,635,384 | 70,564,694 |
| Transfer to stage 2 | - | - | - | - | - | - | - | - |
| Transfer to stage 3 | - | - | - | - | - | - | - | - |
| Reverse to stage 2 | - | - | - | - | - | - | - | - |
| Reverse to stage 1 | - | - | - | - | - | - | - | - |
| Accrual | 103,759 | 14,456,696 | - | 14,560,455 | 58,075 | 3,730,373 | 1,000,893 | 4,789,341 |
| Disposal of a subsidiary | - | - | - | - | (108,176) | - | - | (108,176) |
| Other changes | 15,937 | - | - | 15,937 | 2,243 | - | - | 2,243 |
| Reversal | - | - | (1,229,970) | (1,229,970) | - | - | - | - |
| Write-off | - | - | - | - | - | - | - | - |
| Transfers out during the period/year | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - |
| Closing balance | 1,081,400 | 37,106,817 | 50,406,307 | 88,594,524 | 961,704 | 22,650,121 | 51,636,277 | 75,248,102 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

7. Other receivables (Continued)

(5) Five largest others-by debtor at the end of the period/year

30 June 2023

| Debtor | Nature | Carrying amount | Aging | Ratio in other receivables (%) | Provision for bad debts |
|-----------|-----------------------------------|-----------------|---------------|--------------------------------|-------------------------|
| Company 1 | Land transfer to the government | 168,212,000 | 1–2 years | 38 | (18,503,320) |
| Company 2 | Consideration for equity transfer | 92,780,048 | Within 1 year | 21 | (927,800) |
| Company 3 | Due from trading companies | 45,390,133 | Over 3 years | 10 | (45,390,133) |
| Company 4 | Deposit for steel futures | 43,108,167 | Within 1 year | 10 | – |
| Company 5 | Deposit for steel futures | 37,735,591 | Within 1 year | 8 | – |
| Total | | 387,225,939 | | 87 | (64,821,253) |

31 December 2022

| Debtor | Nature | Carrying amount | Aging | Ratio in other receivables (%) | Provision for bad debts |
|-----------|---------------------------------|-----------------|---------------|--------------------------------|-------------------------|
| Company 1 | Land transfer to the government | 168,212,000 | Within 1 year | 41 | (1,682,120) |
| Company 2 | Due from trading companies | 45,390,133 | Over 3 years | 11 | (45,390,133) |
| Company 3 | Deposit for steel futures | 44,388,394 | Over 1 year | 11 | – |
| Company 4 | Deposit for steel futures | 37,545,573 | Within 1 year | 9 | – |
| Company 5 | Deposit | 29,950,000 | Within 1 year | 7 | (299,500) |
| Total | | 325,486,100 | | 79 | (47,371,753) |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(6) Others-government grants

30 June 2023 and 31 December 2022

| Debtor | Government grant project | Balance | Aging | Expected receiving time, amount and basis |
|---|---------------------------------|---------|--------------|---|
| Other receivables due from Taibai Town Government | Policy return from 2004 to 2009 | 237,911 | Over 3 years | Note 1 |
| Total | | 237,911 | | |

Note 1: The balance is the government grant received by a subsidiary named Anhui Changjiang Iron and Steel Co., Ltd. ("Anhui Changjiang Iron and Steel") in 2009 from the Town Government of Taibai, Dangtu in Anhui Province for its timely and full tax payments between 2004 and 2009.

This government grant was recorded as non-operating income in 2009, there is still RMB237.911 to be received and full accrued allowance/provision for bad debts in 2023.

8. Inventories

(1) Inventories by category

| Item | 30 June 2023 | | | 31 December 2022 | | |
|------------------|----------------|--------------------------|-----------------|------------------|--------------------------|-----------------|
| | Book amount | Provision for impairment | Carrying amount | Book amount | Provision for impairment | Carrying amount |
| Raw materials | 4,695,396,919 | (298,889,250) | 4,396,507,669 | 5,479,948,207 | (529,418,028) | 4,950,530,179 |
| Work in progress | 3,288,261,181 | (241,742,237) | 3,046,518,944 | 2,240,249,064 | (159,685,964) | 2,080,563,100 |
| Finished goods | 1,688,096,211 | (156,002,813) | 1,532,093,398 | 1,589,139,490 | (80,073,281) | 1,509,066,209 |
| Spare parts | 1,400,708,761 | (22,621,919) | 1,378,086,842 | 1,468,865,282 | (22,530,660) | 1,446,334,622 |
| Others | 263,961,664 | - | 263,961,664 | 258,047,624 | - | 258,047,624 |
| Total | 11,336,424,736 | (719,256,219) | 10,617,168,517 | 11,036,249,667 | (791,707,933) | 10,244,541,734 |

As of 30 June 2023, none of the Group's ownership of its inventory was restricted (31 December 2022: Nil).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

8. Inventories (CONTINUED)

(2) Impairment provision against inventories

For the six months ended 30 June 2023

| Item | Opening balance | Increase Provided | Decrease | | Closing balance |
|------------------|--------------------|--------------------|-----------------------|--------------------------|--------------------|
| | | | Reversal or write-off | Exchange gains or losses | |
| Raw materials | 529,418,028 | 286,726,388 | (517,990,291) | 735,125 | 298,889,250 |
| Work in progress | 159,685,964 | 237,217,063 | (155,559,494) | 398,704 | 241,742,237 |
| Finished goods | 80,073,281 | 148,941,365 | (73,301,847) | 290,014 | 156,002,813 |
| Spare parts | 22,530,660 | – | – | 91,259 | 22,621,919 |
| Total | 791,707,933 | 672,884,816 | (746,851,632) | 1,515,102 | 719,256,219 |

2022

| Item | Opening balance | Increase Provided | Decrease | | | Closing balance |
|------------------|----------------------|----------------------|------------------------|--------------------------|--------------------------|--------------------|
| | | | Reversal or write-off | Exchange gains or losses | Disposal of a subsidiary | |
| Raw materials | 562,061,442 | 1,057,011,585 | (1,087,148,930) | 333,134 | (2,839,203) | 529,418,028 |
| Work in progress | 400,889,711 | 293,656,554 | (535,003,352) | 143,051 | – | 159,685,964 |
| Finished goods | 276,843,115 | 212,598,860 | (406,168,152) | 121,545 | (3,322,087) | 80,073,281 |
| Spare parts | 149,611,606 | 7,555,409 | (134,715,846) | 79,491 | – | 22,530,660 |
| Total | 1,389,405,874 | 1,570,822,408 | (2,163,036,280) | 677,221 | (6,161,290) | 791,707,933 |

At the balance sheet date, inventories were measured at the lower of costs and net realisable values, and provision for impairment was made for Items whose costs were higher than their net realisable values. Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Financial assets purchased under agreements to resell

| Item | 30 June 2023 | 31 December 2022 |
|--------------------------------|-----------------|---------------------|
| Bonds | – | 2,680,219,906 |
| Less: Provision for impairment | – | 10,392 |
| Total | – | 2,680,209,514 |

The financial assets purchased under agreements to resell are payments for bonds purchased by Masteel Finance, a subsidiary of the Company, in order to resell at the fixed prices in accordance with the resale agreements. As stated in Note X. 7, Masteel Finance was disposed of on 30 April 2023.

10. Loans and advances to customers

| Item | 30 June 2023 | 31 December 2022 |
|--|-----------------|---------------------|
| Loans from other companies | – | 1,470,238,970 |
| Discounted notes | – | 1,248,912,989 |
| Sub-total | – | 2,719,151,959 |
| Less: Bad debt provision for loans and advances to customers | – | 74,954,311 |
| Total | – | 2,644,197,648 |

An analysis of loans and advances to customers, based on guarantee methods, is as follows:

| Item | 30 June 2023 | 31 December 2022 |
|---------------|-----------------|---------------------|
| Credit loans | – | 2,684,385,093 |
| Pledged loans | – | 34,766,866 |
| Total | – | 2,719,151,959 |

Loans and advances to customers are mainly loans and advances provided by Masteel Finance, a subsidiary of the Company, to the Holding and its subsidiaries. As stated in Note X.7, Masteel Finance was disposed of on 30 April 2023.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Loans and advances to customers (Continued)

The movements of provisions for bad debts against loans and advances to customers are as follows:

For the six months ended 30 June 2023

| | Phase I 12-month expected credit losses | Phase II Lifetime expected credit losses | Phase III Credit-impaired financial assets (lifetime expected credit losses) | Total |
|-----------------------------------|--|---|--|--------------|
| Opening balance | 74,954,311 | – | – | 74,954,311 |
| Current period accrual | – | – | – | – |
| Current period reversal | (44,821,980) | – | – | (44,821,980) |
| Changes in consolidation scope | (30,132,331) | – | – | (30,132,331) |
| Closing balance | – | – | – | – |

2022

| | Phase I 12-month expected credit losses | Phase II Lifetime expected credit losses | Phase III Credit-impaired financial assets (lifetime expected credit losses) | Total |
|-------------------------|--|---|--|--------------|
| Opening balance | 136,333,518 | – | – | 136,333,518 |
| Current period accrual | – | – | – | – |
| Current period reversal | (61,379,207) | – | – | (61,379,207) |
| Closing balance | 74,954,311 | – | – | 74,954,311 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other current assets

| Item | Note | 30 June 2023 | 31 December 2022 |
|--------------------------------|------|--------------------|---------------------|
| Prepaid income tax | | 2,912,375 | 401,579,513 |
| Deductible value added tax | | 486,056,504 | 477,778,603 |
| Debt instrument investments | (1) | – | 8,883,816,241 |
| Sub-total | | 488,968,879 | 9,763,174,357 |
| Less: Provision for impairment | | – | – |
| Total | | 488,968,879 | 9,763,174,357 |

(1) Bonds held by the Group are mainly interbank certificates of deposit bought by Masteel Finance, a subsidiary of the Company. As stated in Note X.7, Masteel Finance was disposed of on 30 April 2023.

12. Long-term receivables

| Item | 30 June 2023 | 31 December 2022 |
|---------------------------------|-----------------|---------------------|
| Sales and leaseback receivables | – | 4,136,391 |

Sales and leaseback receivables are from the sales and leaseback business of Masteel Finance, a subsidiary of the Company. As stated in Note X.7, Masteel Finance was disposed of on 30 April 2023.

Please see Note V.64 (2) for details about the Group as a lessor as at 30 June 2023.

13. Long-term equity investments

(1) *Long-term equity investments by category:*

| Item | 30 June 2023 | 31 December 2022 |
|--------------------------------|----------------------|---------------------|
| Investments in joint ventures | 301,338,737 | 297,830,424 |
| Investments in associates | 6,737,090,411 | 4,151,591,559 |
| Sub-total | 7,038,429,148 | 4,449,421,983 |
| Less: Provision for impairment | | |
| – Joint ventures | – | – |
| – Associates | – | – |
| Total | 7,038,429,148 | 4,449,421,983 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

13. Long-term equity investments (Continued)

(2) The movements of long-term equity investments during the period/year is as follows:

For the six months ended 30 June 2023

| Investee | Opening balance | Changes during the period | | | | | | | | | Closing balance | Impairment at the end of the period | |
|--|-----------------|---------------------------|---------------|---|----------------------------|-----------------------|------------------------|---|--------------------------|--------|-----------------|-------------------------------------|---|
| | | Increase | Decrease | Investment income under the equity method | Other comprehensive income | Other equity movement | Cash dividend declared | Translation differences arising from translation of foreign currency financial statements | Provision for impairment | Others | | | |
| Joint ventures | | | | | | | | | | | | | |
| Maanshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel") | 297,830,424 | - | - | 28,281,656 | - | 226,657 | (25,000,000) | - | - | - | - | 301,338,737 | - |
| Sub-total | 297,830,424 | - | - | 28,281,656 | - | 226,657 | (25,000,000) | - | - | - | - | 301,338,737 | - |
| Associates | | | | | | | | | | | | | |
| Henan JinMa Energy Co., Ltd. ("Henan JinMa Energy") | 934,867,868 | - | - | 25,716,599 | (891,014) | 797,402 | (7,200,000) | - | - | - | - | 953,290,855 | - |
| Shenglong Chemical Co., Ltd. ("Shenglong Chemical") | 1,114,069,916 | - | - | (20,255,431) | - | 1,035,786 | - | - | - | - | - | 1,094,850,271 | - |
| Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. ("Xinchuang Environmental Protection") | 75,989,051 | - | - | (1,542,796) | - | 373,936 | - | - | - | - | - | 74,820,191 | - |
| Ouyeel Commercial Factoring Co., Ltd. ("Ouyeel Factoring") | 163,524,728 | - | (165,977,906) | 2,453,178 | - | - | - | - | - | - | - | - | - |
| Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy") | 276,457,495 | - | - | 3,988,089 | - | 697,938 | - | - | - | - | - | 281,143,522 | - |
| Anhui Baoxin Software Co., Ltd. ("Baoxin Anhui") (Formerly known as Phima Intelligence Technology Co., Ltd.) | 224,404,566 | - | - | 5,483,732 | - | - | - | - | - | - | - | 229,888,298 | - |
| OBEI Co., Ltd. ("OBEI") | 425,551,735 | - | - | 2,155,468 | 37,422 | - | - | - | - | - | - | 427,744,625 | - |
| Baowu Water Technology Co., Ltd. ("Baowu Water") | 661,849,275 | - | - | 2,408,565 | - | (4,388,089) | - | - | - | - | - | 659,869,751 | - |
| Anhui Masteel Gas Technology Co., Ltd. ("Masteel Gases") | 174,462,190 | - | - | 7,311,566 | - | 1,414,379 | - | - | - | - | - | 183,188,135 | - |
| Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial") | 100,414,735 | - | - | (301,148) | - | - | - | 6,283,460 | - | - | - | 106,397,047 | - |
| Baowu Finance (Note 1) | - | 2,671,258,054 | - | 28,811,979 | 25,827,683 | - | - | - | - | - | - | 2,725,897,716 | - |
| Sub-total | 4,151,591,559 | 2,671,258,054 | (165,977,906) | 56,229,801 | 24,974,091 | (68,648) | (7,200,000) | 6,283,460 | - | - | - | 6,737,090,411 | - |
| Total | 4,449,421,983 | 2,671,258,054 | (165,977,906) | 84,511,457 | 24,974,091 | 158,009 | (32,200,000) | 6,283,460 | - | - | - | 7,038,429,148 | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(2) The movements of long-term equity investments during the period/year is as follows:
(Continued)

2022

| Investee | Opening balance | Changes during the year | | | | | | | Closing balance | Impairment at the end of the year | |
|--|-----------------|-------------------------|---------------|---|----------------------------|-----------------------|------------------------|--|-----------------|-----------------------------------|--------------------------|
| | | Increase | Decrease | Investment income under the equity method | Other comprehensive income | Other equity movement | Cash dividend declared | Translation differences arising from translation of foreign financial statements | | | Provision for impairment |
| Joint ventures | | | | | | | | | | | |
| Maanshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel") | 307,367,524 | - | - | 83,462,900 | - | - | (93,000,000) | - | - | 297,830,424 | - |
| Sub-total | 307,367,524 | - | - | 83,462,900 | - | - | (93,000,000) | - | - | 297,830,424 | - |
| Associates | | | | | | | | | | | |
| Henan JinMa Energy Co., Ltd. ("Henan JinMa Energy") | 870,862,596 | - | - | 98,170,142 | 234,768 | 1,600,362 | (36,000,000) | - | - | 934,867,868 | - |
| Shenglong Chemical Co., Ltd. ("Shenglong Chemical") | 1,068,420,632 | - | - | 44,970,320 | - | 678,964 | - | - | - | 1,114,069,916 | - |
| Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. ("Xinchuang Environmental Protection") | 74,212,749 | - | - | 7,260,385 | - | (13,076) | (5,471,007) | - | - | 75,989,051 | - |
| Ouyeel Commercial Factoring Co., Ltd. ("Ouyeel Factoring") | 159,107,630 | - | - | 3,116,814 | - | - | - | - | 1,300,284 | 163,524,728 | - |
| Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy") | 773,242,851 | - | (500,232,300) | 90,285,248 | - | (1,138,062) | (120,515,965) | - | 34,815,723 | 276,457,495 | - |
| Anhui Masteel K.Wah New Building Materials Co., Ltd. ("Masteel K. Wah") | 117,087,596 | - | (117,087,596) | - | - | - | - | - | - | - | - |
| Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd. ("Ouyeel Blockchain Finance") | 347,391,985 | - | (351,167,916) | 31,818,502 | - | (9,599,571) | (18,443,000) | - | - | - | - |
| Anhui Baoxin Software Co., Ltd. ("Baoxin Anhui") (Formerly known as Phima Intelligence Technology Co., Ltd.) | 213,619,073 | - | - | 22,851,358 | - | - | (12,065,865) | - | - | 224,404,566 | - |
| OBEI Co., Ltd. ("OBEI") | 422,657,885 | - | - | 3,377,519 | (71,143) | (412,526) | - | - | - | 425,551,735 | - |
| Baowu Water Technology Co., Ltd. ("Baowu Water") | 655,562,950 | - | - | 21,097,679 | - | (5,663) | (14,805,691) | - | - | 661,849,275 | - |
| Anhui Masteel Gas Technology Co., Ltd. ("Masteel Gases") | 149,350,424 | - | - | 34,681,963 | - | 733,331 | (10,303,528) | - | - | 174,462,190 | - |
| Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial") | - | 100,414,735 | - | - | - | - | - | - | - | 100,414,735 | - |
| Sub-total | 4,851,516,371 | 100,414,735 | (968,487,812) | 357,629,930 | 163,625 | (8,156,241) | (217,605,056) | - | 36,116,007 | 4,151,591,559 | - |
| Total | 5,158,883,895 | 100,414,735 | (968,487,812) | 441,092,830 | 163,625 | (8,156,241) | (310,605,056) | - | 36,116,007 | 4,449,421,983 | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

(2) *The movements of long-term equity investments during the period/year is as follows:
(Continued)*

2022 (Continued)

Note 1: As stated in Note X.7, the Company disposed of Masteel Finance on 30 April 2023 and in exchange, obtained 29.68% of equity in Baowu Finance.

14. Other equity instrument investments

| Item | 30 June 2023 | 31 December 2022 |
|---|--------------------|---------------------|
| Henan Longyu Energy Co., Ltd. (“Henan Longyu”) | 61,258,627 | 59,170,155 |
| China MCC17 Group Co., Ltd. (“MCC17”) | 56,594,300 | 46,314,227 |
| Anshan Huatai CDQ Engineering Technology Co., Ltd. (“Anshan Huatai”) | 1,563,290 | 1,825,672 |
| Linhan Coking Co., Ltd. (“Linhan Coking”) | 130,095,391 | 168,185,453 |
| Masteel Lihua Metal Resources Co., Ltd. (“Masteel Lihua”) | 6,378,129 | 5,712,591 |
| Huabao Duding (Shanghai) Financial Leasing Co., Ltd. (“Huabao Duding”) | – | 88,635,000 |
| Baowu Clean Energy Co., Ltd. (“Baowu Clean Energy”) | 178,331,499 | 171,563,412 |
| Total | 434,221,236 | 541,406,510 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

14. Other equity instrument investments (Continued)

(1) Details of other equity instruments:

For the six months ended 30 June 2023

| Item | Reason for being designated at fair value through other comprehensive income | Dividend income recognised for the period | Accumulated gains or losses recognised in other comprehensive income | Amount transferred from other comprehensive income to retained earnings | Reason for transferring from other comprehensive income to retained earnings |
|--------------------|--|---|--|---|--|
| Henan Longyu | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 51,258,627 | - | N/A |
| MCC17 | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 48,039,500 | - | N/A |
| Anshan Huatai | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 1,163,290 | - | N/A |
| Linhuan Coking | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 15,594,935 | - | N/A |
| Masteel Lihua | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 1,878,129 | - | N/A |
| Huabao Duding | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 9,828,190 | (9,828,190) | Disposed of |
| Baowu Clean Energy | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 22,885,139 | - | N/A |
| Total | | - | 150,647,810 | (9,828,190) | |

In order to optimize its portfolio of SOE assets, the Group disposed of its interest in Huabao Duding, which had a fair value of RMB92,780,065 at the date of derecognition, and the accumulated gain was RMB9,828,190.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

14. Other equity instrument investments (Continued)

(1) Details of other equity instruments: (Continued)

2022

| Item | Reason for being designated at fair value through other comprehensive income | Dividend income recognised for the period | Accumulated gains or losses recognised in other comprehensive income | Amount transferred from other comprehensive income to retained earnings | Reason for transferring from other comprehensive income to retained earnings |
|--------------------|--|---|--|---|--|
| Henan Longyu | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 49,170,155 | - | N/A |
| MCC17 | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 37,759,427 | - | N/A |
| Anshan Huatai | With the intention of establishing or maintaining a long-term investment for strategic reasons | (250,000) | 1,425,672 | - | N/A |
| Linhan Coking | With the intention of establishing or maintaining a long-term investment for strategic reasons | (21,597,770) | 53,684,997 | - | N/A |
| Masteel Lihua | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 1,212,591 | - | N/A |
| Huabao Duding | With the intention of establishing or maintaining a long-term investment for strategic reasons | (4,020,634) | 5,683,125 | - | N/A |
| Baowu Clean Energy | With the intention of establishing or maintaining a long-term investment for strategic reasons | - | 16,117,052 | - | N/A |
| Total | | (25,868,404) | 165,053,019 | - | |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment properties

For the six months ended 30 June 2023

| | Plant and buildings |
|--|--------------------------------|
| Cost: | |
| Opening balance | 77,302,542 |
| Addition | – |
| Transferred to property, plant and equipment | – |
| Closing balance | 77,302,542 |
| Accumulated depreciation: | |
| Opening balance | 20,094,623 |
| Provided | 1,005,632 |
| Transferred to property, plant and equipment | – |
| Closing balance | 21,100,255 |
| Provision for impairment: | |
| Opening balance | – |
| Provided | – |
| Disposal | – |
| Closing balance | – |
| Net carrying amount: | |
| At the ending of the period | 56,202,287 |
| At the beginning of the period | 57,207,919 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment properties (Continued)

2022

| | Plant and buildings |
|--|---------------------|
| Cost: | |
| Opening balance | 77,302,542 |
| Addition | – |
| Transferred to property, plant and equipment | – |
| Closing balance | 77,302,542 |
| Accumulated depreciation: | |
| Opening balance | 16,490,938 |
| Provided | 3,603,685 |
| Transferred to property, plant and equipment | – |
| Closing balance | 20,094,623 |
| Provision for impairment: | |
| Opening balance | – |
| Provided | – |
| Disposal | – |
| Closing balance | – |
| Net carrying amount: | |
| At the ending of the period | 57,207,919 |
| At the beginning of the period | 60,811,604 |

As of 30 June 2023, the Group did not have any investment properties for which certificates of ownership had not yet been duly issued (31 December 2022: Nil).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment

(1) Property, plant and equipment

| | 30 June 2023 | 31 December 2022 |
|---|-----------------------|-----------------------|
| Property, plant and equipment | 41,601,215,751 | 42,421,162,633 |
| Property, plant and equipment to be disposed of | – | 11,071,278 |
| Total | 41,601,215,751 | 42,432,233,911 |

For the six months ended 30 June 2023

| Item | Plant and buildings | Machinery and equipment | Motor vehicles | Office e quipment | Land (Note 1) | Total |
|--|------------------------|----------------------------|-------------------|----------------------|------------------|----------------|
| Cost: | | | | | | |
| At the beginning of the period | 33,877,828,621 | 63,640,454,603 | 634,105,624 | 1,163,810,113 | 10,428,912 | 99,326,627,873 |
| Addition | 8,826,576 | 11,362,618 | 242,434 | 17,196,677 | – | 37,628,305 |
| Transferred from construction in progress | 279,859,183 | 458,942,537 | 77,995,885 | 250,550,194 | – | 1,067,347,799 |
| Disposal | (208,315,141) | (275,798,165) | (100,602,134) | (23,417,845) | – | (608,133,285) |
| Disposal of a subsidiary | – | – | – | (9,889,370) | – | (9,889,370) |
| Exchange realignment | 2,128,414 | 12,148,668 | 520,987 | 288,072 | 638,135 | 15,724,276 |
| At the end of the period | 33,960,327,653 | 63,847,110,261 | 612,262,796 | 1,398,537,841 | 11,067,047 | 99,829,305,598 |
| Accumulated depreciation: | | | | | | |
| At the beginning of the period | 14,982,180,752 | 41,060,738,879 | 204,337,164 | 369,041,834 | – | 56,616,298,629 |
| Provided | 458,246,980 | 1,104,260,532 | 98,866,886 | 135,643,784 | – | 1,797,018,182 |
| Disposal | (143,893,174) | (234,301,168) | (89,699,145) | (16,293,858) | – | (484,187,345) |
| Disposal of a subsidiary | – | – | – | (6,944,455) | – | (6,944,455) |
| Exchange realignment | 722,485 | 4,489,100 | 375,646 | 206,199 | – | 5,793,430 |
| At the end of the period | 15,297,257,043 | 41,935,187,343 | 213,880,551 | 481,653,504 | – | 57,927,978,441 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment (Continued)

(1) Property, plant and equipment (Continued)

For the six months ended 30 June 2023 (Continued)

| Item | Plant and buildings | Machinery and equipment | Motor vehicles | Office equipment | Land (Note 1) | Total |
|--------------------------------|---------------------|-------------------------|----------------|------------------|---------------|----------------|
| Impairment: | | | | | | |
| At the beginning of the period | 11,887,557 | 274,608,282 | 2,332,249 | 338,523 | - | 289,166,611 |
| Disposal | - | - | - | - | - | - |
| Exchange realignment | 1,790,797 | 8,884,770 | 233,178 | 36,050 | - | 10,944,795 |
| Provided | - | - | - | - | - | - |
| At the end of the period | 13,678,354 | 283,493,052 | 2,565,427 | 374,573 | - | 300,111,406 |
| Net carrying amount: | | | | | | |
| At the end of the period | 18,649,392,256 | 21,628,429,866 | 395,816,818 | 916,509,764 | 11,067,047 | 41,601,215,751 |
| At the beginning of the period | 18,883,760,312 | 22,305,107,442 | 427,436,211 | 794,429,756 | 10,428,912 | 42,421,162,633 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment (Continued)

(1) Property, plant and equipment (Continued)

2022

| Item | Plant and buildings | Machinery and equipment | Motor vehicles | Office equipment | Land (Note 1) | Total |
|---|---------------------|-------------------------|----------------|------------------|---------------|----------------|
| Cost: | | | | | | |
| At the beginning of the year | 27,665,360,092 | 54,589,960,027 | 266,963,097 | 401,764,886 | 10,143,423 | 82,934,191,525 |
| Addition | 104,973,909 | 382,689,132 | 11,196,710 | 2,385,086 | - | 501,244,837 |
| Transferred from construction in progress | 6,402,530,901 | 9,286,317,692 | 390,042,789 | 770,037,069 | - | 16,848,928,451 |
| Reclassification | - | - | 298,034 | (298,034) | - | - |
| Disposal | (82,826,669) | (490,841,553) | (31,950,262) | (91,273) | - | (605,709,757) |
| Disposal of a subsidiary | (213,350,064) | (134,629,347) | (2,677,823) | (10,305,505) | - | (360,962,739) |
| Exchange realignment | 1,140,452 | 6,958,652 | 233,079 | 317,884 | 285,489 | 8,935,556 |
| At the end of the year | 33,877,828,621 | 63,640,454,603 | 634,105,624 | 1,163,810,113 | 10,428,912 | 99,326,627,873 |
| Accumulated depreciation: | | | | | | |
| At the beginning of the year | 14,221,559,782 | 39,320,604,524 | 196,260,273 | 324,145,867 | - | 54,062,570,446 |
| Provided | 887,885,152 | 2,219,367,708 | 38,316,581 | 50,413,355 | - | 3,195,982,796 |
| Reclassification | - | - | 194,882 | (194,882) | - | - |
| Disposal | (20,370,191) | (373,447,768) | (28,065,344) | (87,026) | - | (421,970,329) |
| Disposal of a subsidiary | (107,132,825) | (107,476,179) | (2,542,823) | (5,337,410) | - | (222,489,237) |
| Exchange realignment | 238,834 | 1,690,594 | 173,595 | 101,930 | - | 2,204,953 |
| At the end of the year | 14,982,180,752 | 41,060,738,879 | 204,337,164 | 369,041,834 | - | 56,616,298,629 |
| Impairment: | | | | | | |
| At the beginning of the year | 11,439,841 | 272,315,398 | 2,268,404 | 332,180 | - | 286,355,823 |
| Disposal | - | - | - | (2,864) | - | (2,864) |
| Exchange realignment | 447,716 | 2,292,884 | 63,845 | 9,207 | - | 2,813,652 |
| At the end of the year | 11,887,557 | 274,608,282 | 2,332,249 | 338,523 | - | 289,166,611 |
| Net carrying amount: | | | | | | |
| At the end of the year | 18,883,760,312 | 22,305,107,442 | 427,436,211 | 794,429,756 | 10,428,912 | 42,421,162,633 |
| At the beginning of the year | 13,432,360,469 | 14,997,040,105 | 68,434,420 | 77,286,839 | 10,143,423 | 28,585,265,256 |

Note 1: Land in property, plant and equipment is the land ownership purchased by MG-VALDUNES, a subsidiary of the Group.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment (Continued)

(2) Temporarily idle property, plant and equipment

As of 30 June 2023, the Group had no idle property, plant and equipment (31 December 2022: Nil).

Property, plant and equipment to be disposed of

| | 30 June 2023 | 31 December 2022 |
|-------------------------|-----------------|---------------------|
| Machinery and equipment | – | 11,071,278 |
| Total | – | 11,071,278 |

(3) Property, plant and equipment leased out under operating leases

| Item | Plant and buildings |
|--------------------------------|------------------------|
| Cost: | |
| At the beginning of the period | 72,843,308 |
| Addition | – |
| Disposal | – |
| At the end of the period | 72,843,308 |
| Accumulated depreciation: | |
| At the beginning of the period | 16,358,097 |
| Provided | 988,005 |
| Disposal | – |
| At the end of the period | 17,346,102 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment (Continued)

(3) Property, plant and equipment leased out under operating leases (Continued)

| Item | Plant and buildings |
|--------------------------------|---------------------|
| Impairment: | |
| At the beginning of the period | – |
| Provided | – |
| Disposal | – |
| <hr/> | |
| At the end of the period | – |
| <hr/> | |
| Net carrying amount: | |
| At the end of the period | 55,497,206 |
| <hr/> | |
| At the beginning of the period | 56,485,211 |
| <hr/> | |

(4) Property, plant and equipment pending certificates of ownership

| Item | Cost as at 30 June 2023 | Cost as at 31 December 2022 | Reason why certificates of ownership are pending |
|---------------------|----------------------------|-----------------------------------|--|
| Plant and buildings | 1,763,406,812 | 1,555,606,783 | Certificate of ownership are being reviewed by relevant government authorities |
| <hr/> | | | |

As of 30 June 2023, certificates of ownership in respect of 58 buildings of the Group in Mainland China, mainly used for production and operation, with an aggregate cost of RMB1,763,406,812 (31 December 2022: the cost of 56 plant and buildings was RMB1,555,606,783), have not been obtained from the relevant government authorities. The directors represented that the Group was in the process of obtaining the relevant certificates, and this will not have any significant adverse impact on the Group's operations.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

17. Construction in progress

| | <i>Note</i> | 30 June 2023 | 31 December 2022 |
|--------------------------|-------------|-------------------------|---------------------|
| Construction in progress | (1) | 9,627,969,434 | 7,766,555,935 |
| Construction materials | | – | – |
| Total | | 9,627,969,434 | 7,766,555,935 |

(1) *Construction in progress*

| Item | 30 June 2022 | | | 31 December 2022 | | |
|---|----------------------|-----------------------------|----------------------|--------------------|-----------------------------|--------------------|
| | Carrying amount | Provision for impairment | Carrying amount | Carrying amount | Provision for impairment | Carrying amount |
| Product quality projects | 4,686,716,276 | – | 4,686,716,276 | 3,414,899,160 | – | 3,414,899,160 |
| Energy-saving and environmental protection projects | 2,133,378,143 | – | 2,133,378,143 | 1,872,185,401 | – | 1,872,185,401 |
| Equipment advancement and other modification projects | 1,447,310,560 | – | 1,447,310,560 | 1,150,747,707 | – | 1,150,747,707 |
| Other projects | 1,360,564,455 | – | 1,360,564,455 | 1,328,723,667 | – | 1,328,723,667 |
| Total | 9,627,969,434 | – | 9,627,969,434 | 7,766,555,935 | – | 7,766,555,935 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

(1) Construction in progress (Continued)

(a) The movements of significant projects were as follows

For the six months ended 30 June 2023

| Item | Budget RMB'000 | Opening balance RMB | Addition RMB | Transferred to property, plant and equipment (Note V.16) RMB | Other decrease RMB | Closing balance RMB | The proportion of projects accounted for budget (%) | Percentage of completion (%) | Capitalised interest accumulated RMB | Capitalised interest in current period RMB | The capitalised interest rate in current period (%) | Source of fund |
|---|-------------------|---------------------------|-----------------|--|--------------------------|---------------------------|---|------------------------------------|---|--|--|------------------------------------|
| Product quality projects | 28,267,928 | 3,414,899,160 | 1,641,999,689 | (370,182,573) | - | 4,686,716,276 | 36% | 36% | 22,247,667 | 10,647,679 | 2.64% | Internally and externally financed |
| Energy-saving and environmental protection projects | 12,006,489 | 1,872,185,401 | 492,049,843 | (181,867,748) | (48,989,353) | 2,133,378,143 | 73% | 73% | 412,639 | 320,556 | 0.71% | Internally and externally financed |
| Equipment advancement and other modification projects | 7,758,408 | 1,150,747,707 | 410,500,608 | (113,937,755) | - | 1,447,310,560 | 77% | 77% | 6,014,754 | 76,839 | 2.72% | Internally and externally financed |
| Other projects | N/A | 1,328,723,667 | 574,153,851 | (401,359,723) | (140,953,340) | 1,360,564,455 | N/A | N/A | - | - | - | Internally financed |
| Sub-total | | 7,766,555,935 | 3,118,703,991 | (1,067,347,799) | (189,942,693) | 9,627,969,434 | | | 28,675,060 | 11,045,074 | 2.45% | |
| Less: impairment | | - | - | - | - | - | | | - | - | - | |
| Total | | 7,766,555,935 | 3,118,703,991 | (1,067,347,799) | (189,942,693) | 9,627,969,434 | | | 28,675,060 | 11,045,074 | 2.45% | |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

(1) Construction in progress (Continued)

(a) The movements of significant projects were as follows (Continued)

2022

| Item | Budget RMB'000 | Opening balance RMB | Addition RMB | Transferred to property, plant and equipment (Note V.16) RMB | Other decrease RMB | Closing balance RMB | The proportion of projects investment accounted for budget (%) | Percentage of completion (%) | Capitalised interest accumulated RMB | Capitalised interest in current period RMB | The capitalised interest rate in current period (%) | Source of fund |
|---|-------------------|---------------------------|-----------------|--|--------------------------|---------------------------|---|------------------------------------|---|---|--|--|
| Product quality projects | 28,267,928 | 3,786,404,228 | 4,627,247,965 | (4,998,753,033) | - | 3,414,899,160 | 30% | 30% | 11,599,989 | 11,599,989 | 2.8% | Internally and externally financed |
| Energy-saving and environmental protection projects | 12,006,489 | 3,820,740,766 | 4,493,548,573 | (6,442,103,938) | - | 1,872,185,401 | 69% | 69% | 92,083 | 92,083 | 2.5% | Internally and externally financed |
| Equipment advancement and other modification projects | 7,758,408 | 1,844,663,165 | 3,762,046,912 | (4,455,962,370) | - | 1,150,747,707 | 72% | 72% | 5,937,915 | 5,937,915 | 2.9% | Internally and externally financed |
| Other projects | N/A | 1,547,525,141 | 733,307,636 | (952,109,110) | - | 1,328,723,667 | N/A | N/A | - | - | - | Internally financed |
| | | 10,999,333,300 | 13,616,151,086 | (16,848,928,451) | - | 7,766,555,935 | | | 17,629,987 | 17,629,987 | 2.8% | |
| Less: impairment | | - | - | - | - | - | - | - | - | - | - | |
| Total | | 10,999,333,300 | 13,616,151,086 | (16,848,928,451) | - | 7,766,555,935 | | | 17,629,987 | 17,629,987 | 2.8% | |

(b) Provision for impairment of construction in progress

As of 30 June 2023, none of the Group's construction in progress is impaired and therefore, no impairment loss is recognised (31 December 2022: Nil).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets

(1) Intangible assets

For the six months ended 30 June 2023

| Item | Land use rights | Patents and others | Total |
|--------------------------------|-----------------|--------------------|---------------|
| Cost: | | | |
| At the beginning of the period | 2,574,551,239 | 174,259,335 | 2,748,810,574 |
| Addition | 2,750 | 281,682 | 284,432 |
| Disposal | (43,492,407) | – | (43,492,407) |
| Exchange realignment | – | 94,698 | 94,698 |
| At the end of the period | 2,531,061,582 | 174,635,715 | 2,705,697,297 |
| Accumulated amortization: | | | |
| At the beginning of the period | 866,618,142 | 7,096,699 | 873,714,841 |
| Provided | 27,385,404 | 4,301,048 | 31,686,452 |
| Disposal | (18,022,075) | – | (18,022,075) |
| Exchange realignment | – | 81,485 | 81,485 |
| At the end of the period | 875,981,471 | 11,479,232 | 887,460,703 |
| Impairment: | | | |
| At the beginning of the period | – | – | – |
| Addition | – | – | – |
| Disposal | – | – | – |
| At the end of the period | – | – | – |
| Net carrying amount: | | | |
| At the end of the period | 1,655,080,111 | 163,156,483 | 1,818,236,594 |
| At the beginning of the period | 1,707,933,097 | 167,162,636 | 1,875,095,733 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

18. Intangible assets (Continued)

(1) Intangible assets (Continued)

2022

| Item | Land use rights | Patents and others | Mining rights | Total |
|------------------------------|-----------------|--------------------|---------------|---------------|
| Cost: | | | | |
| At the beginning of the year | 2,584,246,587 | 2,236,612 | 128,117,262 | 2,714,600,461 |
| Addition | 150,184,960 | 172,085,477 | – | 322,270,437 |
| Disposal | (97,451,794) | (125,703) | (129,566,967) | (227,144,464) |
| Disposal of a subsidiary | (62,428,514) | – | – | (62,428,514) |
| Exchange realignment | – | 62,949 | 1,449,705 | 1,512,654 |
| At the end of the year | 2,574,551,239 | 174,259,335 | – | 2,748,810,574 |
| Accumulated amortization: | | | | |
| At the beginning of the year | 857,241,924 | 1,911,451 | 128,117,262 | 987,270,637 |
| Provided | 56,330,748 | 5,245,738 | – | 61,576,486 |
| Disposal | (26,187,219) | (119,763) | (129,566,967) | (155,873,949) |
| Disposal of a subsidiary | (20,767,311) | – | – | (20,767,311) |
| Exchange realignment | – | 59,273 | 1,449,705 | 1,508,978 |
| At the end of the year | 866,618,142 | 7,096,699 | – | 873,714,841 |
| Impairment: | | | | |
| At the beginning of the year | – | – | – | – |
| Addition | – | – | – | – |
| Disposal | – | – | – | – |
| At the end of the year | – | – | – | – |
| Net carrying amount: | | | | |
| At the end of the year | 1,707,933,097 | 167,162,636 | – | 1,875,095,733 |
| At the beginning of the year | 1,727,004,663 | 325,161 | – | 1,727,329,824 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Intangible assets (Continued)

(2) Without the property right certificate Land use rights are as follows

| Item | 30 June 2023 | 31 December 2022 | Reason for not completing the Property Ownership Certificate |
|-----------------|-----------------|---------------------|--|
| Land use rights | 6,494,747 | 9,679,426 | The relevant materials for applying the certificate have not been obtained |

19. Deferred tax assets, deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities

| Item | 30 June 2023 | | 31 December 2022 | |
|----------------------------|--|--|--|--|
| | Deductible temporary differences or Taxable temporary differences | Deferred tax assets/ liabilities | Deductible temporary differences or Taxable temporary differences | Deferred tax assets/ liabilities |
| Deferred tax assets: | | | | |
| Asset impairment provision | 7,253,782 | 1,813,446 | 67,118,714 | 17,414,242 |
| Sales incentive | 43,825,919 | 10,956,480 | 26,578,129 | 6,644,532 |
| Payroll payable | 12,260,399 | 3,457,378 | 11,506,429 | 3,246,267 |
| Government grants | 100,736,932 | 15,110,540 | 170,910,246 | 32,340,167 |
| Deductible losses | 645,736,037 | 96,860,406 | 642,599,026 | 96,389,851 |
| Others | 235,345,272 | 46,497,380 | 148,701,549 | 36,710,775 |
| Sub-total | 1,045,158,341 | 174,695,630 | 1,067,414,093 | 192,745,834 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

19. Deferred tax assets, deferred tax liabilities (Continued)

(1) Deferred tax assets and deferred tax liabilities (Continued)

| Item | 30 June 2023 | | 31 December 2022 | |
|--|---|----------------------------------|---|----------------------------------|
| | Deductible temporary differences or Taxable temporary differences | Deferred tax assets/ liabilities | Deductible temporary differences or Taxable temporary differences | Deferred tax assets/ liabilities |
| Amount offset | / | 33,050,347 | / | 41,837,042 |
| Balance after offsetting | / | 141,645,283 | / | 150,908,792 |
| Deferred tax liabilities: | | | | |
| Fair value adjustments related to business combinations not under common control | 47,758,765 | 11,939,691 | 60,176,608 | 13,802,368 |
| Changes in fair value of futures | - | - | 40,471,387 | 6,070,708 |
| Changes in fair value of other equity instrument investments | 140,819,622 | 21,310,756 | 159,369,891 | 24,026,743 |
| Others | - | - | 5,338,882 | 1,334,721 |
| Sub-total | 188,578,387 | 33,250,447 | 265,356,768 | 45,234,540 |
| Amount offset | / | 33,050,347 | / | 41,837,042 |
| Balance after offsetting | / | 200,100 | / | 3,397,498 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Deferred tax assets/deferred tax liabilities (Continued)

(2) The Group's unrecognised deferred tax assets

| Item | 30 June 2023 | 31 December 2022 |
|----------------------------------|-----------------------|---------------------|
| Deductible temporary differences | 3,101,067,859 | 3,278,153,136 |
| Deductible tax losses | 7,932,531,318 | 4,376,951,555 |
| Total | 11,033,599,177 | 7,655,104,691 |

(3) Unrecognised deferred tax assets arising from deductible tax losses will expire

| Year | 30 June 2023 | 31 December 2022 | Note |
|--|----------------------|---------------------|------|
| 2023 | 10,821,092 | 10,821,092 | / |
| 2024 | 24,315,670 | 24,315,670 | / |
| 2025 | 14,580,461 | 14,580,461 | / |
| 2026 | – | – | / |
| 2027 | 363,361,767 | 363,361,767 | / |
| To expire in 2028 and subsequent years (Note) | 7,519,452,328 | 3,963,872,565 | / |
| Total | 7,932,531,318 | 4,376,951,555 | / |

Note: As of 30 June 2023, overseas subsidiaries of the Company have deductible tax losses amounting to RMB747,272,711 (31 December 2022: RMB661,192,737), without an expiration date.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Deferred tax assets, deferred tax liabilities (Continued)

(4) The Group's unrecognised deferred tax liabilities

| Item | 30 June 2023 | 31 December 2022 |
|--------------------------|----------------------|---------------------|
| The Group's unrecognised | 2,223,649,468 | 1,438,521,807 |

Note: The Group's taxable temporary differences of unrecognised deferred tax liabilities are arising from long-term equity investments in its domestic joint ventures, associates and overseas subsidiaries.

These taxable temporary differences would be reversed with tax consequences on the Group through future disposal of shares or receipt of dividends from overseas subsidiaries. Since the Group can control the dividend plans of overseas subsidiaries and would not dispose of equity investments in these joint ventures and associates in the foreseeable future, it has not recognized any deferred tax liabilities according to the above mentioned taxable temporary differences.

20. Customer deposits

| Item | 30 June 2023 | 31 December 2022 |
|-----------------|-----------------|---------------------|
| Demand deposits | – | 2,533,157,419 |
| Notice deposits | – | 2,164,630,175 |
| Time deposits | – | 4,384,322,985 |
| Total | – | 9,082,110,579 |

Customer deposits are from the deposit accepting business of Masteel Finance, a subsidiary of the Group. As stated in Note X.7, Masteel Finance was disposed of on 30 April 2023.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Funds from sales of financial assets with repurchasement agreement

| Item | 30 June 2023 | 31 December 2022 |
|--------------|-----------------|---------------------|
| Bonds | – | 500,000,000 |
| Notes | – | 159,635,255 |
| Total | – | 659,635,255 |

The balance of funds from sales of financial assets with repurchasement agreement are capital inflow from re-discounted notes and re-discounted bonds purchased by Masteel Finance, a subsidiary of the Group, from other financial institutions. As stated in Note X.7, Masteel Finance was disposed of on 30 April 2023.

22. Short-term loans

Short-term loans by category:

| Item | 30 June 2023 | 31 December 2022 |
|-------------------------------|----------------------|----------------------|
| Pledged loans (<i>Note</i>) | 631,825,868 | 581,980,154 |
| Unsecured loans | 8,141,795,090 | 8,616,503,011 |
| Total | 8,773,620,958 | 9,198,483,165 |

Note: As of 30 June 2023, the Group pledged the bank acceptance notes of RMB631,825,868 (31 December 2021: RMB581,980,154) by pledging bank acceptance notes.

As of 30 June 2023, the interest rates of the above short-term loans ranged from 1.12%-3.65% (31 December 2022: 0.77%-3.50%).

As of 30 June 2023 and 31 December 2022, the Group had no overdue short-term loans.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Notes payable

| Item | 30 June 2023 | 31 December 2022 |
|-----------------------|-----------------|---------------------|
| Bank acceptance notes | 6,224,257,622 | 5,220,978,025 |
| Total | 6,224,257,622 | 5,220,978,025 |

As of 30 June 2023, the Group did not have any past due note (31 December 2022: nil). The amount listed above are notes payable due within 6 months.

24. Trade payables

(1) Trade payables:

| Item | Note | 30 June 2023 | 31 December 2022 |
|-----------------|------|-----------------|---------------------|
| Related parties | X.6 | 8,208,946,086 | 5,782,051,531 |
| Third party | | 8,418,314,540 | 11,441,967,200 |
| Total | | 16,627,260,626 | 17,224,018,731 |

(2) The aging analysis of trade payables, based on the invoice date, is as follows:

| Item | 30 June 2023 | 31 December 2022 |
|-------------------------------|-----------------|---------------------|
| Within one year(inclusive) | 16,327,184,679 | 16,875,547,891 |
| One to two years(inclusive) | 173,283,842 | 295,571,029 |
| Two to three years(inclusive) | 117,792,496 | 46,629,163 |
| Over three years | 8,999,609 | 6,270,648 |
| Total | 16,627,260,626 | 17,224,018,731 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Trade payables (Continued)

(3) The material trade payables aged over one year were as follows:

As of 30 June 2023

| Item | Balance at the end of the year | Reason for non-settlement |
|-----------|--------------------------------------|------------------------------|
| Company 1 | 25,205,756 | Note |
| Company 2 | 17,035,914 | Note |
| Company 3 | 15,552,100 | Note |
| Company 4 | 8,973,729 | Note |
| Company 5 | 6,228,963 | Note |
| Total | 72,996,462 | Note |

Note: The Group's trade payables aged over one year are mainly because of not due for settlement.

25. Contract liabilities

| Item | 30 June 2023 | 31 December 2022 |
|-------------------------|-----------------|---------------------|
| Advances from customers | 5,191,389,696 | 4,987,638,416 |

As of 30 June of 2023, contract liabilities aged over one year amounting to RMB19,083,122 (31 December 2022: RMB31,839,540), were mainly due to the contracts that were not fully executed.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Payroll and employee benefits payable

(1) *Employee benefits payable:*

For the six months ended 30 June 2023

| | Note | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|---|------|--------------------|----------------------------|----------------------------|--------------------|
| Short-term employee benefits | | 386,830,501 | 1,700,157,685 | 1,926,440,729 | 160,547,457 |
| Post-employment benefits (defined contribution plans) | | 95,386,721 | 291,965,539 | 385,334,982 | 2,017,278 |
| Supplementary retirement benefits due within one year | V.33 | 2,318,080 | – | 221,538 | 2,096,542 |
| Termination benefits | | 1,840,527 | 1,056,686 | 2,897,213 | – |
| Early retirement benefits due within one year | V.33 | 1,880,085 | – | – | 1,880,085 |
| Total | | 488,255,914 | 1,993,179,910 | 2,314,894,462 | 166,541,362 |

2022

| | Note | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|---|------|--------------------|--------------------------|--------------------------|--------------------|
| Short-term employee benefits | | 341,523,209 | 3,854,591,009 | 3,809,283,717 | 386,830,501 |
| Post-employment Benefits – defined contribution plans | | 1,617,049 | 642,618,800 | 548,849,128 | 95,386,721 |
| Supplementary retirement benefits due within one year | V.33 | 1,780,083 | 1,290,704 | 752,707 | 2,318,080 |
| Termination benefits | | 1,840,527 | 370,842,845 | 370,842,845 | 1,840,527 |
| Early retirement benefits due within one year | V.33 | 2,763,873 | 1,880,085 | 2,763,873 | 1,880,085 |
| Total | | 349,524,741 | 4,871,223,443 | 4,732,492,270 | 488,255,914 |

Termination benefits are a lump-sum indemnity paid to the Group's former employees as a result of the Group's human resources optimization policy.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

26. Payroll and employee benefits payable (Continued)

(2) Short-term employee benefits

For the six months ended 30 June 2023

| | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|--|--------------------|----------------------------|----------------------------|--------------------|
| Salaries, bonuses and subsidies | 281,897,829 | 1,260,052,517 | 1,478,950,198 | 63,000,148 |
| Welfare | 373,857 | 112,487,495 | 73,810,382 | 39,050,970 |
| Social insurance | 52,869,677 | 131,128,062 | 182,054,743 | 1,942,996 |
| – Medical insurance | 48,265,729 | 113,353,032 | 159,680,271 | 1,938,490 |
| – Work-related injury insurance | 4,603,349 | 15,248,389 | 19,847,833 | 3,905 |
| – Maternity insurance | 599 | 2,526,641 | 2,526,639 | 601 |
| Housing fund | 1,200 | 148,688,397 | 148,688,397 | 1,200 |
| Labor union fee and employee education fee | 51,687,938 | 47,801,214 | 42,937,009 | 56,552,143 |
| Total | 386,830,501 | 1,700,157,685 | 1,926,440,729 | 160,547,457 |

2022

| | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|--|--------------------|--------------------------|--------------------------|--------------------|
| Salaries, bonuses and subsidies | 293,590,746 | 2,914,582,875 | 2,926,275,792 | 281,897,829 |
| Welfare | 11,731,175 | 184,983,293 | 196,340,611 | 373,857 |
| Social insurance | 1,670,348 | 273,360,077 | 222,160,748 | 52,869,677 |
| – Medical insurance | 1,660,386 | 243,946,103 | 197,340,760 | 48,265,729 |
| – Work-related injury insurance | 6,438 | 27,878,467 | 23,281,556 | 4,603,349 |
| – Maternity insurance | 3,524 | 1,535,507 | 1,538,432 | 599 |
| Housing fund | 1,200 | 392,218,423 | 392,218,423 | 1,200 |
| Labor union fee and employee education fee | 34,529,740 | 89,446,341 | 72,288,143 | 51,687,938 |
| Total | 341,523,209 | 3,854,591,009 | 3,809,283,717 | 386,830,501 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Payroll and employee benefits payable (Continued)

(3) Post-employment Benefits – defined contribution plans

For the six months ended 30 June 2023

| | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|------------------------------|-------------------|----------------------------|----------------------------|------------------|
| Pension insurance | 92,538,695 | 222,851,852 | 313,373,777 | 2,016,770 |
| Unemployment insurance | 2,847,791 | 6,849,965 | 9,697,490 | 266 |
| Supplementary pension scheme | 235 | 62,263,722 | 62,263,715 | 242 |
| Total | 95,386,721 | 291,965,539 | 385,334,982 | 2,017,278 |

2022

| | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|------------------------------|------------------|--------------------------|--------------------------|-------------------|
| Pension insurance | 1,604,378 | 476,130,806 | 385,196,489 | 92,538,695 |
| Unemployment insurance | 4,815 | 14,648,043 | 11,805,067 | 2,847,791 |
| Supplementary pension scheme | 7,856 | 151,839,951 | 151,847,572 | 235 |
| Total | 1,617,049 | 642,618,800 | 548,849,128 | 95,386,721 |

The Group's pension plan is mainly based on the social insurance plans established by government departments in accordance with regulations. The plan is regarded as a defined contribution scheme. According to the provisions of the plan, the Group shall not use any forfeited contributions to reduce the current level of contributions. If employees withdraw from the plan for any reason before actually receiving the relevant contributions, the Group will no longer pay pension and unemployment insurance premiums on their behalf.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Payroll and employee benefits payable (Continued)

(3) *Post-employment Benefits – defined contribution plans (Continued)*

All full-time employees of the Group participate in the basic pension insurance scheme formulated by the government in accordance with national policies. For the six months ended 30 June 2023, the basic pension insurance premiums were paid based on 16% of the Group's employees' basic salary (2022: 16%) which does not exceed the upper limit prescribed by the government department, and the employees shall pay the basic pension insurance premiums in proportion to their own wages stipulated by the government. After employees reach the legal retirement age, they receive basic pensions on a monthly basis. As of 30 June 2023, the basic pension insurance premiums payable by the Group amounted to approximately RMB222,851,852 (2022: RMB476,130,806), which was recorded as labour costs.

In addition, the Group has established an enterprise annuity plan. The expenses required for the enterprise annuity shall be paid jointly by the enterprise and individual employees. The Group and employees who enjoy the annuity plan use the employee social insurance payment base as the payment base. The employee's payment and deposit ratio is 1%, and the enterprise's payment and deposit ratio is 6%. The Group has no further statutory or presumed obligation after such payment and deposit, and the Group treated the plan as a defined contribution scheme. As of 30 June 2023, the total amount of the Group's corporate annuity expenses was approximately RMB62,263,722 (2022: RMB151,839,951), which was recorded as labour costs.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

27. Taxes payable

| Item | 30 June 2023 | 31 December 2022 |
|---------------------------------------|-----------------|---------------------|
| Value-added tax | 60,167,067 | 205,366,278 |
| Corporate income tax | 33,650,194 | 28,331,657 |
| Land use tax | 124,956,114 | 125,109,881 |
| Personal income tax | 17,413,732 | 6,530,536 |
| Water conservancy funds | 226,696,288 | 210,520,533 |
| Environment protection tax | 6,576,786 | 5,702,797 |
| City construction and maintenance tax | 2,412,148 | 1,712,886 |
| Others | 61,064,468 | 56,574,789 |
| Total | 532,936,797 | 639,849,357 |

28. Other payables

| | Note | 30 June 2023 | 31 December 2022 |
|--------------------|------|-----------------|---------------------|
| Dividends payables | (1) | 162,008,477 | 15,143,264 |
| Others | (2) | 2,679,162,896 | 3,901,947,069 |
| Total | | 2,841,171,373 | 3,917,090,333 |

(1) Dividends payable

| Item | 30 June 2023 | 31 December 2022 |
|----------------|-----------------|---------------------|
| Dividends paid | 162,008,477 | 15,143,264 |

As stated in Note V.65, the Group declared a distribution of dividends of RMB155,395,744, and no dividend has been distributed as of 30 June 2023.

As of 30 June 2022, due to the unclaimed dividends declared from the year of 2007 to 2011, the Group has accumulated unpaid dividends payable over one year amounting to RMB6,612,733.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

28. Other payables (Continued)

(2) Others

(a) Details of others by nature are as follows:

| Item | Note | 30 June 2023 | 31 December 2022 |
|---|------|----------------------|---------------------|
| Payable for forfeiting | | 1,268,254,864 | 2,491,745,076 |
| Special funds | (1) | 828,204,640 | 829,114,284 |
| Payable for construction, maintenance and inspection fees | | 204,499,836 | 154,762,316 |
| Service fees payable | | 42,272 | 41,730 |
| Others | | 378,161,284 | 426,283,663 |
| Total | | 2,679,162,896 | 3,901,947,069 |

Note 1: Special funds include the Renewable Energy Development Fund, Major Water Conservancy Project Construction Fund.

(b) Significant other payables aged over one year were as follows:

30 June 2023

| Item | Balance at the end of the year | Reason for non-settlement |
|--------------|-----------------------------------|------------------------------|
| Company1 | 8,000,000 | Note |
| Company2 | 2,000,000 | Note |
| Company3 | 1,550,000 | Note |
| Company4 | 1,255,000 | Note |
| Company5 | 1,023,594 | Note |
| Total | 13,828,594 | |

Note: The Group's other payables aged over one year were mainly transaction payables. Since the project did not meet the terms of settlement, the payments were not settled.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Non-current liabilities due within one year

Non-current liabilities due within one year is as followed:

| Item | Note | 30 June 2023 | 31 December 2022 |
|---|------|----------------------|---------------------|
| Long-term loans due within one year | V.31 | 3,127,873,182 | 2,043,898,497 |
| Lease liabilities due within one year | V.64 | 20,643,639 | 15,514,425 |
| Obligation to repurchase restricted shares due within 1 year | V.32 | 52,324,668 | – |
| Total | | 3,200,841,489 | 2,059,412,922 |

30. Other current liabilities

| Item | 30 June 2023 | 31 December 2022 |
|-------------------------|--------------------|---------------------|
| Advances for output tax | 674,880,660 | 648,392,994 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term loans

(1) Long-term loans by category

| Item | Note | 30 June 2023 | 31 December 2022 |
|--|------|-----------------------|---------------------|
| Guaranteed loans (Note) | | 16,500,000 | 22,000,000 |
| Credit loans | | 10,361,710,289 | 10,004,289,262 |
| Sub-total | | 10,378,210,289 | 10,026,289,262 |
| Less: Long-term loans due within one year | V.29 | 3,127,873,182 | 2,043,898,497 |
| Total | | 7,250,337,107 | 7,982,390,765 |

Note: The banks loans were guaranteed by the Holding for free as disclosed in Note X.4.

As at 30 June 2023, the annual interest rate for the guaranteed loans above is 1.20% (31 December 2022: 1.20%); the annual interest rate for credit loans are 1.20% – 3.65% (31 December 2022: 1.20% – 3.75%).

Analysis on the due date of long-term loans is as follows:

| | 30 June 2023 | 31 December 2022 |
|--|-----------------------|---------------------|
| Within one year or on demand | 3,127,873,182 | 2,043,898,497 |
| Due in one to two years (inclusive) | 3,469,259,315 | 3,324,812,973 |
| Due in two to three years (inclusive) | 3,706,277,792 | 4,576,377,792 |
| Due in three to five years (inclusive) | 74,800,000 | 68,000,000 |
| Over five years | – | 13,200,000 |
| Total | 10,378,210,289 | 10,026,289,262 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Long-term payable

| Item | 30 June 2023 | 31 December 2022 |
|--|-----------------|---------------------|
| Equity incentive plan repurchase obligations | 158,252,740 | 168,053,940 |
| Less: Long-term loans due within one year | 52,324,668 | – |
| Total | 105,928,072 | 168,053,940 |

Note: For long-term payable in relation to share incentive plan, refer to Note XI.2.

33. Long-term payroll and employee benefits payable

(1) Long-term employee benefits payable

| Item | Note | 30 June 2023 | 31 December 2022 |
|---|------|-----------------|---------------------|
| 1. Early retirement benefits | (a) | 3,940,107 | 3,940,107 |
| Less: Early retirement benefits due within one year | | 1,880,085 | 1,880,085 |
| 2. Supplementary retirement benefits | (b) | 17,338,879 | 16,681,532 |
| Less: Supplementary retirement benefits due within one year | | 2,096,542 | 2,318,080 |
| Total | | 17,302,359 | 16,423,474 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term payroll and employee benefits payable (Continued)

(1) Long-term employee benefits payable (Continued)

Note(a): For the six months ended 30 June 2023

| | Opening balance | Increase during the period | Unrecognised financing expense | Unrecognised financing expense | Closing balance | Less: Due within one year | Closing balance |
|------------------------------|--------------------|----------------------------------|--------------------------------------|--------------------------------------|--------------------|---------------------------------|--------------------|
| Early retirement benefits | 3,940,107 | - | - | - | 3,940,107 | 1,880,085 | 2,060,022 |

The Group also provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement benefits refer to the wages and social insurance premiums paid to employees who have not reached the national retirement age but have voluntarily quit their jobs with the approval of the management of the Group. Although employees who accept early retirement arrangements have not terminated their labor contracts with the Group, they will no longer provide services to the Group in the future and cannot bring economic benefits to the Group, and the Group will no longer pay salary and make welfare payments after the employees formally retire, what the Group promises to provide is substantially financial compensation with the nature of dismissal benefits, and shall be dealt with by reference to dismissal benefits before the employees' official retirement date. Since the aforementioned early retirement benefits will be settled more than 12 months after the end of the annual reporting period, an evaluation was done in respect of the plan internally by the Group at the end of the year, and the evaluation method was the projected cumulative unit credit method. The source of funds for the plan mainly came from the daily working capital of the Group, and the Group has not designated any specific assets for the plan. There is no standardized calculation method for the amount to be distributed, and each member of the Group can determine its own contribution standard in accordance with its internal policies. Based on assumptions including mortality rate, 3% expected salary growth rate and national debt discount rate for the same period, the human resources personnel of the Group made annual estimates of the defined benefits payable under the said early retirement plan, and also considered the actual settlement amount under the annual defined benefit obligations. As there was no financial management and no investment made for the said early retirement plan, as of 30 June 2023, there were no plan assets under the said early retirement plan, and the defined benefits payable amounted to approximately RMB3,940,107 (31 December 2022: RMB3,940,107), accounting for approximately 0.005% of the Group's total assets as of 30 June 2023 only (2022:0.004%). Since the said early retirement plan is relatively straightforward, the estimates carried out by the Group should be sufficient, and it would not be necessary to engage professional actuary to conduct actuarial valuation of said early retirement plan. The part payable over one year is listed in the long-term payroll employee benefits payable.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term payroll and employee benefits payable (Continued)

(1) Long-term employee benefits payable (Continued)

Note(b): For the six months ended 30 June 2023

| | Opening balance | Increase during the period | Unrecognised financing expense | Closing balance | Less: Due within one year | Closing balance |
|--------------------------------------|--------------------|----------------------------------|--------------------------------------|--------------------|---------------------------------|--------------------|
| Supplementary retirement benefits | 16,681,532 | 657,347 | - | 17,338,879 | 2,096,542 | 15,242,337 |

The Group's overseas subsidiary MG-VALDUNES provided employees with other postretirement supplementary benefits, mainly including supplementary pension allowances, reimbursement of medical expenses and supplementary medical insurance, and these supplementary benefits after retirement are regarded as defined benefit plans. The present value of the defined benefit plan is determined by discounting the estimated future cash outflow at the interest rate of government bonds with a maturity date similar to the expected payment period for supplementary benefits after retirement. According to the Note III.22, the cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. MG-VALDUNES has made no investment for the defined benefit plans. Based on assumptions including local mortality rate, 2% expected wage growth rate and government bond discount rate for the same period, MG-VALDUNES made an annual estimate of the defined benefits payable under the plan, and also took into account the actual settlement of defined benefit obligations each year. As there was no financial management and no investment made for the benefit plan, as of 30 June 2023, there are no plan assets under the benefit plan. The defined benefit payable under the benefit plan was approximately RMB15,242,337 (31 December 2022: RMB16,681,532), accounting approximately 0.02% of the total assets of the Group only (31 December 2022:0.02%). The interest plan maintained by MG-VALDUNES is considered to be relatively simple. Since the said defined benefit plan is not significant, the estimates carried out by the Group should be sufficient, and it would not be necessary to engage professional actuary to conduct actuarial valuation of said defined benefit plan. The part payable over one year is listed in the long-term payroll employee benefits payable.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

34. Provision

For the six months ended 30 June 2023

| Item | Note | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-----------------------------------|------|-----------------|----------------------------|----------------------------|-----------------|
| Pending litigation or arbitration | | 5,295,705 | 1,293,994 | – | 6,589,699 |
| Pending onerous contract | (1) | 14,835,610 | 907,776 | – | 15,743,386 |
| Others | | 5,567,961 | 2,442,610 | 709,159 | 7,301,412 |
| Total | | 25,699,276 | 4,644,380 | 709,159 | 29,634,497 |

2022

| Item | Note | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|-----------------------------------|------|-----------------|--------------------------|--------------------------|-----------------|
| Pending litigation or arbitration | | 10,032,690 | 1,272,978 | 6,009,963 | 5,295,705 |
| Pending onerous contract | (1) | 23,942,730 | – | 9,107,120 | 14,835,610 |
| Others | | 3,642,708 | 2,757,056 | 831,803 | 5,567,961 |
| Total | | 37,618,128 | 4,030,034 | 15,948,886 | 25,699,276 |

Note (1): The accrued liabilities of the pending onerous contract represented expected losses from executing some sales orders signed by the Group's subsidiary, MG-VALDUNES. The management of the Group estimated that the cost of executing those orders would exceed the agreed price and estimated the provision accordingly.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Deferred revenue

For the six months ended 30 June 2023

| Item | Opening balance | Increase during the period | Decrease during the period | Other changes | Closing balance | Reason for deferral |
|-------------------|-----------------|----------------------------|----------------------------|---------------|-----------------|---------------------|
| Government grants | 933,916,449 | 63,735,000 | 34,085,215 | (20,339,019) | 943,227,215 | Government grants |
| Total | 933,916,449 | 63,735,000 | 34,085,215 | (20,339,019) | 943,227,215 | |

2022

| Item | Opening balance | Increase during the year | Decrease during the year | Other transfers out | Closing balance | Reason for deferral |
|-------------------|-----------------|--------------------------|--------------------------|---------------------|-----------------|---------------------|
| Government grants | 911,424,466 | 93,511,079 | 71,019,096 | - | 933,916,449 | Government grants |
| Total | 911,424,466 | 93,511,079 | 71,019,096 | - | 933,916,449 | |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Deferred revenue (Continued)

Related to government grants were as follows:

For the six months ended 30 June 2023

| Item | Opening balance | Increase during the period | Included in other income | Other movements | Closing balance | Related to assets/income |
|---|-----------------|----------------------------|--------------------------|-----------------|-----------------|--------------------------|
| Technological transformation fund for Phase II silicon steel | 59,860,902 | - | (2,180,794) | - | 57,680,108 | assets |
| Subsidy for the hot-rolled 1580 project | 26,937,405 | - | (981,347) | - | 25,956,058 | assets |
| New-zone Thermal Power Plant CCGP system engineering | 5,265,245 | - | (2,084,700) | - | 3,180,545 | assets |
| EMU steel wheel production line project | 21,778,638 | - | (1,096,325) | - | 20,682,313 | assets |
| Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power | 9,542,404 | - | (283,097) | - | 9,259,307 | assets |
| Subsidy for a thin plate project | 30,544,051 | - | (2,173,092) | - | 28,370,959 | assets |
| Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT) | 9,927,044 | - | (294,509) | - | 9,632,535 | assets |
| Alloy bar production line refinement project of electric furnace plant | 25,932,455 | - | (740,066) | - | 25,192,389 | assets |
| Intelligent manufacturing special fund | 12,514,468 | - | (682,606) | - | 11,831,862 | assets |
| 1#2# shaft furnace flue gas desulfurization project | 9,780,041 | - | (276,491) | - | 9,503,550 | assets |
| Research and innovation of high-quality plates | 11,297,798 | - | (13,748) | - | 11,284,050 | assets |
| AD201617502 Comprehensive utilization project of steel slag treatment in Magang South District | 8,167,163 | - | (219,481) | - | 7,947,682 | assets |
| Comprehensive utilization of gas for power generation of a thermal power plant | 18,155,909 | - | (544,033) | - | 17,611,876 | assets |
| Subsidy for Maanshan railway industry (Maanshan) | 17,855,811 | - | (1,040,144) | - | 16,815,667 | assets |
| Subsidy funds for 4# blast furnace project | 141,377,591 | - | (4,286,391) | - | 137,091,200 | assets |
| Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area | 4,541,892 | - | (109,772) | - | 4,432,120 | assets |
| Ironmaking plant 1#2# sintering machine transformation project | 20,485,714 | - | (219,047) | - | 20,266,667 | assets |
| Fixed asset subsidies for galvanizing projects | 8,266,144 | - | (452,760) | - | 7,813,384 | assets |
| Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant | 16,937,729 | - | (373,626) | - | 16,564,103 | assets |
| 5 million tons of new area project | 3,756,059 | - | (2,493,283) | - | 1,262,776 | assets |
| Plate spray aluminium powder project | 820,147 | - | (36,183) | - | 783,964 | assets |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

For the six months ended 30 June 2023 (Continued)

| Item | Opening balance | Increase during the period | Included in other income | Other movements | Closing balance | Related to assets/income |
|---|--------------------|----------------------------|--------------------------|---------------------|--------------------|--------------------------|
| Development and application research of efficient and economical building steel | 11,031,537 | - | (661,328) | - | 10,370,209 | assets |
| Liufen River dredging and landscape improvement project | 48,180,000 | - | - | - | 48,180,000 | assets |
| Digital high-speed axle manufacturing inspection capabilities upgraded | 62,590,000 | - | - | - | 62,590,000 | assets |
| Anhui Innovation Centre for Key Parts and Components of Rail Transit | - | 4,700,000 | (250,899) | - | 4,449,101 | assets |
| Product development and industrialization on wheelsets of heavy-duty trains of 30,000 tonnes and above | - | 2,000,000 | (100,000) | - | 1,900,000 | assets |
| Research on key technologies for standardization of steel components and nodes based on rolled sections | - | 105,000 | (7,326) | - | 97,674 | assets |
| Transformation project for coal coking enterprises on unorganised ultra-low emission | - | 16,930,000 | - | - | 16,930,000 | assets |
| Others | 348,370,302 | 40,000,000 | (12,484,167) | (20,339,019) | 355,547,116 | assets |
| Total | 933,916,449 | 63,735,000 | (34,085,215) | (20,339,019) | 943,227,215 | |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

2022

| Item | Opening balance | Amounts recognised in | | Included in other income | Other changes | Closing balance | Related to assets/income |
|--|-----------------|--------------------------|--------------------------------------|--------------------------|---------------|-----------------|--------------------------|
| | | Increase during the year | non-operating income during the year | | | | |
| Technological transformation fund for Phase II silicon steel | 64,241,669 | - | - | (4,380,767) | - | 59,860,902 | assets |
| Subsidy for the hot-rolled 1580 project | 28,908,750 | - | - | (1,971,345) | - | 26,937,405 | assets |
| New-zone Thermal Power Plant CAPP system engineering | 9,505,972 | - | - | (4,240,727) | - | 5,265,245 | assets |
| EMU steel wheel production line project | 23,974,990 | - | - | (2,196,352) | - | 21,778,638 | assets |
| Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power | 10,109,300 | - | - | (566,896) | - | 9,542,404 | assets |
| Subsidy for a thin plate project | 35,272,544 | - | - | (4,728,493) | - | 30,544,051 | assets |
| Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT) | 10,516,791 | - | - | (589,747) | - | 9,927,044 | assets |
| Alloy bar production line refinement project of electric furnace plant | 27,414,360 | - | - | (1,481,905) | - | 25,932,455 | assets |
| Intelligent manufacturing special fund | 13,879,683 | - | - | (1,365,215) | - | 12,514,468 | assets |
| 1#2# shaft furnace flue gas desulfurization project | 10,333,646 | - | - | (553,605) | - | 9,780,041 | assets |
| Research and innovation of high-quality plates | 11,320,364 | - | - | (22,566) | - | 11,297,798 | assets |
| Comprehensive utilization project of steel slag treatment in Magang South District | 8,606,666 | - | - | (439,503) | - | 8,167,163 | assets |
| Comprehensive utilization of gas for power generation of a thermal power plant | 19,245,303 | - | - | (1,089,394) | - | 18,155,909 | assets |
| Subsidy for Maanshan railway industry (Maanshan) | 19,936,100 | - | - | (2,080,289) | - | 17,855,811 | assets |
| Subsidy funds for 4# blast furnace project | 149,990,651 | - | - | (8,613,060) | - | 141,377,591 | assets |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

2022 (Continued)

| Item | Opening balance | Amounts recognised in | | Included in other income | Other changes | Closing balance | Related to assets/income |
|---|--------------------|--------------------------|--------------------------------------|--------------------------|---------------|--------------------|--------------------------|
| | | Increase during the year | non-operating income during the year | | | | |
| Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area | 4,761,667 | - | - | (219,775) | - | 4,541,892 | assets |
| Ironmaking plant 1#2# sintering machine transformation project | 20,800,000 | - | - | (314,286) | - | 20,485,714 | assets |
| Fixed asset subsidies for galvanizing projects | 9,411,814 | - | - | (1,145,670) | - | 8,266,144 | assets |
| Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant | 17,000,000 | - | - | (62,271) | - | 16,937,729 | assets |
| Liufen River dredging and landscape improvement project | 48,180,000 | - | - | - | - | 48,180,000 | assets |
| Digital high-speed axle manufacturing inspection capabilities upgraded | - | 62,590,000 | - | - | - | 62,590,000 | assets |
| Transformation Project of Fugitive Emissions of Ironmaking General Plant (Phase I) | - | 23,930,000 | - | - | - | 23,930,000 | assets |
| 5 million tons of new area project | 8,807,162 | - | - | (5,051,103) | - | 3,756,059 | assets |
| Plate spray aluminium powder project | 892,513 | - | - | (72,366) | - | 820,147 | assets |
| Development and application research of efficient and economical building steel | 11,733,424 | - | - | (701,887) | - | 11,031,537 | assets |
| Others | 346,581,097 | 6,991,079 | - | (29,131,874) | - | 324,440,302 | assets |
| Total | 911,424,466 | 93,511,079 | - | (71,019,096) | - | 933,916,449 | |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Share capital

For the six months ended 30 June 2023

| Registered, issued and fully paid | Note | Opening balance | | Increase/(decrease) during the period | | | | | Closing balance | |
|---|------|------------------|----------------|---------------------------------------|--------------|------------------------|--------------|-------------|------------------|----------------|
| | | Number of shares | Percentage (%) | Shares issued | Bonus shares | Transfer from reserves | Deregistered | Sub-total | Number of shares | Percentage (%) |
| 1. Shares with selling restrictions | | | | | | | | | | |
| (1) State-owned shares | | - | - | - | - | - | - | - | - | - |
| (2) State-owned legal person shares | | - | - | - | - | - | - | - | - | - |
| (3) Other domestically owned shares | (1) | 75,050,000 | 1.0 | - | - | - | (5,944,000) | (5,944,000) | 69,106,000 | 0.9 |
| Including: Shares owned by domestic natural persons | | 75,050,000 | 1.0 | - | - | - | (5,944,000) | (5,944,000) | 69,106,000 | 0.9 |
| Sub-total | | 75,050,000 | 1.0 | - | - | - | (5,944,000) | (5,944,000) | 69,106,000 | 0.9 |
| 2. Shares without selling restrictions | | | | | | | | | | |
| (1) A shares | | 5,967,751,186 | 76.7 | - | - | - | - | - | 5,967,751,186 | 76.8 |
| (2) H shares | | 1,732,930,000 | 22.3 | - | - | - | - | - | 1,732,930,000 | 22.3 |
| Sub-total | | 7,700,681,186 | 99.0 | - | - | - | - | - | 7,700,681,186 | 99.1 |
| 3. Total shares | | 7,775,731,186 | 100.0 | - | - | - | (5,944,000) | (5,944,000) | 7,769,787,186 | 100.0 |

Note(1): On March 30, 2022, the 59th meeting of the 9th Board of Directors and the 49th meeting of the 9th Supervisory Board of the Company deliberated and passed the "Proposal on the First Grant of Restricted Shares to the Incentive Recipients of the Company's 2021 A-Share Restricted Stock Incentive Plan", granting 75,050,000 reserved restricted shares to 260 people. The Company received RMB171,864,500. As of 30 June 2023, the total of retired, transferred or deceased employees was 19, and the Company has repurchased 5,944,000 shares. Relevant deregistration procedures were performed.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

36. Share capital (Continued)

2022

| Registered, issued and fully paid: | Opening balance | | Increase/(decrease) during the year | | | | | Ending balance | |
|---|------------------|----------------|-------------------------------------|---------------|--------------|--------|------------|------------------|----------------|
| | Number of shares | Percentage (%) | Shares issued | Shares issued | Bonus shares | Others | Sub-total | Number of shares | Percentage (%) |
| 1. Shares with selling restrictions | | | | | | | | | |
| (1) State-owned shares | - | - | - | - | - | - | - | - | - |
| (2) State-owned legal person shares | - | - | - | - | - | - | - | - | - |
| (3) Other domestically owned shares | 100 | - | 75,050,000 | - | - | (100) | 75,049,900 | 75,050,000 | 1.0 |
| Including: Shares owned by domestic natural persons | 100 | - | 75,050,000 | - | - | (100) | 75,049,900 | 75,050,000 | 1.0 |
| Sub-total | 100 | - | 75,050,000 | - | - | (100) | 75,049,900 | 75,050,000 | 1.0 |
| 2. Shares without selling restrictions | | | | | | | | | |
| (1) A shares | 5,967,751,086 | 77.5 | - | - | - | 100 | 100.0 | 5,967,751,186 | 76.7 |
| (2) H shares | 1,732,930,000 | 22.5 | - | - | - | - | - | 1,732,930,000 | 22.3 |
| Sub-total | 7,700,681,086 | 100.0 | - | - | - | 100 | 100.0 | 7,700,681,186 | 99.0 |
| 3. Total shares | 7,700,681,186 | 100.0 | 75,050,000 | - | - | - | 75,050,000 | 7,775,731,186 | 100.0 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Capital reserve

For the six months ended 30 June 2023

| Item | Note | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-----------------------|------|-----------------|----------------------------|----------------------------|-----------------|
| Share premium | (1) | 8,430,655,183 | 9,290,736 | 7,667,760 | 8,432,278,159 |
| Other Capital reserve | (2) | 12,102,669 | – | 9,926,727 | 2,175,942 |
| Total | | 8,442,757,852 | 9,290,736 | 17,594,487 | 8,434,454,101 |

Note (1): As stated in Note X.7, Masteel was disposed of on 30 April 2023, and the Company has reversed RMB9,290,736 of capital reserve of Masteel Finance accordingly.

As stated in Note V.36, the capital reserve decreased by RMB7,667,760 due to the treasury shares repurchased and deregistered by the Company.

Note (2): The restricted shares did not meet the Company's performance conditions and therefore, the Company reversed the capital reserve of RMB5,538,638 that had been recognised in prior periods.

As a result of the capital injection by Baowu Water and other shareholders, the Company's equity was diluted, and the capital reserve was reduced by RMB4,388,089.

2022

| Item | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|-----------------------|-----------------|--------------------------|--------------------------|-----------------|
| Share premium | 8,333,840,683 | 96,814,500 | – | 8,430,655,183 |
| Other Capital reserve | 10,753,351 | 32,826,870 | 31,477,552 | 12,102,669 |
| Total | 8,344,594,034 | 129,641,370 | 31,477,552 | 8,442,757,852 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Treasury shares

| Item | Note | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-----------------------|------|-----------------|----------------------------|----------------------------|-----------------|
| Equity incentive plan | (1) | 171,864,500 | – | 13,611,760 | 158,252,740 |

Note (1): As stated in Note V.36, the Company repurchased and deregistered treasury shares during the period, and reduced the balance of treasury shares according to the repurchase price of RMB13,611,760.

39. Other comprehensive income

For the six months ended 30 June 2023

| Item | Movements during the period | | | | | | Balance at the end of the period attributable to shareholders of the Company |
|---|--|---|--|------------------|---------------------------------------|--|--|
| | Balance at the beginning of the period attributable to shareholders of the Company | Amount before tax in the current period | Less: charged to other comprehensive income before and reclassified to profit or loss or retained earnings in the current period | Less: income tax | Attributable to controlling interests | Attributable to noncontrolling interests | |
| Other comprehensive income that may not be reclassified to profit or loss: Including: Change in fair value of other equity instrument investments | 140,539,655 | (14,405,209) | (9,828,190) | 2,715,987 | (21,517,412) | – | 119,022,243 |
| Other comprehensive income that will be reclassified to profit or loss: Including: Other comprehensive income to be reclassified to profit or loss under the equity method | (1,648,553) | 24,974,091 | – | – | 24,974,091 | – | 23,325,538 |
| Changes in the fair value of other debt investments | (8,778,330) | 4,076,476 | 4,701,854 | – | 8,778,330 | – | – |
| Exchange differences arising from foreign currency translation | (160,119,183) | 30,111,765 | – | – | 30,111,765 | – | (130,007,418) |
| Total | (30,006,411) | 44,757,123 | (5,126,336) | 2,715,987 | 42,346,774 | – | 12,340,363 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

39. Other comprehensive income (Continued)

2022

| Item | Balance at the beginning of the period attributable to shareholders of the Company | Movements during the period | | | | | Balance at the end of the period attributable to shareholders of the Company |
|---|--|---|--|-------------------|---------------------------------------|--|--|
| | | Amount before tax in the current period | Less: charged to other comprehensive income before and reclassified to profit or loss or retained earnings in the current period | Less: income tax | Attributable to controlling interests | Attributable to noncontrolling interests | |
| Other comprehensive income that may not be reclassified to profit or loss: Including: Change in fair value of other equity instrument investments | 199,986,987 | (101,036,829) | (486,621) | 42,076,118 | (59,447,332) | - | 140,539,655 |
| Other comprehensive income that will be reclassified to profit or loss: Including: Other comprehensive income to be reclassified to profit or loss under the equity method | (1,812,178) | 163,625 | - | - | 163,625 | - | (1,648,553) |
| Changes in the fair value of other debt investments | 470,700 | (9,249,030) | - | - | (9,249,030) | - | (8,778,330) |
| Exchange differences arising from foreign currency translation | (186,374,140) | 26,254,957 | - | - | 26,254,957 | - | (160,119,183) |
| Total | 12,271,369 | (83,867,277) | (486,621) | 42,076,118 | (42,277,780) | - | (30,006,411) |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

40. Special reserve

For the six months ended 30 June 2023

| Item | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-------------|-----------------|----------------------------|----------------------------|-----------------|
| Safety fund | 107,567,088 | 38,932,653 | 38,010,004 | 108,489,737 |
| Total | 107,567,088 | 38,932,653 | 38,010,004 | 108,489,737 |

2022

| Item | Opening balance | Increase during the year | Decrease during the year | Closing balance |
|-------------|-----------------|--------------------------|--------------------------|-----------------|
| Safety fund | 45,427,634 | 144,363,318 | 82,223,864 | 107,567,088 |
| Total | 45,427,634 | 144,363,318 | 82,223,864 | 107,567,088 |

Special reserve is the safety fund accrued according to the article of [2022] No.136 "The regulation on the accrual and usage of enterprise's safety production fee", carried out by the Ministry of Finance and State Administration of Work Safety on 13 December 2022. The fees are mainly related to the industries of mining, gas, communication and transportation, metallurgy, manufacturing, and construction services.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

41. Surplus reserve

For the six months ended 30 June 2023

| Item | Note | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-------------------------------|------|-----------------|----------------------------|----------------------------|-----------------|
| Statutory reserve | (1) | 4,029,911,216 | — | — | 4,029,911,216 |
| Discretionary surplus reserve | (2) | 529,154,989 | — | — | 529,154,989 |
| Reserve fund | (3) | 95,685,328 | — | — | 95,685,328 |
| Enterprise expansion fund | (3) | 65,510,919 | — | — | 65,510,919 |
| Total | | 4,720,262,452 | — | — | 4,720,262,452 |

2022

| Item | Note | Opening balance | Increase during the period | Decrease during the period | Closing balance |
|-------------------------------|------|-----------------|----------------------------|----------------------------|-----------------|
| Statutory reserve | (1) | 3,997,663,759 | 32,247,457 | — | 4,029,911,216 |
| Discretionary surplus reserve | (2) | 529,154,989 | — | — | 529,154,989 |
| Reserve fund | (3) | 95,685,328 | — | — | 95,685,328 |
| Enterprise expansion fund | (3) | 65,510,919 | — | — | 65,510,919 |
| Total | | 4,688,014,995 | 32,247,457 | — | 4,720,262,452 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Surplus reserve

Note (1): In accordance with the Company Law of the PRC and the Articles of Association of the Company, the Company is required to allocate 10% of its profit after tax, as determined in accordance with the CAS and related regulations applicable to these companies, to the statutory reserve (the “SR”) until such reserve reaches 50% of the registered capital of these companies. The Statutory surplus reserve may be used to cover losses or to increase share capital, subject to approval.

Note (2): The Company is authorised to allocate the discretionary surplus reserve from profit after tax after the allocation of the statutory reserve. Upon the approval of the Board of Directors, the discretionary surplus reserve can be used to cover losses or increase capital.

Note (3): Upon the approval of the Board of Directors, these subsidiaries are required to allocate certain of their profit after tax as determined in accordance with the CAS and related regulations to the enterprise expansion fund and the reserve fund. The allocation rates are determined by their respective boards of directors.

42. General reserve

| Item | 30 June 2023 Unaudited | 31 December 2022 Audited |
|-----------------|------------------------------|--------------------------------|
| General reserve | – | 271,501,110 |

According to relevant regulations of the Ministry of Finance, Masteel Finance, a subsidiary of the Company, needs to appropriate general risk reserves from net profit as profit distribution. As stated in Note X.7, Masteel Finance was disposed of on 30 April 2023, therefore the general risk reserve of RMB271,501,110 has been transferred to retained earnings.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Retained earnings

| Item | Note | 30 June 2023 | 31 December 2022 |
|---|------|------------------------|---------------------|
| Retained earnings at the beginning of the period/year (before adjustment) | | 8,078,876,545 | 11,661,535,210 |
| Total adjustments for opening retained earnings | | – | – |
| Retained earnings at the beginning of the period/year (after adjustment) | | 8,078,876,545 | 11,661,535,210 |
| Add: Net profit attributable to owners of the parent in period/year | | (2,235,498,496) | (858,225,310) |
| Less: Transfer to surplus reserve | | – | 32,198,795 |
| Distribute to shareholders | (1) | 155,395,744 | 2,721,505,915 |
| Reverse from general reserve | | (271,501,110) | (28,833,396) |
| Other comprehensive income carried forward to retained earnings | | (9,828,190) | (437,959) |
| Retained earnings at the end of the period/year | | 5,969,311,605 | 8,078,876,545 |

Note (1): Dividends in respect of ordinary shares declared during the year

Pursuant to the shareholders' approval at the shareholders' general meeting on 17 June 2023, a tax inclusive cash dividend of RMB0.02 per share (2022:RMB0.35, tax inclusive), totalling RMB155,395,744 (2022: RMB2,721,505,915), was declared and paid to the Company's all shareholders.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

44. Revenue and cost of sales

(1) Revenue and cost of sales

| Item | For the six months ended 30 June 2023 | | For the six months ended 30 June 2022 | |
|-----------------------------------|--|----------------|--|----------------|
| | Revenue | Cost of sales | Revenue | Cost of sales |
| Principal operating income | 47,623,665,549 | 48,193,565,776 | 54,565,560,466 | 51,206,894,998 |
| Other operating income | 1,356,787,323 | 1,329,912,255 | 1,801,322,093 | 1,409,871,540 |
| Total | 48,980,452,872 | 49,523,478,031 | 56,366,882,559 | 52,616,766,538 |
| Including: Revenue from contracts | 48,882,476,827 | 49,473,812,717 | 56,083,599,575 | 52,530,143,010 |
| Other revenue | 97,976,045 | 49,665,314 | 283,282,984 | 86,623,528 |

(2) Revenue from contracts

| Type of contract | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|----------------------------------|--|--|
| By type of goods or services | | |
| Sale of steel products | 44,999,428,562 | 52,225,504,819 |
| Sale of other products | 3,833,254,486 | 3,728,885,768 |
| Processing | 37,538,001 | 24,645,747 |
| Packaging services | – | 13,094,237 |
| Others | 12,255,778 | 91,469,004 |
| Total | 48,882,476,827 | 56,083,599,575 |
| By timing of revenue recognition | | |
| At a point in time | 48,756,876,768 | 55,954,390,587 |
| Over time | 125,600,059 | 129,208,988 |
| Total | 48,882,476,827 | 56,083,599,575 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Revenue and cost of sales (Continued)

(3) *Information related to transaction price allocated to the remaining performance obligations*

The amount of revenue corresponding to performance obligations entered into but not yet performed or not yet completed at the end of the reporting period amounted to RMB5,191,389,696 (30 June 2022: RMB5,009,662,433), of which RMB5,191,389,696 is expected to be recognised as revenue in less than one year.

45. Taxes and surcharges

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---------------------------------------|--|--|
| City construction and maintenance tax | 6,921,447 | 27,857,465 |
| Land usage tax | 41,318,441 | 48,152,361 |
| Education surcharge | 4,377,118 | 20,300,087 |
| Property tax | 64,794,203 | 59,015,498 |
| Environment protection tax | 14,083,119 | 14,216,854 |
| Stamp duty | 42,816,343 | 42,702,031 |
| Other taxes | 44,288,763 | 45,316,788 |
| Total | 218,599,434 | 257,561,084 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Selling expenses

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---------------------|--|--|
| Transportation fees | 23,873,473 | 15,803,978 |
| Employee benefits | 84,905,681 | 68,042,745 |
| Insurance premium | 8,375,757 | 5,216,465 |
| Others | 60,746,952 | 39,415,539 |
| Total | 177,901,863 | 128,478,727 |

47. General and administrative expenses

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---------------------------------------|--|--|
| Employee benefits | 139,538,080 | 177,893,066 |
| Employee termination benefits | 1,056,686 | 67,409,764 |
| Office expenses | 74,767,414 | 117,692,911 |
| Depreciation and amortisation | 82,399,856 | 66,819,755 |
| Maintenance expenses | 5,216,628 | 19,229,977 |
| Environmental greening expense | 29,229,744 | 31,545,788 |
| Travelling and entertainment expenses | 9,451,262 | 4,033,921 |
| Others | 114,720,736 | 144,348,869 |
| Total | 456,380,406 | 628,974,051 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. R&D expenses

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---------------------------------|--|--|
| Material expenses | 420,764,927 | 480,480,087 |
| Depreciation and amortisation | 45,632,214 | 48,614,020 |
| Employee benefits | 137,581,559 | 88,348,475 |
| Testing and processing expenses | 14,001,245 | 22,729,209 |
| Outsourced research expenses | 15,869,650 | 6,346,367 |
| Others | 9,574,393 | 16,900,679 |
| Total | 643,423,988 | 663,418,837 |

According to CAS Bulletins No.15, the R&D expenses recognized by the Group in its operating costs in connection with the trial production of new products in the development stage are as follows:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|--|
| Cost of trial production of new products in the development stage | 1,178,794,571 | 1,401,144,982 |
| Including: Material expenses | 981,272,077 | 1,202,959,286 |
| Depreciation and amortisation | 145,945,606 | 136,343,706 |
| Employee benefits | 19,952,601 | 22,522,691 |
| Testing and processing expenses | 23,777,652 | 27,510,850 |
| Others | 7,846,635 | 11,808,449 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Financial expenses

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|----------------------------|--|--|
| Interest expense | 242,673,047 | 261,302,897 |
| Less: Interest income | 18,849,473 | 28,366,201 |
| Less: Interest capitalised | 11,045,074 | – |
| Exchange (loss)/gain | (40,613,997) | 84,341,527 |
| Others | 6,799,290 | 6,817,740 |
| Total | 178,963,793 | 324,095,963 |

The interest rates for the period, at which borrowing costs were capitalised by the Group was 0.71% – 2.72% (for the six-month period ended 30 June 2022: 2.50% – 2.90%).

50. Other income

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|--|
| Government grants related to daily operating activities | 49,256,003 | 109,923,606 |
| Refund of withholding social security and personal income tax commission | 3,200,930 | 1,768,563 |
| Total | 52,456,933 | 111,692,169 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Investment income

Investment income

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|--|
| Investment income from long-term equity investments under the equity method | 84,511,457 | 315,092,323 |
| Disposal of Investment income from long-term equity investments | 334,259,810 | – |
| Gain from disposal of financial assets held for trading Including: Financial assets designated at fair value through profit or loss | 38,304,637 – | 123,729,651 – |
| Investment income from disposal of debt investments | (715,585) | – |
| Dividend income from investments in other equity instruments Including: Dividend income from investments in other equity instruments held at the balance sheet date | – – | 25,475,396 25,475,396 |
| Loss from disposal of financial liabilities held for trading | – | (24,207,555) |
| Loss from disposal of associates | (4,370,588) | (22,176,271) |
| Total | 451,989,731 | 417,913,544 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Gain on the changes in fair value

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|--|
| Financial assets held for trading | (34,558,767) | 24,715,474 |
| Including: Financial assets designated at fair value through profit or loss | – | – |
| Derivative financial instruments | (40,471,388) | 35,187,904 |
| Financial liabilities held for trading | – | 31,663,498 |
| Including: Financial liabilities designated at fair value through profit or loss | – | – |
| Total | (34,558,767) | 56,378,972 |
| Including: Total amount recognised in investment income on derecognition | – | – |

53. Credit impairment losses

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|--|
| Bad debt impairment | (39,709,236) | (11,753,033) |
| Debt instrument investment impairment | – | (57,365) |
| Provision – loan commitment | – | 15,728 |
| Impairment losses for financial assets purchased under agreement to resell | (10,392) | 10,505 |
| Impairment losses for other debt investments | (1,238,489) | 939,048 |
| Total | (40,958,117) | (10,845,117) |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Asset impairment losses

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|-------------|--|--|
| Inventories | 672,043,696 | 817,965,125 |

55. Gain from disposal of assets

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|--|
| (Loss)/gain on disposal of fixed assets | (6,781,735) | 64,605,923 |
| Gain/(loss) on disposal of construction under process | 18,005,989 | (6,629,402) |
| Gain on disposal of intangible assets | 5,659,537 | 362,607,802 |
| Total | 16,883,791 | 420,584,323 |

56. Non-operating income and expenses

(1) Non-operating income:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | For the six months ended 30 June Included in 2023 non-recurring gains and losses |
|--|---|---|--|
| Government grants not related to the ordinary course of business | - | 300,000 | - |
| Others | 2,547,133 | 1,413,914 | 2,547,133 |
| Total | 2,547,133 | 1,713,914 | 2,547,133 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Non-operating income and expenses (Continued)

(1) Non-operating income: (Continued)

Amount recognized in profit or loss for the current period

| Grant item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 | Related to assets/income |
|---|---|---|-----------------------------|
| Yangzhou Development Zone Enterprise Development Support Fund | - | 300,000 | Related to income |
| Total | - | 300,000 | |

(2) Non-operating expenses

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Income tax expense

| Item | Note | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|------|--|--|
| Mainland China current income tax expense* | | 78,771,313 | 229,932,159 |
| Hong Kong current income tax expense* | | (7,426,694) | – |
| Overseas current income tax expense* | | 16,449,435 | 15,226,710 |
| Deferred tax expense | (1) | (15,744,398) | 12,407,073 |
| Total | (2) | 72,049,656 | 257,565,942 |

(1) The analysis of changes in deferred income tax is set out below:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|--|
| Origination and reversal of temporary differences | (15,744,398) | 12,407,073 |
| Total | (15,744,398) | 12,407,073 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Income tax expense (Continued)

(2) *Reconciliation between income tax expense and accounting profit:*

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

The Group's income tax has been provided at the rate on the estimated taxable profits arising in the PRC during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Calculation process of basic earnings per share and diluted earnings per share

(1) Basic earnings per share

Basic earnings per share shall be calculated by dividing consolidated (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue:

| | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|--|
| Profit attributable to owners of the Company consolidated (loss)/profit | (2,226,780,506) | 1,426,597,236 |
| Weighted average number of ordinary shares in issue during the period | 7,700,681,186 | 7,700,681,186 |
| Basic earnings per share (<i>per/share</i>) | (28.92) | 18.53 |

The calculation of Weighted average of ordinary shares:

| | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|--|
| Number of ordinary shares in Issue at the beginning of the period | 7,700,681,186 | 7,700,681,186 |
| Adjusted | - | - |
| Weighted average of ordinary shares at the end of the period | 7,700,681,186 | 7,700,681,186 |

(2) Diluted earnings per share

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Supplement to income statement

Expenses are analysed by their nature as follows:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|--|
| Operating income | 48,980,452,872 | 56,366,882,559 |
| Less: Changes in inventories of finished goods and work in progress | (1,848,820,969) | (2,150,707,143) |
| Raw materials and consumables used | 44,684,491,093 | 48,144,905,813 |
| Employee benefits expenses | 1,993,179,910 | 2,041,862,963 |
| Depreciation and amortisation expenses | 1,844,108,672 | 1,622,973,204 |
| Transport and inspection fees | 626,732,333 | 561,954,430 |
| Repair and maintenance expenses | 719,107,944 | 910,285,293 |
| Testing and processing expenses | 14,001,245 | 50,240,059 |
| Outsourced research expenses | 15,869,650 | 11,353,253 |
| Office expenses | 74,767,414 | 125,990,545 |
| Taxes and surcharges | 218,599,434 | 257,561,084 |
| Financial expenses | 178,963,793 | 324,095,963 |
| Credit impairment losses | (40,958,117) | (10,845,117) |
| Asset impairment losses | 672,043,696 | 817,965,125 |
| Other expenses | 2,677,746,996 | 2,718,779,736 |
| Add: Other income | 52,456,933 | 111,692,169 |
| Investment income | 451,989,731 | 417,913,544 |
| (Loss)/gain on the changes in fair value | (34,558,767) | 56,378,972 |
| Gain from disposal of assets | 16,883,791 | 420,584,323 |
| Operating profit | (2,362,608,534) | 1,947,036,359 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. The statement of cash flows item

(1) Cash received relating to other operating activities

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|--|
| Government grants | 78,905,788 | 81,376,333 |
| Decrease in deposits of notes, letters of credit and guarantees | 188,201,329 | 141,175,236 |
| Interest income | 18,849,473 | 28,366,201 |
| Others | 57,102,821 | 9,727,532 |
| Total | 343,059,411 | 260,645,302 |

(2) Cash paid relating to other operating activities:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|-----------------------------------|--|--|
| Safety fund | 18,509,876 | 14,204,496 |
| Research and development expenses | 26,242,943 | 39,752,030 |
| Environmental improvement fee | 31,709,294 | 31,545,788 |
| Office expenses | 74,767,414 | 87,377,344 |
| Travel and entertainment expenses | 15,523,865 | 6,742,973 |
| Insurance expenses | 9,586,262 | 8,769,011 |
| Bank charges | 6,621,402 | 6,763,126 |
| Others | 81,299,010 | 117,076,055 |
| Total | 264,260,066 | 312,230,823 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

60. The statement of cash flows item (Continued)

(3) Cash received relating to other investing activities

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|-----------------------------------|--|--|
| Receive of steel futures deposits | 1,090,209 | 56,031,856 |
| Total | 1,090,209 | 56,031,856 |

(4) Cash received relating to other financing activities

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|------------------|--|--|
| Notes discounted | 395,122,276 | 473,115,130 |
| Total | 395,122,276 | 473,115,130 |

(5) Cash paid relating to other financing activities

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|-------------------------------|--|--|
| Lease liability expenditure | 2,896,241 | 22,752,073 |
| Repurchase of treasury shares | 9,801,200 | - |
| Total | 12,697,441 | 22,752,073 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Supplement to cash flow statement

(1) Supplements to the statement of cash flows

a. Reconciliation of net (loss)/profit to cash flows from operating activities:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|--|
| Net (loss)/profit | (2,433,387,808) | 1,615,776,191 |
| Add: Reversal of bad debts | (40,958,117) | (10,845,117) |
| Provision for asset impairment losses | 672,043,696 | 817,965,125 |
| Depreciation of property, plant and equipment | 1,797,018,182 | 1,583,917,031 |
| Amortisation of right-of-use assets | 14,398,406 | 9,508,582 |
| Amortisation of intangible assets | 31,686,452 | 28,700,685 |
| Amortisation of investment properties | 1,005,632 | 846,906 |
| Amortisation of deferred revenue | (34,085,215) | (53,994,527) |
| Disposal gain on property, plant and equipment, intangible assets and other long-term assets | (16,883,791) | (420,584,323) |
| Increase in special reserve | 922,649 | 36,292,469 |
| Financial expenses | 202,059,050 | 249,342,466 |
| Investment income | (451,989,731) | (417,913,544) |
| Gain on fair value changes | 34,558,767 | (56,378,972) |
| Decrease/(Increase) in deferred tax assets | (12,547,000) | 14,573,015 |
| Decrease in deferred tax liabilities | (3,197,398) | (2,165,942) |
| Increase in inventories | (230,175,069) | (1,853,490,482) |
| (Decrease)/increase in receivables from operating activities | 2,590,318,662 | (841,672,776) |
| Decrease/(increase) in payables from operating activities | (210,357,755) | 2,678,687,178 |
| Net cash flows from operating activities | 1,910,429,612 | 3,378,563,965 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

61. Supplement to cash flow statement (Continued)

(1) *Supplements to the statement of cash flows (Continued)*

b. Net changes of cash and cash equivalents:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|--|
| Ending balance of cash | 5,217,273,408 | 4,731,356,956 |
| Less: Opening balance of cash | 4,360,738,411 | 4,223,061,890 |
| Add: Ending balance of cash equivalents | – | – |
| Less: Opening balance of cash equivalents | – | – |
| Net increase in cash and cash equivalents | 856,534,997 | 508,295,066 |

(2) *Information on acquisition or disposal of subsidiaries and other business units during the current year:*

Information on disposal of subsidiaries and other business units:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|--|
| Cash or cash equivalents paid for disposal subsidiaries and other business units | – | – |
| Add: Customer deposits held by subsidiaries | 3,625,740,640 | – |
| Less: Cash and cash equivalents held by subsidiaries | 2,835,617,764 | – |
| Net payment for disposal of subsidiaries and other business units | 790,122,876 | – |
| Non-cash assets and liabilities held by the disposal subsidiaries and other business units | | |
| – Current assets | 1,412,920,930 | – |
| – Non-current assets | 8,690,037,616 | – |
| – Current liabilities | 10,373,619,507 | – |
| – Non-current liabilities | 1,993,737 | – |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Supplement to cash flow statement (Continued)

(3) Cash and cash equivalents

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|--|
| Cash | 5,217,273,408 | 4,731,356,956 |
| Including: Cash on hand | 1,069 | 2,131 |
| Balances in banks without restrictions | 5,217,272,339 | 4,731,354,825 |
| Other monetary funds available on demand | - | - |
| Cash equivalents | - | - |
| Ending balance of cash and cash equivalents | 5,217,273,408 | 4,731,356,956 |

62. All assets with restricted rights or use rights

| Item | Note | Opening balance | Increase during the period | Decrease during the period | Closing balance | Reason for restriction |
|------------------------|------|--------------------|----------------------------------|----------------------------------|--------------------|---------------------------|
| Cash and bank balances | (1) | 2,173,962,896 | 79,995,549 | 1,345,411,448 | 908,546,997 | As collateral |
| Notes receivables | (2) | 581,980,154 | 631,825,868 | 581,980,154 | 631,825,868 | As pledge |
| Total | | 2,755,943,050 | 711,821,417 | 1,927,391,602 | 1,540,372,865 | / |

Notes:

- (i) As of 30 June 2023, the Group's restricted cash and bank balances include cash deposits as collateral amounting to RMB908,546,997 (31 December 2022: RMB1,366,044,310) pledged as security for trade facilities and performance for bank acceptance notes, letters of credit and guarantees; as of 31 December 2022, in addition to RMB1,366,044,310 as guarantee deposits as mentioned above, RMB807,918,586 was included in the statutory reserve of Masteel Finance deposited with the People's Bank of China.
- (ii) As of 30 June 2023, the Group pledged the bank acceptance notes of RMB631,825,868 (31 December 2022: RMB581,980,154) to obtain a short-term loan.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Government grants

Details of government grants

| Item | Amount | Presentation item | Amount recognised in profit or loss for the current period |
|--|-----------|-------------------|--|
| Technological transformation fund for Phase II silicon steel | 2,180,794 | Deferred revenue | 2,180,794 |
| Subsidy for the hot-rolled 1580 project | 981,347 | Deferred revenue | 981,347 |
| New-zone Thermal Power Plant CCGP system engineering | 2,084,700 | Deferred revenue | 2,084,700 |
| EMU steel wheel production line project | 1,096,325 | Deferred revenue | 1,096,325 |
| Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power | 283,097 | Deferred revenue | 283,097 |
| Subsidy for a thin plate project | 2,173,092 | Deferred revenue | 2,173,092 |
| Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT) | 294,509 | Deferred revenue | 294,509 |
| Alloy bar production line refinement project of electric furnace plant | 740,066 | Deferred revenue | 740,066 |
| Intelligent manufacturing special fund | 682,606 | Deferred revenue | 682,606 |
| 1#2# shaft furnace flue gas desulfurization project | 276,491 | Deferred revenue | 276,491 |
| Research and innovation of high-quality plates | 13,748 | Deferred revenue | 13,748 |
| AD201617502 Comprehensive utilization project of steel slag treatment in Magang South District | 219,481 | Deferred revenue | 219,481 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Government grants (Continued)

Details of government grants (Continued)

| Item | Amount | Presentation item | Amount recognised in profit or loss for the current period |
|---|-----------|-------------------|--|
| Comprehensive utilization of gas for power generation of a thermal power plant | 544,033 | Deferred revenue | 544,033 |
| Subsidy for Maanshan railway industry (Maanshan) | 1,040,144 | Deferred revenue | 1,040,144 |
| Subsidy funds for 4# blast furnace project | 4,286,391 | Deferred revenue | 4,286,391 |
| Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area | 109,772 | Deferred revenue | 109,772 |
| Ironmaking plant 1#2# sintering machine transformation project | 219,047 | Deferred revenue | 219,047 |
| Fixed asset subsidies for galvanizing projects | 452,760 | Deferred revenue | 452,760 |
| Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant | 373,626 | Deferred revenue | 373,626 |
| 5 million tons of new area project | 2,493,283 | Deferred revenue | 2,493,283 |
| Plate spray aluminium powder project | 36,183 | Deferred revenue | 36,183 |
| Development and application research of efficient and economical building steel | 661,328 | Deferred revenue | 661,328 |
| Anhui Technology Innovation Centre for Railway Key Components | 250,899 | Deferred revenue | 250,899 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

63. Government grants (Continued)

Details of government grants (Continued)

| Item | Amount | Presentation item | Amount recognised in profit or loss for the current period |
|---|-------------------|-------------------|--|
| Product development and industrialization on wheelsets of heavy-duty trains of 30,000 tonnes and above | 100,000 | Deferred revenue | 100,000 |
| Research on key technologies for standardization of steel components and nodes based on rolled sections | 7,326 | Deferred revenue | 7,326 |
| Other grants related to assets | 12,484,167 | Deferred revenue | 12,484,167 |
| Subsidies for specialized and sophisticated enterprises | 2,232,000 | Other income | 2,232,000 |
| Industry support policy incentives to promote Manufacturing upgrades | 957,216 | Other income | 957,216 |
| Subsidies for industrial internet | 3,100,000 | Other income | 3,100,000 |
| Government incentive fund | 1,875,000 | Other income | 1,875,000 |
| Rewards for outstanding tax contributions | 1,100,000 | Other income | 1,100,000 |
| Rewards for meeting import and export standards | 4,760,360 | Other income | 4,760,360 |
| Other grants related to income | 1,146,212 | Other income | 1,146,212 |
| Total | 49,256,003 | | 49,256,003 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Leases

As a lessee

Right-of-use assets

For the six months ended 30 June 2023

| Item | Plant and buildings | Land use rights | Total |
|--------------------------------|---------------------|-----------------|--------------|
| Cost: | | | |
| At the beginning of the period | 385,618,865 | 3,819,322 | 389,438,187 |
| Addition | 126,145 | – | 126,145 |
| Disposal | (10,714,724) | – | (10,714,724) |
| At the end of the period | 375,030,286 | 3,819,322 | 378,849,608 |
| Accumulated depreciation: | | | |
| At the beginning of the period | 99,752,126 | 441,962 | 100,194,088 |
| Provided | 14,398,406 | – | 14,398,406 |
| Disposal | (8,832,951) | – | (8,832,951) |
| At the end of the period | 105,317,581 | 441,962 | 105,759,543 |
| Impairment: | | | |
| At the beginning of the period | – | – | – |
| Provided | – | – | – |
| Disposal | – | – | – |
| At the end of the period | – | – | – |
| Net carrying amount: | | | |
| At the end of the period | 269,712,705 | 3,377,360 | 273,090,065 |
| At the beginning of the period | 285,866,739 | 3,377,360 | 289,244,099 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

64. Leases (Continued)

2022

| Item | Plant and buildings | Land use rights | Total |
|------------------------------|---------------------|-----------------|---------------|
| Cost: | | | |
| At the beginning of the year | 645,698,484 | 3,629,119 | 649,327,603 |
| Addition | 2,579,306 | 190,203 | 2,769,509 |
| Disposal | (262,658,925) | — | (262,658,925) |
| At the end of the year | 385,618,865 | 3,819,322 | 389,438,187 |
| Accumulated depreciation: | | | |
| At the beginning of the year | 80,065,687 | 342,628 | 80,408,315 |
| Provided | 19,686,439 | 99,334 | 19,785,773 |
| Disposal | — | — | — |
| At the end of the year | 99,752,126 | 441,962 | 100,194,088 |
| Impairment: | | | |
| At the beginning of the year | — | — | — |
| Charge | — | — | — |
| Reductions | — | — | — |
| At the end of the year | — | — | — |
| Net carrying amount: | | | |
| At the end of the year | 285,866,739 | 3,377,360 | 289,244,099 |
| At the beginning of the year | 565,632,797 | 3,286,491 | 568,919,288 |

Lease liabilities

| Item | Note | 30 June 2023 | 31 December 2022 |
|---|------|--------------|------------------|
| Plant and buildings | | 315,650,647 | 317,627,507 |
| Land use rights | | 3,217,836 | 3,433,312 |
| Sub-total | | 318,868,483 | 321,060,819 |
| Less: Lease liabilities due within one year | V.29 | 20,643,639 | 15,514,425 |
| Total | | 298,224,844 | 305,546,394 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Leases (Continued)

The Group has not recognized right-of-use assets and lease liabilities for these short-term leases and low-value assets leases which are accounted for using practical expedient. Details of short-term leases and low-value assets recognised as costs in the current period are as follows:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|--|
| Interest expense on lease liabilities | 7,077,081 | 7,812,571 |
| Short-term lease expenses applied the practical expedient | 18,395,460 | 22,176,011 |
| Expenses relating to leases of low-value assets applied the practical expedient, excluding short-term leases of low-value assets | 283,147 | 283,147 |
| Total cash flow for leases | 25,755,688 | 45,211,231 |

(2) As a lessor

Operating lease

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|--|
| Rental income | 4,946,850 | 7,780,561 |
| Including: Income relating to variable lease payments not included in lease receipts | - | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Leases (Continued)

(2) As a lessor (Continued)

The Group had leased certain of its investment properties under operating lease arrangements ranging from three to eighteen years. The periodic rental was fixed during the operating lease periods. As of 30 June 2023, the rental income recognised by the Group was RMB4,946,850 (For the six months ended 30 June 2022: RMB7,780,561). According to lease contracts, the undiscounted lease receipts to be received after the balance sheet date are as follows:

| Item | 30 June 2023 | 31 December 2022 |
|--------------------------|-------------------|---------------------|
| Remaining lease period | | |
| Within 1 year, inclusive | 10,354,500 | 10,286,562 |
| 1 to 2 years, inclusive | 10,354,500 | 10,129,028 |
| 2 to 3 years, inclusive | 3,526,125 | 10,057,728 |
| Over 3 years | 1,250,000 | 11,897,927 |
| Total | 25,485,125 | 42,371,245 |

65. Dividends*

According to the “2022 Annual Profit Distribution Plan” approved by the Group’s 2022 Annual General Meeting on 17 June 2023, the Group would distribute dividends to all shareholders at RMB0.02 per share (tax included) (2022: RMB0.35 per share), for 7,769,787,186 shares amounting to RMB155,395,744 (2022: RMB2,721,505,915). The dividends had not been paid by 30 June 2023 and were included in the financial statements.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VI. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Disposal of a subsidiary

(1) Disposal of investments in subsidiaries through a single transaction resulting in loss of control

| Entity name | Consideration | Shareholding being disposed (%) | Disposal method | Date of losing control | Basis for determining date of losing control | Difference between consideration received and the related share of net assets in consolidated financial statements | Proportion of remaining shareholding on the date of losing control | Carrying amount of remaining equity interests on the date of losing control | Fair value of equity interests on the date of losing control | Gain or loss from remeasurement of remaining equity interests to fair value | Method and key assumptions for determining the fair value of remaining equity interests | Investment income or loss transferred from other comprehensive income related to previous equity investments in subsidiaries |
|--------------------------------|---------------|---------------------------------|--------------------|------------------------|--|--|--|---|--|---|---|--|
| Magang Group Finance Co., Ltd. | 2,671,258,054 | 91% (all equities) | Equity replacement | 30 April 2023 | All assets, liabilities, operations, contracts and all other rights and obligations are transferred to and assumed by Baowu Finance. | 338,961,664 | - | - | - | - | - | (4,701,854) |

The Group recognised a gain of RMB334,259,810 on disposal of Magang Group Finance Co., Ltd. resulting in loss of control, which has been included in investment income in the consolidated financial statements.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group

| Name of the subsidiary | Place of operation | Place of registration | Business nature | Paid-in capital | Percentage of equity (%) (or similar equity interest) | |
|--|--------------------|-----------------------|-----------------|------------------|--|----------|
| | | | | | Direct | Indirect |
| Subsidiaries acquired by establishment or investment | | | | | | |
| Ma Steel (Wuhu) Processing and Distribution Co., Ltd. ("Ma Steel (Wuhu)") | Anhui, PRC | Anhui, PRC | Manufacturing | RMB35,000,000 | 70 | 30 |
| Ma Steel (Cihu) Processing and Distribution Co., Ltd. ("Ma Steel (Cihu)") | Anhui, PRC | Anhui, PRC | Manufacturing | RMB30,000,000 | 92 | - |
| Ma Steel (HK) | Hong Kong, PRC | Hong Kong, PRC | Trading | HKD350,000,000 | 100 | - |
| MG Trading | Germany | Germany | Trading | EUR153,388 | 100 | - |
| Ma Steel (Australia) | Australia | Australia | Mining | AUD21,737,900 | 100 | - |
| Ma Steel (Hefei) Iron & Steel Co., Ltd. ("Ma Steel (Hefei)") | Anhui, PRC | Anhui, PRC | Manufacturing | RMB2,500,000,000 | 71 | - |
| Ma Steel (Hefei) Processing and Distribution Co., Ltd. ("Ma Steel (Hefei) Processing") | Anhui, PRC | Anhui, PRC | Manufacturing | RMB120,000,000 | 67 | 28 |
| Ma Steel (Wuhu) Material Technique Co. Ltd. ("Wuhu Technique") | Anhui, PRC | Anhui, PRC | Manufacturing | RMB150,000,000 | 71 | - |
| Maanshan (Chongqing) Material Technology Co., Ltd. ("Chongqing Material") | Chongqing, PRC | Chongqing, PRC | Manufacturing | RMB250,000,000 | 70 | - |
| Ma Steel (Hefei) Materials Technology Co., Ltd. ("Hefei Materials") | Anhui, PRC | Anhui, PRC | Trading | RMB200,000,000 | 70 | - |
| Ma'anshan (Hangzhou) Iron and Steel Sales Co., Ltd. ("Ma Steel Hangzhou Sales") | Zhejiang, PRC | Zhejiang, PRC | Trading | RMB10,000,000 | 100 | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

| Name of the subsidiary | Place of operation | Place of registration | Business nature | Paid-in capital | Percentage of equity (%) (or similar equity interest) | |
|---|--------------------|-----------------------|-----------------|-----------------|--|----------|
| | | | | | Direct | Indirect |
| Ma'anshan (Wuxi) Iron and Steel Sales Co., Ltd. ("Ma Steel Wuxi Sales") | Jiangsu, PRC | Jiangsu, PRC | Trading | RMB10,000,000 | 100 | - |
| Maanshan (Nanjing) Iron and Steel Sales Co., Ltd. ("Ma Steel Nanjing Sales") | Jiangsu, PRC | Jiangsu, PRC | Trading | RMB10,000,000 | 100 | - |
| Maanshan (Shanghai) Iron and Steel Sales Co., Ltd. ("Ma Steel Shanghai Sales") | Shanghai, PRC | Shanghai, PRC | Trading | RMB10,000,000 | 100 | - |
| Anhui Chang Jiang Iron and Steel Trading Co., Ltd., Hefei ("Chang Jiang Iron and Steel, Hefei") | Anhui, PRC | Anhui, PRC | Trading | RMB30,000,000 | - | 100 |
| Anhui Chang Jiang Iron and Steel Trading Co., Ltd., Nanjing ("Chang Jiang Iron and Steel, Nanjing") | Jiangsu, PRC | Jiangsu, PRC | Trading | RMB30,000,000 | - | 100 |
| Maanshan Chang Jiang Iron and Steel Trading Co., Ltd. ("Chang Jiang Iron and Steel Trading") | Anhui, PRC | Anhui, PRC | Trading | RMB30,000,000 | - | 100 |
| MG-VALDUNES | France | France | Manufacturing | EUR150,200,000 | 100 | - |
| Masteel (Wuhan) Material Technology Co., Ltd. ("Wuhan Material") | Hubei, PRC | Hubei, PRC | Manufacturing | RMB250,000,000 | 85 | - |
| Magang Hongfei Electricity Power Co., Ltd. ("Magang Hongfei") | Anhui, PRC | Anhui, PRC | Power industry | RMB100,000,000 | 51 | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group (Continued)

| Name of the subsidiary | Place of operation | Place of registration | Business nature | Paid-in capital | Percentage of equity (%) (or similar equity interest) | |
|--|--------------------|-----------------------|-----------------|------------------|--|----------|
| | | | | | Direct | Indirect |
| Subsidiaries acquired not under common control | | | | | | |
| Masteel (Yangzhou) Processing and Distribution Co., Ltd. ("Masteel (Yangzhou) Processing") | Jiangsu, PRC | Jiangsu, PRC | Manufacturing | USD20,000,000 | 71 | - |
| Anhui Changjiang Iron and Steel | Anhui, PRC | Anhui, PRC | Manufacturing | RMB1,200,000,000 | 55 | - |
| Ma-Steel Rail Transportation Co., Ltd. ("Ma-Steel Rail Transportation") | Anhui, PRC | Anhui, PRC | Manufacturing | RMB1,486,296,194 | 100 | - |
| Mascometal Co., Ltd. ("Mascometal") | Anhui, PRC | Anhui, PRC | Manufacturing | EUR32,000,000 | 66 | - |

Note 1: The above companies incorporated in China are all limited companies.

(2) Material non-wholly owned subsidiaries

For the six months ended 30 June 2023

| Name of the subsidiary | Proportion of ownership interest held by NCI | Profit or loss allocated to non-controlling interests during the period | Dividend declared to non-controlling shareholders during the period | Balance of non-controlling interests at the end of the period |
|----------------------------------|--|---|---|---|
| Anhui Chang Jiang Iron and Steel | 45% | 6,525,538 | - | 3,399,534,024 |
| Ma Steel (Hefei) | 29% | (236,187,958) | - | 5,336,043,758 |
| Masteel Finance (Note) | N/A | 4,781,314 | 10,646,079 | N/A |

Note: As stated in Note X.7, Masteel Finance was disposed of on 30 April 2023.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(2) Material non-wholly owned subsidiaries (Continued)

2022

| Name of the subsidiary | Proportion of ownership interest held by NCI | Profit or loss allocated to non-controlling interests during the period | Dividend declared to non-controlling shareholders during the period | Balance of non-controlling interests at the end of the period |
|----------------------------------|--|---|---|---|
| Anhui Chang Jiang Iron and Steel | 45% | (101,136,580) | 356,400,000 | 2,506,425,220 |
| Ma Steel (Hefei) | 29% | 100,442,775 | – | 983,524,108 |
| Masteel Finance | 9% | 26,252,517 | 105,309,315 | 226,554,323 |

(3) Key financial information about material non-wholly owned subsidiaries

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made for the fair value adjustment at the acquisition date and any differences in accounting policies:

| | Anhui Chang jiang Iron and Steel | | Ma steel (Hefei) | | Masteel Finance (Note) | |
|-------------------------|----------------------------------|------------------|------------------|------------------|------------------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Current assets | 3,921,635,610 | 4,385,657,797 | 1,665,346,121 | 1,829,365,962 | N/A | 10,960,255,189 |
| Non-current assets | 6,784,499,867 | 6,879,048,405 | 2,296,447,761 | 2,354,723,802 | N/A | 8,922,900,626 |
| Total assets | 10,706,135,477 | 11,264,706,202 | 3,961,793,882 | 4,184,089,764 | N/A | 19,883,155,815 |
| Current liabilities | (5,469,741,572) | (5,574,460,942) | (497,083,378) | (744,017,011) | N/A | (17,358,045,112) |
| Non-current liabilities | (169,539,875) | (120,411,438) | (45,415,016) | (48,610,313) | N/A | (7,840,450) |
| Total liabilities | (5,639,281,447) | (5,694,872,380) | (542,498,394) | (792,627,324) | N/A | (17,365,885,562) |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Key financial information about material non-wholly owned subsidiaries (Continued)

| | Anhui Chang jiang Iron and Steel | | Ma steel (Hefei) | | Masteel Finance (Note) | |
|--------------------------------------|--|--|--|--|--|--|
| | For the six months ended 30 June | For the six months ended 30 June | For the six months ended 30 June | For the six months ended 30 June | For the six months ended 30 June | For the six months ended 30 June |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Revenue | 8,558,707,006 | 10,054,975,119 | 2,504,921,343 | 2,765,611,610 | 117,280,852 | 197,834,546 |
| Net profit | (473,089,672) | 266,035,406 | 22,501,857 | 138,562,791 | 53,125,709 | 148,865,853 |
| Total comprehensive income | (473,089,672) | 266,035,406 | 22,501,857 | 138,562,791 | 53,125,709 | 148,865,853 |
| Cash flows from operating activities | 950,875,480 | 206,450,193 | (485,003,261) | (96,286,044) | (4,767,717,389) | 1,026,000,801 |

Note: As stated in Note X.7, Masteel Finance was disposed of on 30 April 2023.

3. Interests in joint ventures and associates

| Item | 30 June 2023 | 31 December 2022 |
|--------------------------------|-----------------|---------------------|
| Joint ventures | | |
| – material joint ventures | 301,338,737 | 297,830,424 |
| – immaterial joint ventures | – | – |
| Associates | | |
| – material associates | 5,055,182,364 | 2,325,395,279 |
| – immaterial associates | 1,681,908,047 | 1,826,196,280 |
| Sub-total | 7,038,429,148 | 4,449,421,983 |
| Less: Provision for impairment | – | – |
| Total | 7,038,429,148 | 4,449,421,983 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures and associates (Continued)

(1) Material joint ventures or associates:

| Name of investee | Place of operation | Place of registration | Business nature | Percentage of equity | | Accounting treatment of investments in joint ventures or associates | Registered capital | Strategic to the Group's activities |
|---------------------------|--------------------|-----------------------|---|----------------------|----------|---|--------------------|-------------------------------------|
| | | | | Direct | Indirect | | | |
| Joint ventures | | | | | | | | |
| BOC-Ma Steel | Anhui, PRC | Anhui, PRC | Chemical raw material and chemical products manufacturing | 50 | – | Equity method | RMB468,000,000 | No |
| Associates | | | | | | | | |
| JinMa Energy | Henan, PRC | Henan, PRC | Manufacturing | 26.89 | – | Equity method | RMB535,421,000 | No |
| Shenglong Chemical | Shandong, PRC | Shandong, PRC | Manufacturing | 31.99 | – | Equity method | RMB568,800,000 | No |
| Magang Chemicals & Energy | Anhui, PRC | Anhui, PRC | Manufacturing | 32 | – | Equity method | RMB696,645,933.33 | No |
| Baowu Finance | Shanghai, PRC | Shanghai, PRC | Monetary and financial services | 29.68 | – | Equity method | RMB2,840,000,000 | No |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures and associates (Continued)

(2) Key financial information of material joint ventures:

The following table sets out the key financial information of the Group's material joint ventures, adjusted for fair value adjustments at the time of acquisition and any differences in the accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investments in the joint ventures under the equity method:

| | BOC-Ma Steel | |
|---|--------------------|---------------------|
| | 30 June 2023 | 31 December 2022 |
| Current assets | 617,491,396 | 589,455,631 |
| Non-current assets | 43,670,702 | 60,169,725 |
| Total assets | 661,162,098 | 649,625,356 |
| Current liabilities | 57,293,243 | 52,773,125 |
| Non-current liabilities | 1,191,382 | 1,191,384 |
| Total liabilities | 58,484,625 | 53,964,509 |
| Net assets | | |
| Non-controlling interests | — | — |
| Equity attributable to owners of the parent | 602,677,473 | 595,660,847 |
| Group's share of net assets | 301,338,737 | 297,830,424 |
| Add: Goodwill derived from acquiring investments | — | — |
| Less: Elimination of unrealised profit or loss on transactions with joint ventures | — | — |
| Provision for impairment | — | — |
| Others | — | — |
| Adjustment | — | — |
| Carrying amount of interests in joint ventures | 301,338,737 | 297,830,424 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures and associates (Continued)

(2) Key financial information of material joint ventures: (Continued)

| | BOC-Ma Steel | |
|--|--|--|
| | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
| Revenue | 225,872,092 | 307,702,920 |
| Income tax expenses | 17,085,433 | 33,081,780 |
| Net profit | 56,332,547 | 105,325,670 |
| Net profit from discontinued operations | – | – |
| Other comprehensive income | – | – |
| Total comprehensive income | 56,332,547 | 105,325,670 |
| | | |
| Dividends received from joint ventures during the period | 25,000,000 | 43,000,000 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures and associates (Continued)

(3) Key financial information of material associates:

The following table sets out the key financial information of the Group's material associates, adjusted for fair value adjustments at the time of acquisition and any differences in the accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investments in the associates under the equity method:

| | JinMa Energy | | Shenglong Chemical | | Magang Chemicals & Energy | | Baowu Finance (Note) |
|--|-----------------|---------------------|--------------------|---------------------|---------------------------|---------------------|-------------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 | 30 June 2023 |
| Current assets | 3,903,067,438 | 4,165,441,606 | 4,139,478,832 | 3,142,027,473 | 379,325,444 | 352,941,871 | 30,159,961,039 |
| Non-current assets | 7,883,413,632 | 7,074,851,254 | 3,306,212,647 | 2,907,148,104 | 1,214,866,229 | 1,196,567,371 | 39,909,110,137 |
| Total assets | 11,786,481,070 | 11,240,292,860 | 7,445,691,479 | 6,049,175,577 | 1,594,191,673 | 1,549,509,242 | 70,069,071,176 |
| Current liabilities | 4,607,281,061 | 4,175,238,890 | 2,138,636,196 | 1,657,193,453 | 42,878,572 | 69,519,661 | 62,524,597,237 |
| Non-current liabilities | 2,467,690,813 | 2,337,529,045 | 1,022,377,698 | 45,937,008 | 479,714,148 | 418,353,308 | 60,742,273 |
| Total liabilities | 7,074,971,874 | 6,512,767,935 | 3,161,013,894 | 1,703,130,461 | 522,592,720 | 487,872,969 | 62,585,339,510 |
| Net assets | | | | | | | |
| Non-controlling interests | 1,166,359,121 | 1,250,887,259 | 862,200,966 | 863,488,329 | 246,583,022 | 251,264,166 | - |
| Equity attributable to owners of the parent | 3,545,150,075 | 3,476,637,666 | 3,422,476,620 | 3,482,556,787 | 825,015,930 | 810,372,104 | 7,483,731,666 |
| Group's share of net assets | 953,290,855 | 934,867,868 | 1,094,850,271 | 1,114,069,916 | 264,005,098 | 259,319,071 | 2,221,171,559 |
| Adjustment | - | - | - | - | 17,138,424 | 17,138,424 | - |
| Add: Goodwill derived from acquiring investments | - | - | - | - | - | - | 504,726,157 |
| Less: Elimination of unrealised profit or loss on transactions with associates | - | - | - | - | - | - | - |
| Provision for impairment | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - |
| Carrying amount of interests in associates | 953,290,855 | 934,867,868 | 1,094,850,271 | 1,114,069,916 | 281,143,522 | 276,457,495 | 2,725,897,716 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures and associates (Continued)

(3) Key financial information of material associates: (Continued)

| | JinMa Energy | | Shenglong Chemical | | Magang Chemicals & Energy | | Baowu Finance (Note) |
|---|--|--|--|--|--|--|--|
| | For the six months ended 30 June | For the six months ended 30 June | For the six months ended 30 June | For the six months ended 30 June | For the six months ended 30 June | For the six months ended 30 June | For the six months ended 30 June |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 |
| Revenue | 5,922,855,111 | 6,639,820,415 | 1,662,623,027 | 2,187,548,967 | 722,359,676 | 1,542,397,177 | 225,185,794 |
| Income tax expense | 31,273,228 | 166,443,607 | 58,974,328 | 45,218,238 | (1,289,696) | 70,356,429 | 38,682,626 |
| Net profit | 15,880,828 | 458,788,444 | (53,740,736) | 132,791,142 | 5,219,150 | 201,258,231 | 102,618,043 |
| Net profit from discontinued operations | - | - | - | - | - | - | - |
| Other comprehensive income | - | - | - | - | - | - | 87,020,494 |
| Total comprehensive income | 15,880,828 | 458,788,444 | (53,740,736) | 132,791,142 | 5,219,150 | 201,258,231 | 189,638,537 |
| Dividends received from associates during the period/year | 7,200,000 | - | - | - | - | - | - |

Note: As described in Note X.7, as of 30 April 2023, the Company acquired a 29.68% equity interest in Baowu Finance, which is accounted for under the equity method, and has significant influence over Baowu Finance. The financial information is for the period from 1 May 2023 to 30 June 2023.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures and associates (Continued)

(4) Summarised financial information of immaterial joint ventures and associates:

| | 30 June 2023 | 31 December 2022 |
|---|--|--|
| Associates: | | |
| The carrying value of the Group's investments | 1,681,908,047 | 1,826,196,280 |
| | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
| Total shown as below (calculated according to the respective equity holding percentage) | | |
| – Net profit | 17,968,565 | 92,385,718 |
| – Other comprehensive income | 37,422 | (71,143) |
| – Total comprehensive income | 18,005,987 | 92,314,575 |

Note 1: As of 30 June 2023, the Group held 16.34% equity interests of Xinchuang Environmental Protection. The directors believed that the Company was able to exercise significant influence over Xinchuang Environmental Protection through one director and one supervisor designated by the Company in Xinchuang Environmental Protection, although the equity interests in it was less than 20%. Thus, the equity investment in Xinchuang Environmental Protection was accounted for as an associate.

Note 2: As of 30 June 2023, the Group held 18.19% equity interest in Baoxin Anhui (Formerly known as Phima Intelligence Technology Co., Ltd.). The directors of the Company are of the opinion that although the Company's shareholding in Baoxin Anhui is less than 20%, according to the Articles of Association of Baoxin Anhui, the Company has assigned one director to Baoxin Anhui, therefore, the Company considers that it can exercise significant influence over Anhui Baoxin, and therefore, the Company has treated Baoxin Anhui as an associate for the purpose of accounting for the Company's equity investment therein.

Note 3: As of 30 June 2023, the Group held 11% equity interests of OBEI. The directors believed that the Company was able to exercise significant influence over OBEI through one director designated by the Company in OBEI, although the equity interest in it was less than 20%. Thus, the equity investment in OBEI was accounted for as an associate.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

3. Interests in joint ventures and associates (Continued)

(4) Summarised financial information of immaterial joint ventures and associates: (Continued)

Note 4: As of 30 June 2023, the Group held 14.98% equity interests of Baowu Water. The directors believed that the Company was able to exercise significant influence over Baowu Water through one director designated by the Company in Baowu Water, although the equity interest in it was less than 20%. Thus, the equity investment in Baowu Water was accounted for as an associate.

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group faced several kinds of financial instrument risks in its daily operation, mainly including:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, and their changes during the year, as well as the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to achieve an appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on these objectives, the Group's risk management policies have been established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and accounts receivable. Exposure to these credit risks is monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. Except for the financial guarantees given by the Group as set out in Note X, the Group do not provide any other guarantees which would expose the Group to credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country/region in which the customers operate. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at the balance sheet date, 43% (31 December 2022: 37%) of total accounts receivable were due from the Group's five largest customers.

For details of accounts receivable and other receivables, refer to Notes V.4 and 7.

The Group's other financial assets include debt investments, amounts of financial assets purchased under resale agreements, loans and advances issued in relation to Masteel Finance, which are subject to credit risk arising from default of the counterparties, with the maximum exposure equal to the carrying amount of these instruments. As stated in Note X.7, Masteel Finance was disposed of Anhuion 30 April 2023.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 30 June) and the earliest date the Group can be required to pay:

| Item | Contractual undiscounted cash flow as of June 30, 2023 | | | | | Total | Carrying amount at balance sheet date |
|---|--|-----------------------|-----------------------|-----------------------|--------------------|-----------------------|---------------------------------------|
| | Within 1 year or on demand (inclusive) | 1-2 years (inclusive) | 2-3 years (inclusive) | 3-5 years (inclusive) | Over 5 years | | |
| Short-term loans | 8,845,776,988 | - | - | - | - | 8,845,776,988 | 8,773,620,958 |
| Notes payable | 6,224,257,622 | - | - | - | - | 6,224,257,622 | 6,224,257,622 |
| Trade payables | 16,627,260,626 | - | - | - | - | 16,627,260,626 | 16,627,260,626 |
| Other payables | 2,823,840,848 | - | - | - | - | 2,823,840,848 | 2,841,171,373 |
| Non-current liabilities due within one year | 3,227,165,766 | - | - | - | - | 3,227,165,766 | 3,200,841,489 |
| Long-term loans | - | 3,543,095,250 | 3,831,904,882 | 200,427,089 | - | 7,575,427,221 | 7,250,337,107 |
| Lease liabilities | - | 28,576,082 | 28,146,588 | 56,293,176 | 306,132,496 | 419,148,342 | 298,224,844 |
| Long-term payables | - | 52,173,528 | 53,754,544 | - | - | 105,928,072 | 105,928,072 |
| Total | 37,748,301,850 | 3,623,844,860 | 3,913,806,014 | 256,720,265 | 306,132,496 | 45,848,805,485 | 45,321,642,091 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk (Continued)

| Item | Contractual undiscounted cash flow as of December 31, 2022 | | | | | Total | Carrying amount at balance sheet date |
|---|--|-----------------------|-----------------------|-----------------------|--------------------|-----------------------|---------------------------------------|
| | Within 1 year or on demand (inclusive) | 1-2 years (inclusive) | 2-3 years (inclusive) | 3-5 years (inclusive) | Over 5 years | | |
| Customer deposits | 9,082,110,579 | - | - | - | - | 9,082,110,579 | 9,082,110,579 |
| Repurchase agreements | 659,635,255 | - | - | - | - | 659,635,255 | 659,635,255 |
| Short-term loans | 9,232,688,683 | - | - | - | - | 9,232,688,683 | 9,198,483,165 |
| Notes payable | 5,220,978,025 | - | - | - | - | 5,220,978,025 | 5,220,978,025 |
| Trade payables | 17,224,018,731 | - | - | - | - | 17,224,018,731 | 17,224,018,731 |
| Other payables | 3,893,196,937 | - | - | - | - | 3,893,196,937 | 3,917,090,333 |
| Non-current liabilities due within one year | 2,114,184,605 | - | - | - | - | 2,114,184,605 | 2,059,412,922 |
| Long-term loans | 224,078,711 | 3,504,397,534 | 4,666,494,879 | 69,728,333 | 13,200,000 | 8,477,899,457 | 7,982,390,765 |
| Lease liabilities | - | 29,257,744 | 28,818,005 | 57,636,009 | 313,435,068 | 429,146,826 | 305,546,394 |
| Long-term payables | - | 55,457,800 | 55,457,800 | 57,138,340 | - | 168,053,940 | 168,053,940 |
| Total | 47,650,891,526 | 3,589,113,078 | 4,750,770,684 | 184,502,682 | 326,635,068 | 56,501,913,038 | 55,817,720,109 |

3. Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings for fixed and floating rate interest-bearing instruments based on current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(1) As at 31 December, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

| Item | 30 June 2023 | | 31 December 2022 | |
|--------------------------|-------------------------|---------------|-------------------------|---------------|
| | Effective interest rate | Amounts | Effective interest rate | Amounts |
| Financial assets | | | | |
| – Cash and bank balances | 0.35%-3.40% | 6,360,496,388 | 0.35%-3.40% | 6,534,701,307 |
| Financial liabilities | | | | |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Interest rate risk(Continued)

(1) As at 31 December, the Group held the following interest-bearing financial instruments:(Continued)

Fixed rate instruments:(Continued)

| Item | 30 June 2023 | | 31 December 2022 | |
|---|-------------------------|--------------------------|-------------------------|--------------------------|
| | Effective interest rate | Amounts | Effective interest rate | Amounts |
| – Short-term loans | 1.12%-3.65% | 8,373,620,958 | 0.77%-3.50% | 8,938,512,720 |
| – Non-current liabilities due within one year | 2.50%-3.15% | 2,362,230,118 | 2.50%-3.00% | 1,705,581,493 |
| – Long-term loans | 1.00%-3.65% | 4,271,059,315 | 1.20%-3.75% | 5,088,012,973 |
| – Lease liabilities | 4.70%-4.75% | 298,224,844 | 4.70%-4.75% | 305,546,394 |
| Total | | – (8,944,638,847) | | – (9,502,952,273) |

Variable rate instruments:

| Item | 30 June 2023 | | 31 December 2022 | |
|---|-------------------------|--------------------------|-------------------------|--------------------------|
| | Effective interest rate | Amounts | Effective interest rate | Amounts |
| Financial assets | | | | |
| – Cash and bank balances | | – | | – |
| Financial liabilities | | | | |
| – Short-term loans | 2.5%-2.6% | 400,000,000 | 2.5%, 2.6% | 259,970,445 |
| – Non-current liabilities due within one year | 2.85%-3.25% | 786,286,703 | 2.85%, 3.00% | 353,831,429 |
| – Long-term loans | 2.5%-2.6% | 2,979,277,792 | 2.5%, 2.6% | 2,894,377,792 |
| Total | | – (4,165,564,495) | | – (3,508,179,666) |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Interest rate risk (Continued)

(2) Sensitivity analysis

As at 30 June 2023, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's equity by RMB21,343,728 (31 December 2022: RMB24,496,638). For the six months ended 30 June 2023, the net loss was increased by RMB11,343,728 (For the six months ended 30 June 2022: the net profit was decreased by RMB10,552,040).

The sensitivity analysis above indicates the instantaneous change in net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on net profit and equity of such a change in interest rates is estimated as an annualised impact on interest expense or income. The analysis is performed on the same basis for the previous year.

4. Exchange rate risk

In respect of cash at bank and on hand, accounts receivable and payable, and short-term loans denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

- (1) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Exchange rate risk (Continued)

(1) As at 31 December, the Group held the following interest-bearing financial instruments:
(Continued)

| | 30 June 2023 | | 31 December 2022 | |
|------------------------------|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| | Balance at foreign currency | Balance at RMB equivalent | Balance at foreign currency | Balance at RMB equivalent |
| Cash and bank balances | | | | |
| – USD | 105,774,229 | 764,303,424 | 109,874,673 | 765,233,148 |
| – EUR | 3,492,140 | 27,507,938 | 16,332,623 | 121,235,427 |
| – AUD | 28,958,265 | 138,976,505 | 34,642,652 | 163,298,533 |
| – HKD | 14,688 | 13,542 | 3,908,842 | 3,491,769 |
| – CAD | – | – | 313,880 | 1,612,872 |
| – ZAR | – | – | 19,383,300 | 7,972,351 |
| – Pound | – | – | 177 | 1,486 |
| Trade receivables | | | | |
| – EUR | 27,165,279 | 213,983,618 | 57,989,771 | 430,452,269 |
| – USD | 24,757,442 | 178,892,324 | 24,218,592 | 168,672,803 |
| – AUD | – | – | 1,372,000 | 6,467,334 |
| Other accounts receivable | | | | |
| – EUR | 907,262 | 7,146,594 | 1,002,197 | 7,439,211 |
| – AUD | 4,104 | 19,696 | 4,155 | 19,588 |
| – HKD | 91,595,292 | 84,449,027 | 19,148,216 | 17,105,101 |
| Short-term loans | | | | |
| – USD | – | – | 81,054,703 | 564,513,585 |
| Trade payables | | | | |
| – EUR | 1,175,577 | 9,260,139 | 54,505,390 | 404,588,057 |
| – USD | 3,045,429 | 22,005,661 | 2,298,938 | 16,011,184 |
| – JPY | 3,700,000 | 18,500 | 22,411,805 | 1,173,437 |
| – HKD | 75,197 | 69,330 | 700,161 | 625,433 |
| Other payables | | | | |
| – HKD | 4,029,613 | 3,715,222 | 4,029,613 | 3,599,532 |
| – EUR | 199,149 | 1,568,717 | 380,729 | 2,826,111 |
| – USD | 3,854,230 | 27,849,896 | – | – |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Exchange rate risk (Continued)

(2) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

| | Average rate | Balance sheet date mid-spot rate | |
|-----|---------------|----------------------------------|------------------|
| | 30 June 2023 | 31 December 2022 | 31 December 2022 |
| USD | 6.9291 | 6.7261 | 7.2258 |
| EUR | 7.4839 | 7.0721 | 7.8771 |
| HKD | 0.8840 | 0.8589 | 0.9220 |
| AUD | 4.6778 | 4.6668 | 4.7992 |
| JPY | 0.0051 | 0.0052 | 0.0050 |
| CAD | 5.3742 | 5.1412 | 5.4721 |
| ZAR | 2.6287 | 2.4323 | 2.5881 |
| AED | 1.8869 | 1.8323 | 1.9741 |

(3) Sensitivity analysis

Assuming all other risk variables remained constant, a 1% strengthening of the Renminbi against the US dollar, Euro, Hong Kong dollar, Australian dollar and Japanese yen at 30 June would have increased the Group's equity and net (loss)/profit by the amounts shown below. The amounts are presented in Renminbi and translated using the spot rate at the balance sheet date:

| | Equity | Net (loss)/profit |
|--------------|---------------------|---------------------|
| 30 June 2023 | | |
| USD | (6,700,051) | (6,700,051) |
| EUR | (1,783,570) | (1,783,570) |
| HKD | (605,085) | (605,085) |
| AUD | (1,042,472) | (1,042,472) |
| JPY | 139 | 139 |
| Total | (10,131,039) | (10,131,039) |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Exchange rate risk (Continued)

(3) Sensitivity analysis (Continued)

| | Equity Net (loss)/profit | |
|------------------|--------------------------|-------------|
| 31 December 2022 | | |
| USD | (3,723,822) | (3,723,822) |
| EUR | (3,857,216) | (2,005,852) |
| HKD | (5,499,887) | 2,574 |
| AUD | (2,015,647) | – |
| JPY | 154,291 | 154,291 |
| CAD | (3,139) | (3,139) |
| ZAR | (192,904) | (192,904) |
| Total | (15,138,324) | (5,768,852) |

A 1% weakening of the Renminbi against the US dollar, Euro, Hong Kong dollar, Australian dollar and Japanese yen at 30 June would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of foreign currency financial statements. The analysis is performed on the same basis for the previous year.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IX. DISCLOSURE OF FAIR VALUE

The following table presents the fair value information and fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level at which fair value measurement is categorised is determined by the lowest level input in the fair value hierarchy that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

1. Fair value of assets and liabilities measured at fair value at the end of the year

| Item | Note | 30 June 2023 | | | Total |
|--|------|--------------------------------------|--------------------------------------|--------------------------------------|---------------|
| | | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | |
| Recurring fair value measurement | | | | | |
| Financing receivables | V.5 | – | 2,028,062,545 | – | 2,028,062,545 |
| Other equity instrument investments | V.14 | – | 427,843,107 | 6,378,129 | 434,221,236 |

| Item | Note | 31 December 2022 | | | Total |
|--|------|--------------------------------------|--------------------------------------|--------------------------------------|---------------|
| | | Level 1 fair value measurement | Level 2 fair value measurement | Level 3 fair value measurement | |
| Recurring fair value measurement | | | | | |
| Financial assets held for trading | V.2 | 40,471,388 | 585,525,750 | – | 625,997,138 |
| Financing receivables | V.5 | – | 2,659,676,438 | – | 2,659,676,438 |
| Other debt instrument investments | V.11 | 8,883,816,241 | – | – | 8,883,816,241 |
| Other equity instrument investments | V.14 | – | 447,058,919 | 94,347,591 | 541,406,510 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Basis of determining the market price for recurring and non-recurring fair value measurements categorised within Level 1

The Group's level 1 fair value measurement items mainly include forward foreign exchange contracts. The fair value of forward foreign exchange contracts was determined by the forward foreign exchange rate on the last trading day of June 2023.

3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 2

The Group's level 2 fair value measurement items mainly include unlisted equity investment and financial receivables. The fair value of the unlisted equity investment was determined by the comparable company multiplier method based on the financial statement information of these unlisted companies as of 30 June 2023 and the information of the comparable listed companies in the same industry. Financing receivables measured at fair value through other comprehensive income were discounted by the market interest rate.

4. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3

The Group's level 3 fair value measurement items mainly include unlisted equity investment. Equity interests in unlisted companies are usually assessed at fair value using valuation techniques such as market comparison approach, taking into account factors such as liquidity discounts, with consideration of the initial transaction prices, near-term transactions of the same or similar financial instruments, or transactions of comparable financial instruments between the third parties. If necessary, the assessment model will be adjusted according to delays, early redemption, liquidity, default risk, and changes in the market, economic or specific circumstances.

The Group has a specific team headed by the finance manager performing valuations of assets and liabilities of recurring and non-recurring Level 3 fair value measurements. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual balance sheet date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held at interim and annual period ends.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

4. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3

Quantitative information about Level 3 fair value measurements is as follows:

| | Fair value at 30 June 2023 | Valuation technique | Unobservable inputs | Scope/ Weighted average |
|-------------------------------------|-------------------------------|--|------------------------|-------------------------------|
| Other equity instrument investments | 6,378,129 | Comparison method of listed companies | Liquidity discount | 23% |

| | Fair value at 30 June 2023 | Valuation technique | Unobservable inputs | Scope/ Weighted Average |
|-------------------------------------|-------------------------------|--|------------------------|-------------------------------|
| Other equity instrument investments | 94,347,591 | Comparison method of listed companies | Liquidity discount | 23% |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements

(1) Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements

| 30 June 2023 | Opening balance | Transfer | | Total gains or losses for the period | | Purchase, issuance, sale and settlement | | | | Closing balance | Unrealised gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period | |
|-------------------------------------|-----------------|--------------|----------------|--|--|---|----------|--------------|--------|-----------------|---|---|
| | | into level 3 | out of level 3 | Gains or losses included in the income statement | Gains or losses included in other comprehensive income | Purchase | Issuance | Sale | Settle | | | |
| Asset | - | - | - | - | - | - | - | - | - | - | - | - |
| Other equity instrument investments | 94,347,591 | - | - | - | 665,538 | - | - | (88,635,000) | - | 6,378,129 | - | - |
| Total | 94,347,591 | - | - | - | 665,538 | - | - | (88,635,000) | - | 6,378,129 | - | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements (Continued)

(1) *Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements (Continued)*

| 31 December 2022 | Opening balance | Transfer into level 3 | Transfer out of level 3 | Total gains or losses for the period | | Purchase, issuance, sale and settlement | | | | Closing balance | Unrealised gains or losses for the period included in profit or loss for assets and liabilities held at the end of the period | |
|--|----------------------|-----------------------|-------------------------|--|--|---|----------|----------|------------------------|-------------------|---|----------|
| | | | | Gains or losses included in the income statement | Gains or losses included in other comprehensive income | Purchase | Issuance | Sale | Settle | | | |
| Assets | - | - | - | - | - | - | - | - | - | - | - | - |
| financial assets held for trading | | | | | | | | | | | | |
| Including: Debt instrument investment | | | | | | | | | | | | |
| -trust products | 205,260,823 | - | - | 1,359,725 | - | - | - | - | (206,620,548) | - | - | - |
| Debt instrument investments – financial products | 802,319,524 | - | - | 8,333,521 | - | - | - | - | (810,653,045) | - | - | - |
| Other equity instrument investments | 91,778,927 | - | - | - | 2,568,664 | - | - | - | - | 94,347,591 | - | - |
| Total | 1,099,359,274 | - | - | 9,693,246 | 2,568,664 | - | - | - | (1,017,273,593) | 94,347,591 | - | - |

Note: The above gains or losses for the year included in profit or loss, or other comprehensive income, by the Group are as follows:

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

5. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements

(1) *Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements*

| Item | 30 June 2023 | 31 December 2022 |
|---|----------------|------------------|
| Realised gains or losses included in profit or loss for the period/year | | |
| – Investment income | – | 9,693,246 |
| Unrealised gains or losses included in profit or loss for the period/year | – | – |
| Total | – | 9,693,246 |
| Gains or losses included in other comprehensive income | | |
| – Changes in fair value of other debt investments | – | – |
| – Credit losses of other debt investments | – | – |
| – Changes in fair value of investments in other equity instruments | 665,538 | 2,568,664 |
| – Changes in fair value of entity's own credit risk | – | – |
| Total | 665,538 | 2,568,664 |

6. **Reasons for transfers between different levels, and the policy about the timing of those transfers for recurring fair value measurements**

For the six months ended 30 June 2023, there were no transfers between different levels of the Group's above assets and liabilities which are measured at fair value on a recurring basis. The Group recognises transfers between different levels at the end of the current reporting period during which such transfers are made.

7. **Current changes in valuation techniques and the reasons**

For the six months ended 30 June 2023, there were no changes in valuation techniques for the recurring and non-recurring fair value measurements.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

8. Fair values of financial assets and liabilities not measured at fair value

All financial instruments are carried at amounts not materially different from their fair value as at balance sheet date except as follows:

| | 30 June 2023 | | Fair value measurements as at 30 June 2023 categorised into | | |
|-----------------------|----------------------|----------------------|---|----------------------|----------|
| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| Long-term receivables | - | - | - | - | - |
| Debt investments | - | - | - | - | - |
| Debentures payable | - | - | - | - | - |
| Including: | | | | | |
| Convertible bonds | - | - | - | - | - |
| Long-term loans | 7,250,337,107 | 6,520,058,606 | - | 6,520,058,606 | - |
| Long-term payables | - | - | - | - | - |
| Total | 7,250,337,107 | 6,520,058,606 | - | 6,520,058,606 | - |

| | 31 December 2022 | | Fair value measurements as at 31 December 2022 categorised into | | |
|-----------------------|----------------------|----------------------|---|----------------------|----------|
| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
| Long-term receivables | - | - | - | - | - |
| Debt investments | - | - | - | - | - |
| Debentures payable | - | - | - | - | - |
| Including: | | | | | |
| Convertible bonds | - | - | - | - | - |
| Long-term loans | 7,982,390,765 | 7,733,776,453 | - | 7,733,776,453 | - |
| Long-term payables | - | - | - | - | - |
| Total | 7,982,390,765 | 7,733,776,453 | - | 7,733,776,453 | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

8. Fair values of financial assets and liabilities not measured at fair value (Continued)

Management had assessed the fair value of cash and bank balances, trade receivables, other receivables, notes payable, trade payables, other payables, short-term loans, non-current liabilities due within one year and other current liabilities, etc. Since the residual terms of the above-mentioned items were relatively short, the fair values were similar to the carrying amounts.

The policies and procedures for accounting for financial instruments at fair value are developed by the Group's finance team led by the finance manager. The Group's finance team reports directly to the financial officer and the Audit Committee. At each balance sheet date, the finance team analyses changes in the value of financial instruments and determines the main applicable inputs to the valuation. Valuations are subject to the approval of the financial officer. The finance team discusses the valuation process and results twice a year with the Audit Committee for interim and annual financial reporting.

The fair value of the financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The following methods and assumptions are used in estimating fair value. The method of discounted cash flows is adopted to determine the fair value of long-term loans, in which the market return rate of other financial instruments with similar contract terms, credit risk, remaining maturity and yield characteristics is used as the discount rate. As of 30 June 2023, the default risk for the long-term loans was evaluated as not significant.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. Information about the parent of the Company

| Name of parent | Place of registration | Business nature | Registered capital | Shareholding percentage (%) | Percentage of voting rights (%) | The Company is ultimately controlled |
|----------------|-----------------------|-----------------|--------------------|-----------------------------|---------------------------------|--------------------------------------|
| The Holding | Anhui, PRC | Manufacturing | 6,298,290,000 | 45.54 | 45.54 | China Baowu |

2. Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VII.1.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

3. Information about joint ventures and associates of the Company

For information about the joint ventures and associates of the Company, refer to Note VII.3. Joint ventures and associates that have related party transactions with the Group are as follows:

| Name | Relationship with the Company |
|--|-------------------------------|
| Maanshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel") | Joint venture of the Group |
| Henan JinMa Energy Co.,Ltd. ("Henan JinMa Energy") | Associate of the Group |
| Shenglong Chemical Co., Ltd. ("Shenglong Chemical") | Associate of the Group |
| Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. ("Xinchuang Environmental Protection") | Associate of the Group |
| Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy") | Associate of the Group |
| Anhui Baoxin Software Co., Ltd. ("Anhui Baoxin Software") (Formerly known as Phima Intelligence Technology Co., Ltd.) | Associate of the Group |
| OBEI Co., Ltd. ("OBEI") | Associate of the Group |
| Baowu Water Technology Co., Ltd. ("Baowu Water") | Associate of the Group |
| Anhui Masteel Gas Technology Co., Ltd. (Masteel Gases) | Associate of the Group |
| Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial") | Associate of the Group |
| Baowu Group Finance Co., Ltd. ("Baowu Finance") | Associate of the Group |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties

| Name of other related parties | Related party relationship |
|---|----------------------------|
| Masteel Group Design and Research Institute Co., Ltd. | Controlled by the Holding |
| Maanshan Magang Mine Geotechnical Engineering Survey Joint Company | Controlled by the Holding |
| Masteel Group Kang Cheng Building and Installing Co., Ltd. | Controlled by the Holding |
| Maanshan Bo Li Construction Supervising Co., Ltd. | Controlled by the Holding |
| Anhui Masteel K.Wah New Building Materials Co., Ltd. | Controlled by the Holding |
| Masteel Heavy Machinery Manufacturing Co., Ltd. | Controlled by the Holding |
| Masteel Transportation Equipment Manufacturing Co., Ltd. | Controlled by the Holding |
| Masteel Automobile Transportation Service Co., Ltd. | Controlled by the Holding |
| Ma Steel International Trade and Economic Co., Ltd. | Controlled by the Holding |
| Anhui Masteel Surface Technology Co., Ltd. | Controlled by the Holding |
| Maanshan Masteel Electric Repair Co., Ltd. | Controlled by the Holding |
| Baowu Heavy Industry Co., Ltd. | Controlled by the Holding |
| Ma Steel Powder Metallurgy Co., Ltd. | Controlled by the Holding |
| Anhui Masteel Dangerous Goods Transportation Co., Ltd. | Controlled by the Holding |
| Magang (Group) Holding Company Limited Assets Management Company | Controlled by the Holding |
| Anhui Zhonglian Shipping Co., Ltd. | Controlled by the Holding |
| Magang (Group) Logistics Co., Ltd. | Controlled by the Holding |
| Anhui Masteel Equipment Maintenance Co., Ltd. | Controlled by the Holding |
| Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd. | Controlled by the Holding |
| Anhui Masteel Mining Resources Group Co., Ltd. | Controlled by the Holding |
| Masteel Group Kang Tai Land Development Co., Ltd. | Controlled by the Holding |
| Anhui Vocational College of Metallurgy and Technology | Controlled by the Holding |
| Anhui Jiangnan Iron and Steel Material Quality Supervision and Inspection Co., Ltd. | Controlled by the Holding |
| Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd. | Controlled by the Holding |
| Anhui Magang Limin Construction and Installation Co., Ltd. | Controlled by the Holding |
| Anhui Masteel Logistics Container Intermodal Transport Co., Ltd. | Controlled by the Holding |
| Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd. | Controlled by the Holding |
| Anhui Masteel Zhang Zhuang Mining Co., Ltd. | Controlled by the Holding |
| Shanghai Baochangran Energy Development Co., Ltd. | Controlled by the Holding |
| Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd. | Controlled by the Holding |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

| Name of other related parties | Related party relationship |
|---|----------------------------|
| Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd. | Controlled by the Holding |
| Maanshan Limin Metallurgical Solid Waste Comprehensive Utilization Technology Co., Ltd. | Controlled by the Holding |
| Anhui Maanshan Iron & Steel Mining Resources Group Mining Technology Service Co., Ltd. | Controlled by the Holding |
| Anhui Masteel Luo He Mining Co., Ltd. | Controlled by the Holding |
| Maanshan Chenma Hydrogen Energy Technology Co., Ltd. | Controlled by the Holding |
| Anhui Magang Engineering Technology Group Co., Ltd. | Controlled by the Holding |
| Magang (Group) Investment Co., Ltd. | Controlled by the Holding |
| Magang (Group) Holding Company Limited Magang Press | Controlled by the Holding |
| Masteel Chengxing Metal Resources Co., Ltd. | Controlled by the Holding |
| Magang (Group) Holding Company Limited Gushan Mining Company | Controlled by the Holding |
| Magang (Group) Holding Company Limited Nanshan Mining Company | Controlled by the Holding |
| Masteel Lihua Metal Resources Co., Ltd. ("Masteel Lihua") | Controlled by the Holding |
| Shanghai Masteel International Trade and Economic Co., Ltd. | Controlled by the Holding |
| Shanghai MA Steel International Trade Company Limited | Controlled by the Holding |
| Anhui Maanshan Iron & Steel Mining Resources Group Material Technology Co., Ltd. | Controlled by the Holding |
| Anhui Maanshan Iron & Steel Mining Resources Group Building Materials Technology Co., Ltd. | Controlled by the Holding |
| Dalian Changxing Environmental Service Co., Ltd | Controlled by the Holding |
| Dangtu Majia New Building Materials Co., Ltd | Controlled by the Holding |
| Hubei Haorun New Material Technology Co., Ltd | Controlled by the Holding |
| Hubei Lvbang Renewable Resources Co., Ltd | Controlled by the Holding |
| Jiangsu Baotin Charge Processing Co., Ltd | Controlled by the Holding |
| LiaoNing Jiheyuan Renewable Resources Co., Ltd. | Controlled by the Holding |
| Masteel Zhixin Resources Technology Co., Ltd. | Controlled by the Holding |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

| Name of other related parties | Related party relationship |
|---|--|
| Shanxi Fuma Carbon Material Technology Co., Ltd. Shanxi Ruisegg Waste Resources Comprehensive Utilization Co., Ltd | Controlled by the Holding Controlled by the Holding |
| Shanghai Maanshan Iron & Steel Electrical and Mechanical Technology Co., Ltd. | Controlled by the Holding |
| Shenzhen Yue Hai Masteel Industry Co., Ltd. | Controlled by the Holding |
| Yichang Yimei Urban Mineral Resources Recycling Co., Ltd | Controlled by the Holding |
| Maanshan Xinchuangbaineng Energy Technology Co., Ltd. | Controlled by the Holding |
| Guizhou Xinchuan Environmental Protections Co., Ltd. | Controlled by the Holding |
| Ma Steel (Guangzhou) Processing and Distribution Co., Ltd | Controlled by the Holding |
| Ma Steel (Jinhua) Processing and Distribution Co., Ltd. | Controlled by the Holding |
| China Baowu Steel Group Co., Ltd. | Ultimate controlling party |
| Ouyeel Blockchain Finance | Controlled by the ultimate controlling party |
| Masteel K. Wah | Controlled by the ultimate controlling party |
| Ouyeel Chain Gold (Fuyang) Renewable Resources Co., Ltd | Controlled by the ultimate controlling party |
| Ouyeel Chain Gold (Guangxi) Renewable Resources Co., Ltd | Controlled by the ultimate controlling party |
| Ouyeel (Jingjiang) Blockchain Finance and Metal Recycling Resources Co., Ltd. | Controlled by the ultimate controlling party |
| Ouyeel Chain Gold (Pingxiang) Renewable Resources Co., Ltd | Controlled by the ultimate controlling party |
| Ouyeel Chain Gold (Shaoguan) Renewable Resources Co., Ltd | Controlled by the ultimate controlling party |
| Ouyeel Chain Gold (Sichuan) Renewable Resources Co., Ltd | Controlled by the ultimate controlling party |
| Ouyeel Chain Gold (Tangshan) Renewable Resources Co., Ltd | Controlled by the ultimate controlling party |
| Ouyeel Chain Gold (Yunnan) Renewable Resources Co., Ltd | Controlled by the ultimate controlling party |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

| Name of other related parties | Related party relationship |
|--|--|
| Ouyeel Chain Gold (Zhanjiang) Renewable Resources Co., Ltd | Controlled by the ultimate controlling party |
| Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baoxin Software Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Zhanjiang Iron and Steel Co., Ltd | Controlled by the ultimate controlling party |
| Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd. | Controlled by the ultimate controlling party |
| Anhui Xiangdun Information Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Maanshan Jieyuan Environmental Protection Co., Ltd. | Controlled by the ultimate controlling party |
| Anhui Xiangyun Technology Co., Ltd. | Controlled by the ultimate controlling party |
| AI Robot (Shanghai) Co., Ltd. | Controlled by the ultimate controlling party |
| Yangtze River Delta (Hefei) Digital Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Resources Holdings (Shanghai) Co., Ltd. | Controlled by the ultimate controlling party |
| Ouyeel International | Controlled by the ultimate controlling party |
| Shanghai Ouye Purchasing Information Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Baowu Raw Material Supply Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baosteel Steel Products Trading Co., Ltd. | Controlled by the ultimate controlling party |
| Shanxi Taigang Stainless Steel Co., Ltd | Controlled by the ultimate controlling party |
| Shanghai Baosteel Packaging Material Co., Ltd. | Controlled by the ultimate controlling party |
| Guangzhou Baofengjing Automobile Steel Processing Co., Ltd. | Controlled by the ultimate controlling party |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

| Name of other related parties | Related party relationship |
|---|--|
| Wugang (Guangzhou) Steels Processing Co., Ltd. | Controlled by the ultimate controlling party |
| Masteel (Hefei) Industrial Water Supply Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baosteel Casting Corporation | Controlled by the ultimate controlling party |
| Shanghai Baosight Software Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Court Roller Surface Treatment Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Meishan Iron & Steel Co., Ltd. | Controlled by the ultimate controlling party |
| Anhui Wanbao Mining Limited Co., Ltd. | Controlled by the ultimate controlling party |
| Baoshan Iron & Steel Co., Ltd. | Controlled by the ultimate controlling party |
| Baowu Equipment Intelligent Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Roll Science & Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baosteel Engineering & Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Zhejiang Shengsi Baojie International Shipping Agency Co., Ltd. | Controlled by the ultimate controlling party |
| Zhejiang Zhoushan Wugang Terminal Co., Limited | Controlled by the ultimate controlling party |
| Baoxin Software (Nanjing) Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Zhushang Metalware Company | Controlled by the ultimate controlling party |
| Huabao Investment Co., Ltd. | Controlled by the ultimate controlling party |
| Huabao Securities Co., Ltd. | Controlled by the ultimate controlling party |
| Baowu Huanke Nanjing Resources Utilization Co., Ltd. | Controlled by the ultimate controlling party |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

| Name of other related parties | Related party relationship |
|--|--|
| Wuhan Iron and Steel Co., Ltd. | Controlled by the ultimate controlling party |
| Baowu Huanke Maanshan Resource Utilization Co., Ltd. | Controlled by the ultimate controlling party |
| Maanshan Magang Mine Geotechnical Engineering Investigation United Company | Controlled by the ultimate controlling party |
| Nanjing Meishan Enterprise Development Co., Ltd. | Controlled by the ultimate controlling party |
| Wuhan Engineering Institute | Controlled by the ultimate controlling party |
| Shanghai Ouyeel Material Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Ouyeel Cloud Commerce Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Resources International Company Limited | Controlled by the ultimate controlling party |
| Shanghai Jinyi Inspection Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Howa Trading Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baosteel Stainless Steel Co., Ltd. | Controlled by the ultimate controlling party |
| Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd. | Controlled by the ultimate controlling party |
| Guangdong Shaogang Construction Company | Controlled by the ultimate controlling party |
| Ezhou Pelletizing Co., Ltd. of WISCO Resources Group | Controlled by the ultimate controlling party |
| Wulongquan Mining Co., Ltd. of WISCO Resources Group | Controlled by the ultimate controlling party |
| Shanghai Iron & Steel Exchange Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Metals Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baokang Electronic Control Engineering Co., Ltd. | Controlled by the ultimate controlling party |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

| Name of other related parties | Related party relationship |
|--|--|
| Bsteel Online Co., Ltd. | Controlled by the ultimate controlling party |
| WISCO MCC Industrial Technology Service Co., Ltd. | Controlled by the ultimate controlling party |
| Taiyuan Iron & Steel (Group) Co., Ltd. | Controlled by the ultimate controlling party |
| Wugang Group Co., Ltd. | Controlled by the ultimate controlling party |
| Wuhu Veisko Material Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Wuhan Baosteel Huazhong Trade Co., Ltd. | Controlled by the ultimate controlling party |
| Wuhan Weishike Steel Processing and Distribution Co., Ltd. | Controlled by the ultimate controlling party |
| Wuhan Steel Group Logistics Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Development Co., Ltd. | Controlled by the ultimate controlling party |
| Hubei Metallurgical Material Analysis and Testing Center Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Ouye Logistics Co., Ltd. | Controlled by the ultimate controlling party |
| Guangzhou Baosteel Southern Trading Co., Ltd. | Controlled by the ultimate controlling party |
| Shenyang Baosteel Northeast Trading Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baosteel Trading Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Magnetic Industry (Jiangsu) Co., Ltd. | Controlled by the ultimate controlling party |
| Beijing Baosteel North Trade Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baosteel Magnetic Industry Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Special Steel Long Products Co., Ltd. | Controlled by the ultimate controlling party |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

| Name of other related parties | Related party relationship |
|---|--|
| Chengdu Baosteel Western Trading Co. Ltd. | Controlled by the ultimate controlling party |
| Qingdao Bao-Mit Steel Distribution Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baohua International Tendering Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Middle East Fze | Controlled by the ultimate controlling party |
| Chengdu (Taigang) Sales Co., Ltd. | Controlled by the ultimate controlling party |
| Hefei Bao Real Estate City Development Co., Ltd. | Controlled by the ultimate controlling party |
| Anhui Baosteel Steel Distribution Co., Ltd. | Controlled by the ultimate controlling party |
| Baowu Huanke Nanjing Resources Utilization Co., Ltd. | Controlled by the ultimate controlling party |
| Chongqing Baosteel Auto Steel Parts Co., Ltd. | Controlled by the ultimate controlling party |
| Baosteel Construction Co. | Controlled by the ultimate controlling party |
| Baosteel Special Metals Co., Ltd. | Controlled by the ultimate controlling party |
| Chengdu Baosteel Auto Steel Parts Processing & Distribution Co., Ltd. | Controlled by the ultimate controlling party |
| Shanghai Baodi Yangpu Real Estate Development Co., Ltd | Controlled by the ultimate controlling party |
| Wuhan Wugang Jiangbei Group Co., Ltd. | Controlled by the ultimate controlling party |
| Sinosteel Equipment Technology Co., Ltd. | Controlled by the ultimate controlling party |
| Sinosteel Zhengzhou Metal Products Research Institute Co. Ltd. | Controlled by the ultimate controlling party |
| Sinosteel Xingtai Mechanical Rolling Co. Ltd. | Controlled by the ultimate controlling party |
| Changchun Baoyou Jiefang Steel Processing & Distribution Co. Ltd. | Controlled by the ultimate controlling party |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

| Name of other related parties | Related party relationship |
|---|---|
| Maanshan Baozhichun Calcium & Magnesium Technology Co. Ltd. | Controlled by the ultimate controlling party |
| BAOSTEEL RESOURCES SINGAPORE COMPANY PTE.LTD. | Controlled by the ultimate controlling party |
| Suzhou Suma Industry Development Co., Ltd | Associate of the Holding |
| Anhui Tiankai Road and Bridge Co., Ltd | Associate of the Holding |
| Maanshan Iron Construction Group Co., Ltd. | Associate of the Holding |
| Ruitai Masteel New Material Technology Co., Ltd. | Associate of the Holding |
| Anhui BRC & Masteel Weldmesh Co., Ltd. | Associate of the Holding |
| Anhui Baochang United Roll Co., Ltd | Associate of the Holding |
| Jiangsu Gongchang Roll Joint Stock Co., Ltd. | Associate of the Holding |
| Ma-Steel OCI Chemical Co., Ltd. | Associate of the Holding |
| Anhui Keda Intelligent Energy Technology Co., Ltd | Associate of the Holding |
| Maanshan Zhongye Huaxin Water Environment Control Co., Ltd. | Associate of the Holding |
| CRM East China Co., Ltd. | Associate of the Holding |
| Maanshan Shenma Metallurgical Co., Ltd | Associate of the Holding |
| Anhui Kean Electric Power Engineering Co., Ltd | Associate of the Holding |
| Shanghai Steel Home Information Technology Co., Ltd | Associate of the Holding |
| MCC South Continuous Casting Technology Engineering Co., Ltd | Associate of the Holding |
| MCC South (Wuhan) Thermal Engineering Co., Ltd | Associate of the Holding |
| Anhui Baochang United Roll Co., Ltd | Associate of the Holding |
| Wuhan Iron and Steel Group Xingda Economic Development Co., Ltd | Associate of the Holding |
| Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd | Associate of the Holding |
| Maanshan Gangchen Steel Supply Chain Co., Ltd | Associate of the ultimate controlling party |
| Maanshan Gangchen Special Steel Supply Chain Co., Ltd | Associate of the ultimate controlling party |
| Maanshan Gangchen Hydrogen Industry Co., Ltd | Associate of the ultimate controlling party |
| General Electric (Wuhan) Automation Co., Ltd. | Joint venture of the ultimate controlling party |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information on other related parties (Continued)

| Name of other related parties | Related party relationship |
|--|---|
| Shanxi Ax Taigang Roll Co., Ltd. | Associate of the ultimate controlling party |
| MCC South Engineering Technology Co., Ltd. | Associate of the ultimate controlling party |
| Maanshan Gangchen Industrial Co., Ltd | Associate of the ultimate controlling party |
| Taicang Wugang Wharf Co., Ltd. | Associate of the ultimate controlling party |
| Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd. | Associate of the ultimate controlling party |
| Qinghai Kaiyuan Metal Material Co., Ltd. | Associate of the ultimate controlling party |
| Shanghai Baosteel Engineering Consulting Co., Ltd. | Associate of the ultimate controlling party |
| Shanghai Baoneng Information Technology Co., Ltd. | Associate of the ultimate controlling party |
| MCC South Wuhan Engineering Consulting Management Co., Ltd | Associate of the ultimate controlling party |
| CIMC Baochuang (Wuxi) Steel Processing Co., Ltd | Associate of the ultimate controlling party |
| Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd | Associate of the ultimate controlling party |
| Yuxi Xinxing Steel Co., Ltd | Associate of the ultimate controlling party |
| Changzhou Baoling Heavy Industry Machinery Co., Ltd. | Associate of the ultimate controlling party |
| Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd. | Associate of the ultimate controlling party |
| Wuhan Baozhang Automotive Steel Parts Co., Ltd | Associate of the ultimate controlling party |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties

The transactions below with related parties were conducted under normal commercial terms or agreements.

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel)*

The Group

| Related parties | Nature of transaction | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|-----------------------|---|---|
| Anhui Masteel Mining Resources Group Co., Ltd.* | Purchases of ore | 2,077,062,345 | 1,169,850,985 |
| Baosteel Resources Holdings (Shanghai) Co., Ltd.* | Purchases of ore | 1,474,019,826 | 1,541,714,643 |
| Baowu Raw Material Supply Co., Ltd.* | Purchases of ore | 1,127,619,620 | 2,034,367,890 |
| Ma Steel International Trade and Economic Co., Ltd.* | Purchases of ore | 483,324,868 | 137,666,993 |
| Baosteel Resources Co., Ltd.* | Purchases of ore | 466,573,022 | 3,186,292,376 |
| Ezhou Pelletizing Co., Ltd. of WISCO Resources Group* | Purchases of ore | 402,603,611 | 863,157,849 |
| Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited * | Purchases of ore | 316,153,863 | – |
| Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd. | Purchases of ore | 32,143,094 | – |
| Qinghai Kaiyuan Metal Material Co., Ltd. * | Purchases of ore | 17,688,565 | – |
| BAOSTEEL RESOURCES SINGAPORE COMPANY PTE.LTD. * | Purchases of ore | 11,336,787 | – |
| Baoshan Iron & Steel Co., Ltd.* | Purchases of ore | 9,720,427 | 118,977,360 |
| Ruitai Masteel New Material Technology Co., Ltd.* | Purchases of ore | 3,563,195 | – |
| Anhui Wanbao Mining Limited Co., Ltd.* | Purchases of ore | 2,705,688 | 2,111,758 |
| Shanghai Baochangran Energy Development Co., Ltd.* | Purchases of ore | 2,695,723 | – |
| Maanshan Shenma Metallurgical Co., Ltd | Purchases of ore | 2,168,241 | |
| Taicang Wugang Wharf Co., Ltd. | Purchases of ore | 1,360,513 | |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

| Related parties | Nature of transaction | For the six months | For the six months |
|--|---|-----------------------|-----------------------|
| | | ended 30 June 2023 | ended 30 June 2022 |
| Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.* | Purchases of ore | – | 146,749,379 |
| Anhui Masteel Zhang Zhuang Mining Co., Ltd.* | Purchases of ore | – | 30,209,912 |
| Ouyeel Blockchain Finance * | Procurement agency services | 57,013 | 319,989 |
| Ma Steel International Trade and Economic Co., Ltd.* | Procurement agency services | 4,581,519 | 3,217,071 |
| Magang (Group) Logistics Co., Ltd. * | Purchase services, logistics and other services | 631,391,698 | 364,906,106 |
| Xinchuang Environmental Protection* | Purchase services, logistics and other services | 361,923,687 | 291,748,308 |
| Baowu Water Technology Co., Ltd.* | Purchase services, logistics and other services | 295,785,704 | 201,633,517 |
| Anhui Masteel Equipment Maintenance Co., Ltd.* | Purchase services, logistics and other services | 264,181,105 | 285,147,388 |
| Holly Industrial * | Purchase services, logistics and other services | 256,796,947 | – |
| Masteel Heavy Machinery Manufacturing Co., Ltd. * | Purchase services, logistics and other services | 240,089,268 | 301,196,617 |
| Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd. * | Purchase services, logistics and other services | 191,089,853 | 217,841,042 |
| Anhui Baoxin Software* | Purchase services, logistics and other services | 138,187,190 | 65,849,350 |
| Baowu Huanke Maanshan Resource Utilization Co., Ltd. * | Purchase services, logistics and other services | 81,499,115 | 6,469,633 |
| Magang (Group) Holding Company Limited * | Purchase services, logistics and other services | 69,810,364 | 17,662,712 |
| Shanghai Baosight Software Co.,Ltd.* | Purchase services, logistics and other services | 58,526,464 | 29,818,585 |
| Anhui Maanshan Iron & Steel Surface Technology Co., Ltd.* | Purchase services, logistics and other services | 58,375,344 | 13,319,104 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

5. Transactions with related parties (Continued)

(1) Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)

| Related parties | Nature of transaction | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|---|---|---|
| Anhui Zhonglian Shipping Co., Ltd.* | Purchase services, logistics and other services | 51,238,811 | 89,152,646 |
| Masteel Transportation Equipment Manufacturing Co., Ltd. | Purchase services, logistics and other services | 50,437,567 | 25,232,852 |
| Zhejiang Zhoushan Wugang Terminal Co., Limited* | Purchase services, logistics and other services | 24,269,226 | 22,418,903 |
| Maanshan Xinchuangbaineng Energy Technology Co., Ltd.* | Purchase services, logistics and other services | 23,432,460 | 22,618,515 |
| Shanghai Ouyeel Material Technology Co., Ltd.* | Purchase services, logistics and other services | 21,876,110 | – |
| Baowu Equipment Intelligent Technology Co., Ltd.* | Purchase services, logistics and other services | 15,433,250 | 14,142,541 |
| Shanghai Jinyi Inspection Technology Co., Ltd.* | Purchase services, logistics and other services | 14,309,454 | 5,502,501 |
| Sinosteel Xingtai Mechanical Rolling Co. Ltd.* | Purchase services, logistics and other services | 11,264,396 | – |
| Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.* | Purchase services, logistics and other services | 9,053,890 | – |
| Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.* | Purchase services, logistics and other services | 8,356,552 | 7,152,543 |
| Baowu Heavy Industry Co., Ltd.* | Purchase services, logistics and other services | 6,145,802 | 5,210,541 |
| Ruitai Masteel New Material Technology Co., Ltd.* | Purchase services, logistics and other services | 1,766,102 | – |
| Masteel Group Design and Research Institute Co., Ltd.* | Purchase services, logistics and other services | 1,146,155 | 11,127,603 |
| Ma Steel International Trade and Economic Co., Ltd.* | Purchase services, logistics and other services | 1,126,686 | 2,210,232 |
| China Baowu Steel Group Co., Ltd.* | Purchase services, logistics and other services | 678,612 | 8,828,391 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

| Related parties | Nature of transaction | For the six months | For the six months |
|---|--|-----------------------|-----------------------|
| | | ended 30 June 2023 | ended 30 June 2022 |
| Maanshan Masteel Electric Repair Co., Ltd.* | Purchase services, logistics and other services | 183,641 | – |
| Baoshan Iron & Steel Co., Ltd.* | Purchase services, logistics and other services | 38,377 | 1,125,840 |
| Masteel Automobile Transportation Service Co., Ltd.* | Purchase services, logistics and other services | – | 140,396,322 |
| Anhui Masteel Mining Resources Group Co., Ltd.* | Purchase services, logistics and other services | – | 15,588,766 |
| Anhui Vocational College of Metallurgy and Technology* | Purchase services, logistics and other services | – | 8,524,660 |
| Ma Steel Gongchang United Roller Co., Ltd.* | Purchase services, logistics and other services | – | 12,399,983 |
| Others | Purchase services, logistics and other services | 96,455,303 | 128,095,991 |
| BAOSTEEL RESOURCES INTERNATIONAL COMPANY LIMITED* | Payment of lease fees to related parties | 420,940 | – |
| Magang (Group) Logistics Co., Ltd.* | Payment of lease fees to related parties | 16,997,400 | – |
| Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.* | Payment of lease fees to related parties | 264,151 | – |
| Masteel Group Design and Research Institute Co., Ltd.* | Purchases of fixed assets, intangible assets and construction services | 354,991,009 | 351,792,320 |
| MCC South Continuous Casting Technology Engineering Co., Ltd. | Purchases of fixed assets, intangible assets and construction services | 147,498,814 | 1,289,597,720 |
| Shanghai Baosight Software Co., Ltd.* | Purchases of fixed assets, intangible assets and construction services | 143,172,795 | 346,225,439 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

| Related parties | Nature of transaction | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|---|---|
| MCC South Engineering Technology Co., Ltd. | Purchases of fixed assets, intangible assets and construction services | 111,242,553 | – |
| Baowu Heavy Industry Co., Ltd.* | Purchases of fixed assets, intangible assets and construction services | 76,231,079 | 104,540,095 |
| Shanghai Baosteel Engineering & Technology Co., Ltd.* | Purchases of fixed assets, intangible assets and construction services | 62,855,543 | 85,294,330 |
| Anhui Masteel Equipment Maintenance Co, Ltd.* | Purchases of fixed assets, intangible assets and construction services | 59,227,132 | 41,220,347 |
| Baowu Equipment Intelligent Technology Co., Ltd.* | Purchases of fixed assets, intangible assets and construction services | 28,692,170 | – |
| Maanshan Iron Construction Group Co., Ltd.* | Purchases of fixed assets, intangible assets and construction services | 12,357,470 | 24,737,500 |
| Anhui Magang Limin Construction and Installation Co., Ltd. * | Purchases of fixed assets, intangible assets and construction services | 6,493,532 | – |
| Maanshan Jiahua Commodity Concrete Co., Ltd.* | Purchases of fixed assets, intangible assets and construction services | 5,499,921 | 2,203,939 |
| Masteel Transportation Equipment Manufacturing Co., Ltd. * | Purchases of fixed assets, intangible assets and construction services | 5,152,958 | – |
| Maanshan Masteel Surface Engineering Technology Co., Ltd.* | Purchases of fixed assets, intangible assets and construction services | 1,180,000 | 19,688,991 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

| Related parties | Nature of transaction | For the six months | For the six months |
|--|--|-----------------------|-----------------------|
| | | ended 30 June 2023 | ended 30 June 2022 |
| Baosteel Special Metals Co., Ltd.* | Purchases of fixed assets, intangible assets and construction services | - | 171,962,264 |
| Xinchuang Environmental Protection* | Purchases of fixed assets, intangible assets and construction services | - | 60,580,935 |
| Phima Intelligence* | Purchases of fixed assets, intangible assets and construction services | - | 21,414,957 |
| Anhui Baoxin Software* | Purchases of fixed assets, intangible assets and construction services | - | 21,017,722 |
| Masteel Group Kang Cheng Building and Installing Co., Ltd. * | Purchases of fixed assets, intangible assets and construction services | - | 10,309,950 |
| Others * | Purchases of fixed assets, intangible assets and construction services | 21,986,133 | 28,608,932 |
| Ouyeel Blockchain Finance * | Purchases of products from related parties | 4,534,600,699 | 5,224,188,258 |
| OBEI* | Purchases of products from related parties | 2,391,446,906 | 2,216,135,399 |
| Masteel Gases* | Purchases of products from related parties | 418,994,552 | 400,374,647 |
| BOC-Ma Steel | Purchases of products from related parties | 243,209,595 | - |
| Shanxi Taigang Stainless Steel Co., Ltd* | Purchases of products from related parties | 30,192,390 | 554,389,639 |
| Magang Chemicals & Energy* | Purchases of products from related parties | 1,176,925 | 733,819,350 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

5. Transactions with related parties (Continued)

(1) Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)

| Related parties | Nature of transaction | For the six months | For the six months |
|--|--|-----------------------|-----------------------|
| | | ended 30 June 2023 | ended 30 June 2022 |
| Wuhan Baosteel Huazhong Trade Co., Ltd. * | Purchases of products from related parties | – | 144,328,698 |
| Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd. * | Purchases of products from related parties | – | 177,705,573 |
| The Holding* | Interest paid on customer deposits | 14,598,357 | 11,039,686 |
| Magang (Group) Investment Co., Ltd. * | Interest paid on customer deposits | 3,849,691 | – |
| Masteel Group Kang Tai Land Development Co., Ltd.* | Interest paid on customer deposits | 2,318,924 | 1,177,174 |
| BOC-Ma Steel | Interest paid on customer deposits | 1,793,922 | – |
| Anhui Masteel Zhang Zhuang Mining Co., Ltd.* | Interest paid on customer deposits | 1,630,019 | 3,934,977 |
| Anhui Masteel Luo He Mining Co., Ltd.* | Interest paid on customer deposits | 1,615,415 | 4,408,717 |
| Anhui Masteel Mining Resources Group Co., Ltd.* | Interest paid on customer deposits | 1,570,345 | 3,774,123 |
| Ouyeel Blockchain Finance * | Interest paid on customer deposits | 911,013 | 5,221,470 |
| Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.* | Interest paid on customer deposits | 1,043,106 | 4,654,685 |
| Magang (Group) Logistics Co., Ltd.* | Interest paid on customer deposits | 739,714 | 1,575,248 |
| Baowu Heavy Industry Co., Ltd.* | Interest paid on customer deposits | 676,717 | 2,247,870 |
| Maanshan Masteel Surface Engineering Technology Co., Ltd.* | Interest paid on customer deposits | 657,377 | 770,853 |
| Baowu Heavy Industry Co., Ltd. Steel Structure Engineering Branch* | Interest paid on customer deposits | 529,557 | – |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

| Related parties | Nature of transaction | For the six months | For the six months |
|--|------------------------------------|-----------------------|-----------------------|
| | | ended 30 June 2023 | ended 30 June 2022 |
| Holly Industrial * | Interest paid on customer deposits | 409,556 | – |
| Masteel International Trade and Economic Co., Ltd. | Interest paid on customer deposits | 394,334 | 531,085 |
| Masteel Heavy Machinery Manufacturing Co., Ltd. | Interest paid on customer deposits | 360,655 | 1,007,416 |
| Magang (Group) Holding Company Limited Assets Management Company | Interest paid on customer deposits | 354,350 | – |
| Anhui Maanshan Iron & Steel Mining Resources Group Building Materials Technology Co., Ltd. | Interest paid on customer deposits | 305,851 | 1,062,294 |
| Xinchuang Environmental Protection* | Interest paid on customer deposits | 30,716 | 1,603,947 |
| Magang Chemicals & Energy* | Interest paid on customer deposits | 131,249 | 5,465,111 |
| Maanshan Chenma Hydrogen Energy Technology Co., Ltd.* | Interest paid on customer deposits | 92,618 | 2,708,765 |
| Masteel Gases* | Interest paid on customer deposits | 13 | 744,661 |
| Masteel K. Wah | Interest paid on customer deposits | – | 1,397,963 |
| Ruitai Masteel New Material Technology Co., Ltd.* | Interest paid on customer deposits | – | 24,046 |
| Masteel Automobile Transportation Service Co., Ltd.* | Interest paid on customer deposits | – | 729,304 |
| Anhui Baoxin Software* | Interest paid on customer deposits | – | 13,993 |
| BOC-Ma Steel | Interest paid on customer deposits | – | 3,071,165 |
| Others * | Interest paid on customer deposits | 2,377,076 | 5,774,322 |
| Baowu Finance* | Interest paid | 12,778,014 | – |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

5. Transactions with related parties (Continued)

(2) Sale of products/rendering of services

The Group

| Related parties | Nature of transaction | For the six months | For the six months |
|---|-------------------------|-----------------------|-----------------------|
| | | ended 30 June 2023 | ended 30 June 2022 |
| Shanghai Ouyeel Material Technology Co., Ltd.* | Sales of steel products | 703,063,550 | 218,661,453 |
| Ma Steel (Guangzhou) Processing and Distribution Co., Ltd.* | Sales of steel products | 679,359,383 | – |
| Yuxi Xinxing Steel Co., Ltd.* | Sales of steel products | 534,466,645 | – |
| Ma Steel (Jinhua) Processing and Distribution Co., Ltd.* | Sales of steel products | 429,547,912 | – |
| Baowu Heavy Industry Co., Ltd.* | Sales of steel products | 222,105,463 | 468,128,597 |
| Holly Industrial * | Sales of steel products | 43,292,771 | – |
| OBEI* | Sales of steel products | 36,297,447 | 16,006,130 |
| Magang (Group) Logistics Co., Ltd.* | Sales of steel products | 36,732,919 | 30,155,828 |
| Changchun Baoyou Jiefang Steel Processing & Distribution Co., Ltd.* | Sales of steel products | 15,783,243 | – |
| Shanghai Baosteel Trading Co., Ltd.* | Sales of steel products | 14,127,478 | 29,556,474 |
| Sinosteel Zhengzhou Metal Products Research Institute Co., Ltd.* | Sales of steel products | 11,130,787 | – |
| Shanghai Baosteel Engineering & Technology Co., Ltd. * | Sales of steel products | 6,663,286 | – |
| Masteel Group Kang Tai Land Development Co., Ltd. * | Sales of steel products | 5,770,229 | – |
| Baosteel Special Metals Co., Ltd. * | Sales of steel products | 2,349,877 | – |
| Yushan Iron & Steel Co., Ltd.* | Sales of steel products | – | 39,824,093 |
| Anhui BRC & Masteel Weldmesh Co., Ltd.* | Sales of steel products | – | 27,201,129 |
| Shenyang Baosteel Northeast Trading Co., Ltd.* | Sales of steel products | – | 24,363,922 |
| Beijing Baosteel Northern Trading Co., Ltd.* | Sales of steel products | – | 21,293,688 |
| Others * | Sales of goods | 17,077,914 | 18,165,663 |
| Magang Chemicals & Energy* | Sales of goods | 586,180,358 | 978,678,110 |
| Ma Steel International Trade and Economic Co., Ltd. * | Sales of goods | 400,373,338 | – |
| Baowu Huanke Maanshan Resource Utilization Co., Ltd. * | Sales of goods | 381,416,701 | 435,786,646 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

(2) Sale of products/rendering of services (Continued)

| Related parties | Nature of transaction | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|--|---|---|
| Masteel Gases* | Sales of goods | 226,858,418 | 311,532,357 |
| Ouyeel Blockchain Finance * | Sales of goods | 55,001,234 | – |
| Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited * | Sales of goods | 12,236,455 | – |
| Shanghai Ouye Purchasing Information Technology Co., Ltd.* | Sales of goods | 2,184,764 | – |
| Sinosteel Equipment Technology Co., Ltd.* | Sales of goods | 2,018,439 | – |
| Others * | Sales of goods | 3,793,176 | 4,843,209 |
| Xinchuang Environmental Protection* | Supply of utilities, services, disposal of intangible assets and sale other goods | 250,955,866 | 224,702,817 |
| Baowu Water Technology Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 106,367,048 | 91,615,509 |
| Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited * | Supply of utilities, services, disposal of intangible assets and sale other goods | 93,219,715 | – |
| Baowu Huanke Ma'anshan Resource Utilization Co., Ltd. * | Supply of utilities, services, disposal of intangible assets and sale other goods | 46,674,676 | – |
| Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 23,860,056 | 22,199,236 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

5. Transactions with related parties (Continued)

(2) Sale of products/rendering of services (Continued)

| Related parties | Nature of transaction | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|---|---|---|
| Masteel Heavy Machinery Manufacturing Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 23,705,577 | 24,125,093 |
| Ma Steel Powder Metallurgy Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 20,730,171 | 76,543,082 |
| Magang Chemicals & Energy * | Supply of utilities, services, disposal of intangible assets and sale other goods | 17,760,084 | – |
| Ma-Steel OCI Chemical Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 11,676,026 | 11,858,741 |
| Maanshan Iron & Steel (Hefei) Industrial Water Supply Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 4,638,264 | – |
| Maanshan Masteel Surface Engineering Technology Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 2,129,918 | 2,366,649 |
| Anhui Masteel Equipment Maintenance Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 1,041,426 | 1,142,735 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

(2) Sale of products/rendering of services (Continued)

| Related parties | Nature of transaction | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|--|---|---|---|
| Masteel Transportation Equipment Manufacturing Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 812,728 | 1,038,976 |
| Maanshan Limin Metallurgical Solid Waste Comprehensive Utilization Technology Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 218,917 | 6,031,610 |
| Shanghai Ouyeel Material Technology Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 207,101 | 2,453,370 |
| Maanshan Jia Hua Commodity Concrete Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | 95,091 | 1,240,023 |
| Baosteel Zhanjiang Iron and Steel Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | - | 265,660,377 |
| Baosteel Resources Holdings (Shanghai) Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | - | 91,204,373 |
| Maanshan Xinchuangbaineng Energy Technology Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | - | 8,719,631 |
| Ruitai Masteel New Material Technology Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | - | 3,772,216 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

5. Transactions with related parties (Continued)

(2) Sale of products/rendering of services (Continued)

| Related parties | Nature of transaction | For the six months | For the six months |
|--|---|-----------------------|-----------------------|
| | | ended 30 June 2023 | ended 30 June 2022 |
| Baowu Huanke Nanjing Resources Utilization Co., Ltd.* | Supply of utilities, services, disposal of intangible assets and sale other goods | - | 2,787,933 |
| Anhui Baoxin Software* | Supply of utilities, services, disposal of intangible assets and sale other goods | - | 1,835,045 |
| Others* | Supply of utilities, services, disposal of intangible assets and sale other goods | 7,401,275 | 6,696,868 |
| Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited | Sale of fixed assets | 218,606,425 | - |
| Magang (Group) Holding Co., Limited* | Financial service | 2,550,000 | 4,916,667 |
| Anhui Masteel Mining Resources Group Co., Ltd.* | Financial service | 1,472,500 | 8,022,559 |
| Masteel Lihua* | Financial service | 933,736 | 1,097,589 |
| Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd.* | Financial service | 1,733,403 | 15,729,408 |
| Yichang Yimei Urban Mineral Resources Recycling Co., Ltd.* | Financial service | 450,333 | - |
| Ma Steel Powder Metallurgy Co., Ltd.* | Financial service | - | 221,174 |
| Anhui BRC & Masteel Weldmesh Co., Ltd.* | Financial service | 84,375 | 195,545 |
| Masteel Chengxing Metal Resources Co. Ltd.* | Financial service | - | 5,095,826 |
| Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.* | Financial service | - | 1,893,225 |
| Anhui Zhonglian Shipping Co., Ltd.* | Financial service | - | 1,126,553 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

(2) Sale of products/rendering of services (Continued)

| Related parties | Nature of transaction | For the six months | For the six months |
|---|----------------------------|-----------------------|-----------------------|
| | | ended 30 June 2023 | ended 30 June 2022 |
| Anhui Masteel Luo He Mining Co., Ltd.* | Financial service | - | 84,441 |
| Baowu Heavy Industry Co., Ltd.* | Financial service | - | 64,686 |
| Anhui Masteel K.Wah New Building Materials Co., Ltd.* | Financial service | - | 5,387 |
| Maanshan Gangchen Industrial Co., Ltd. | Financial service | - | 254,890 |
| Baowu Finance* | Financial service | 21,770,000 | - |
| Others * | Financial service | 2,906,430 | 3,976,830 |
| Maanshan Gangchen Industrial Co., Ltd. | Sales of goods or services | 661,967,762 | 752,643,659 |
| Maanshan BOC-Ma Steel Gases Company Limited | Sales of goods or services | 135,189,074 | 138,276,545 |
| Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd. | Sales of goods or services | 54,024,294 | - |
| Anhui Keda Intelligent Energy Technology Co., Ltd. | Sales of goods or services | 14,040,224 | - |
| Henan JinMa Energy | Sales of goods or services | 150,500 | 753,129 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

5. Transactions with related parties (Continued)

(3) Provision of leasing services to related parties

(a) As the lessor

The Group

| Name of lessee | Type of assets leased | Lease income recognized for the six months ended 30 June 2023 | Lease income recognized for the six months ended 30 June 2022 |
|---|-----------------------|---|---|
| Magang Chemicals & Energy* | Equipment lease | – | 6,448,338 |
| BOC-Ma Steel | Land lease | 625,000 | – |
| Masteel Gases * | Property lease | 4,176,376 | – |
| Anhui Baoxin Software* | Property lease | – | 82,500 |
| Anhui Masteel Surface Engineering Technology Co., Ltd.* | Property lease | – | 305,922 |
| Total | | 4,801,376 | 6,836,760 |

(b) As the lessee

The Group

| Name of lessee | Type of assets leased | Lease income recognized for the six months ended 30 June 2023 | Lease income recognized for the six months ended 30 June 2022 |
|----------------|-----------------------|---|---|
| The Holding * | Plant and buildings | 8,742,074 | 8,742,074 |
| Total | | 8,742,074 | 8,742,074 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

(4) Guarantee provided by a related party

The Group as the guarantor

30 June 2023

| Guarantee holder | Guarantee amount | Start date | End date | Has guarantee expired or not |
|------------------|------------------------|------------|----------|------------------------------|
| the Company | RMB16.5 million | 2015.10 | 2025.10 | Not yet |

31 December 2022

| Guarantee holder | Guarantee amount | Start date | End date | Has guarantee expired or not |
|------------------|------------------|------------|----------|------------------------------|
| the Company | RMB22 million | 2015.10 | 2025.10 | Not yet |

The Company as the guarantor

30 June 2023

| Guarantee holder | Guarantee amount | Start date | End date | Has guarantee expired or not |
|------------------|------------------------|------------|----------|------------------------------|
| the Group | RMB16.5 million | 2015.10 | 2025.10 | Not yet |

31 December 2022

| Guarantee holder | Guarantee amount | Start date | End date | Has guarantee expired or not |
|------------------|------------------|------------|----------|------------------------------|
| the Group | RMB22 million | 2015.10 | 2025.10 | Not yet |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transactions with related parties (Continued)

- (5) According to the financial service agreement signed by Masteel Finance and the Holding on 29 September 2021, Masteel Finance provided financial services to the Group and its subsidiaries, and from 1 January 2022 to 31 December 2024, the highest daily outstanding loan should be no more than RMB4.9 billion, other financial service charge should be no more than RMB0.25 billion. As of 30 June 2023, the highest daily deposit balance was RMB6.976 billion (2022: RMB10.349 billion); the highest average daily deposit balance on a monthly basis was RMB6.267 billion (2022: RMB9.512 billion); the highest daily loan balance was RMB2.179 billion (2022: RMB4.303 billion); and the highest average daily loan balance on a monthly basis was RMB1.297 billion (2022: RMB3.905 billion). Masteel Finance was disposed on 30 April 2023.

According to the financial service agreement signed on 15 November 2022, Masteel Finance provided financing services and deposit transactions to the Group, and from 15 November 2022 to 31 December 2024, the highest daily deposit balance should be no more than RMB10 billion, and other financial service charge should be no more than RMB0.21 billion. As of 30 June 2023, the balance of the Group's deposits with Baowu Finance was RMB2,961,322,352.

(6) *Other description*

An “*” indicates a continuing transaction as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties

Receivables from related parties

The Group

| Item | Related parties | 30 June 2023 | | 31 December 2022 | |
|-------------------|---|--------------------|------------------|------------------|-----------|
| | | Carrying amount | Provision | Carrying amount | Provision |
| Trade receivables | Xinchuang Environmental Protection Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd. | 264,290,047 | 2,642,900 | 216,344,542 | 2,163,445 |
| | Baowu Huanke Maanshan Resource Utilization Co., Ltd. | 51,103,524 | 511,035 | 53,828,607 | 538,286 |
| | Ma Steel Powder Metallurgy Co., Ltd. | 31,879,961 | 318,800 | 1,131,344 | 11,313 |
| | OBEI | 22,540,356 | 225,404 | 17,020,690 | 170,207 |
| | Masteel Heavy Machinery Manufacturing Co., Ltd. | 21,563,632 | 215,636 | 16,910,431 | 169,104 |
| | Baowu Water | 20,976,577 | 209,766 | 18,762,746 | 187,627 |
| | Changchun Baoyou Jiefang Steel Processing & Distribution Co., Ltd. | 12,894,271 | 128,943 | 42,633,130 | 426,331 |
| | Sinosteel Zhengzhou Metal Products Research Institute Co., Ltd. | 12,655,398 | 126,554 | - | - |
| | Shanghai Baosteel Trading Co., Ltd. | 11,618,269 | 116,183 | - | - |
| | Shanghai Ouye Purchasing Information Technology Co., Ltd. | 5,629,452 | 56,295 | 9,032,839 | 90,328 |
| | Ma-Steel OCI Chemical Co., Ltd. | 3,997,895 | 39,979 | - | - |
| | Anhui Keda Intelligent Energy Technology Co., Ltd. | 2,721,490 | 27,215 | 2,662,227 | 26,622 |
| | Maanshan Iron & Steel (Hefei) Industrial Water Supply Co., Ltd. | 2,647,248 | 26,472 | 3,017,585 | 30,176 |
| | Shanghai Baosteel Engineering & Technology Co., Ltd. | 2,626,933 | 26,269 | 256,608 | 2,566 |
| | Anhui Masteel K.Wah New Building Materials Co., Ltd. | 2,162,987 | 21,630 | - | - |
| | Anhui Masteel Surface Technology Co., Ltd. | 1,893,004 | 18,930 | 3,075,543 | 30,755 |
| | Ouyeel Blockchain Finance | 793,871 | 7,939 | 1,894,044 | 18,940 |
| | | 578,405 | 5,784 | 686,506 | 6,865 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Receivables from related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | | 31 December 2022 | |
|------|---|-----------------|-----------|------------------|-----------|
| | | Carrying amount | Provision | Carrying amount | Provision |
| | Anhui Masteel Equipment Maintenance Co., Ltd. | 350,748 | 3,507 | 694,289 | 6,943 |
| | Bsteel Online Co., Ltd. | 322,207 | 3,222 | 154,933 | 1,549 |
| | Magang (Group) Holding Co., Limited | 33,000 | 330 | 29,526 | 295 |
| | CRM East China Co., Ltd. | 28,231 | 282 | 27,540 | 275 |
| | Magang (Group) Logistics Co., Ltd. | - | - | 975,855 | 9,759 |
| | Baosteel Zhanjiang Iron and Steel Co., Ltd. | - | - | 6,294,946 | 62,949 |
| | Magang Chemicals & Energy | - | - | 13,732,863 | 137,329 |
| | Masteel Gases | - | - | 4,472,713 | 44,727 |
| | Anhui Baochang United Roll Co., Ltd. | - | - | 609,667 | 6,097 |
| | Maanshan Zhongye Huaxin Water Environment Control Co., Ltd. | - | - | 191 | 2 |
| | Maanshan Gangchen Industrial Co., Ltd. | - | - | 289,356 | 2,894 |
| | Others | 4,131,140 | 41,311 | 5,657,925 | 56,579 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Receivables from related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | | 31 December 2022 | |
|-------------|---|--------------------|------------------|------------------|-----------|
| | | Carrying amount | Provision | Carrying amount | Provision |
| | Sub-total | 477,438,646 | 4,774,386 | 420,196,646 | 4,201,963 |
| Prepayments | Shanghai Baosight Software Co., Ltd. | 37,426,478 | - | 49,960,538 | - |
| | Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd. | 15,190,306 | - | - | - |
| | Bsteel Online Co., Ltd. | 10,354,945 | - | - | - |
| | Shanghai MA Steel International Trade Company Limited | 9,450,650 | - | - | - |
| | Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd. | 1,783,387 | - | - | - |
| | Baowu Raw Material Supply Co., Ltd. | 1,665,835 | - | - | - |
| | Shanghai Baosteel Steel Products Trading Co., Ltd. | 1,599,983 | - | 1,599,983 | - |
| | Shanghai Ouyeel Material Technology Co., Ltd. | 1,365,564 | - | - | - |
| | Masteel Group Design and Research Institute Co., Ltd. | - | - | 7,508,367 | - |
| | Magang (Group) Logistics Co., Ltd. | - | - | 492,744 | - |
| | Shanxi Taigang Stainless Steel Co., Ltd. | 1,297,966 | - | 18,277,977 | - |
| | Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd. | - | - | 3,322,238 | - |
| | Wuhan Baozhang Automotive Steel Parts Co., Ltd. | 95,188 | - | - | - |
| | Holly Industrial | - | - | 869,205 | - |
| | Others entities controlled by the Holding | 2,048,926 | - | 2,187,148 | - |
| | Others companies controlled by the ultimate controlling party | 32,153 | - | 1,119,559 | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Receivables from related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | | 31 December 2022 | |
|-------------|---|-------------------|----------------|------------------|-----------|
| | | Carrying amount | Provision | Carrying amount | Provision |
| | Sub-total | 82,311,381 | - | 85,337,759 | - |
| Other | | | | | |
| receivables | Baowu Heavy Industry Co., Ltd. | 1,775,994 | 17,760 | 2,597,177 | 25,972 |
| | Masteel Group Kang Cheng Building and Installing Co., Ltd. | 2,035,509 | 20,355 | 2,035,509 | 20,355 |
| | Ma Steel (Jinhua) Processing and Distribution Co., Ltd. | - | - | 826,482 | 8,265 |
| | Magang (Group) Holding Company Limited | 120,000 | 120,000 | 120,000 | 1,200 |
| | Masteel Group Design and Research Institute Co., Ltd. | 143,934 | 2,899 | 9,731 | 97 |
| | Anhui Magang Limin Construction and Installation Co., Ltd. | - | - | 1,600 | 16 |
| | Shanxi Taigang Stainless Steel Co., Ltd | - | - | 224,909 | 2,249 |
| | Bsteel Online Co., Ltd. | - | - | 96,824 | 968 |
| | Shanghai Ouye Purchasing Information Technology Co., Ltd. | 19,233 | 192 | 67,728 | 677 |
| | Shanghai Ouyeel Material Technology Co., Ltd. | 8,341 | 918 | 8,341 | 83 |
| | Shanghai Baodi Yangpu Real Estate Development Co., Ltd | 5,219 | 52 | 5,219 | 52 |
| | Taiyuan Iron & Steel (Group) Co., Ltd. | 2,000 | 20 | 2,000 | 20 |
| | Wuhan Wugang Jiangbei Group Co., Ltd. | 700 | 7 | 700 | 7 |
| | Ouyeel Cloud Commerce Co., Ltd. | - | - | 400 | 4 |
| | Masteel (Hefei) Industrial Water Supply Co., Ltd. | 5,157,943 | 51,579 | - | - |
| | Huabao Investment Co., Ltd. | 92,780,048 | 927,800 | - | - |
| | Others | 41,922 | 419 | 49,789 | 498 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Receivables from related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | | 31 December 2022 | |
|------------------|--|--------------------|------------------|------------------|-----------|
| | | Carrying amount | Provision | Carrying amount | Provision |
| | Sub-total | 102,090,843 | 1,142,001 | 6,046,409 | 60,463 |
| Notes receivable | Anhui Masteel Mining Resources Group Co., Ltd. | 65,034,488 | - | 613,049,646 | - |
| | Masteel Chengxing Metal Resources Co., Ltd. | 9,850,428 | - | 26,632,369 | - |
| | Magang (Group) Logistics Co., Ltd. | 8,800,000 | - | - | - |
| | Maanshan Steel Chen Special Steel Supply Chain Co., Ltd. | 1,912,630 | - | - | - |
| | Maanshan Gangchen Steel Supply Chain Co., Ltd. | 1,000,000 | - | - | - |
| | OBEI | 583,080 | - | 56,591,751 | - |
| | Maanshan Gangchen Industrial Co., Ltd. | - | - | 5,397,645 | - |
| | Baowu Heavy Industry Co., Ltd. | - | - | 35,448,120 | - |
| | Wugang (Guangzhou) Steels Processing Co., Ltd. | - | - | 11,761,940 | - |
| | Ma Steel (Jinhua) Processing and Distribution Co., Ltd. | - | - | 1,205,846 | - |
| | Sub-total | 87,180,626 | - | 750,087,317 | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Receivables from related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | | 31 December 2022 | |
|---|---|-----------------|-------------|------------------|-----------|
| | | Carrying amount | Provision | Carrying amount | Provision |
| Financing receivables | Ma Steel (Guangzhou) Processing and Distribution Co., Ltd. | - | - | 43,102,126 | - |
| | Ma Steel (Jinhua) Processing and Distribution Co., Ltd. | - | - | 18,152,032 | - |
| | Baowu Heavy Industry Co., Ltd. | - | - | 16,393,880 | - |
| | Magang (Group) Logistics Co., Ltd. | - | - | 500,000 | - |
| | Anhui Masteel Logistics Container Intermodal Transport Co., Ltd. | 190,000 | - | 326,899 | - |
| | Shanghai Ouyeel Material Technology Co., Ltd. | - | - | 338,659,931 | - |
| | Bsteel Online Co., Ltd. | - | - | 4,918,794 | - |
| | Shanghai Baosteel Trading Co., Ltd. | - | - | 768,492 | - |
| | Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd. | - | - | 76,400,000 | - |
| | Anhui BRC & Masteel Weldmesh Co., Ltd. | - | - | 4,200,000 | - |
| | Maanshan Gangchen Industrial Co., Ltd. | - | - | 8,150,743 | - |
| | Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd. | - | - | 191,336 | - |
| | Sinosteel Zhengzhou Metal Products Research Institute Co., Ltd. | 1,070,000 | - | - | - |
| | Sinosteel Zhengzhou Metal Products Research Institute Co., Ltd. Maanshan Branch | 74,362 | - | - | - |
| | Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd. | 120,000 | - | - | - |
| | Maanshan Gangchen Steel Supply Chain Co., Ltd. | 1,169,100 | - | - | - |
| | Maanshan Steel Chen Special Steel Supply Chain Co., Ltd. | 1,210,000 | - | - | - |
| Shenyang Baosteel Northeast Trading Co., Ltd. | 200,000 | - | - | - | |
| Sub-total | 4,033,462 | - | 511,764,233 | - | |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Payables to related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | 31 December 2022 |
|----------------|---|----------------------|------------------|
| Trade payables | OBEI | 2,035,559,795 | 1,569,889,195 |
| | Anhui Zhonglian Shipping Co., Ltd. | 1,194,036,877 | 981,659,249 |
| | Anhui Masteel Mining Resources Group Co.Ltd. | 1,192,915,028 | 336,800,323 |
| | Masteel Chengxing Metal Resources Co., Ltd. | 852,652,299 | 625,321,283 |
| | Dongfang Futong Information Technology Co., Ltd. | 555,245,641 | – |
| | Masteel Group Design and Research Institute Co., Ltd. | 387,215,034 | 452,059,451 |
| | Ma Steel International Trade and Economic Co., Ltd. | 229,177,937 | 206,399,033 |
| | Shanghai Baosight Software Co., Ltd. | 152,389,253 | 151,930,565 |
| | Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd. | 142,857,784 | 123,304,783 |
| | Magang (Group) Logistics Co., Ltd. | 130,666,108 | 68,798,282 |
| | Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited | 17,171,757 | – |
| | MCC South Engineering Technology Co., Ltd. | 115,503,679 | 95,768,366 |
| | MCC South Continuous Casting Technology Engineering Co., Ltd | 108,999,935 | 44,547,907 |
| | Baowu Heavy Industry Co., Ltd. | 95,454,036 | 132,001,161 |
| | Masteel Lihua | 94,379,460 | 176,164,266 |
| | Masteel Heavy Machinery Manufacturing Co., Ltd. | 94,094,388 | 90,108,315 |
| | Anhui Baoxin Software | 90,807,797 | 95,541,867 |
| | Anhui Masteel Equipment Maintenance Co.,Ltd. | 83,729,113 | 135,498,962 |
| | Anhui Masteel Surface Technology Co., Ltd. | 78,031,435 | 56,852,549 |
| | Baoshan Iron & Steel Co., Ltd. | 77,732,709 | 35,408,448 |
| | Anhui Masteel Gas Technology Co., Ltd. | 71,031,296 | – |
| | Holly Industrial | 49,958,231 | 4,290,866 |
| | Baoshan Iron & Steel Co., Ltd. | 36,334,939 | 25,947,241 |
| | BOC-Ma Steel | 33,662,293 | 17,225,952 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Payables to related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | 31 December 2022 |
|------|--|-------------------|------------------|
| | Baowu Equipment Intelligent Technology Co., Ltd. | 32,084,038 | 24,193,993 |
| | Masteel Transportation Equipment Manufacturing Co., Ltd. | 29,110,552 | 26,334,080 |
| | Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd. | 28,075,008 | 805,451 |
| | Ruitai Masteel New Material Technology Co., Ltd. | 25,531,091 | – |
| | Maanshan Shenma Metallurgical Co., Ltd | 19,943,486 | 10,121,777 |
| | Wuhan Guide Electric Co., Ltd. | 16,792,947 | – |
| | Maanshan Iron Construction Group Co., Ltd. | 14,006,726 | – |
| | Anhui Zhonglian Shipping Co., Ltd. | 8,769,710 | 18,520,136 |
| | Baowu Water | 7,252,695 | 42,947,306 |
| | Shanghai Baosteel Engineering Consulting Co., Ltd. | 7,241,690 | 7,093,061 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Payables to related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | 31 December 2022 |
|----------------|---|-------------------|------------------|
| | Xinchuang Environmental Protection | – | 34,814,085 |
| Trade payables | Henan JinMa Energy | 4,908,757 | 8,386 |
| | Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd. | 3,483,074 | – |
| | Maanshan Steel Chen Special Steel Supply Chain Co., Ltd. | 3,034,975 | – |
| | Shanghai Baoneng Information Technology Co., Ltd. | 2,154,744 | 8,962,844 |
| | BAOSTEEL RESOURCES INTERNATIONAL COMPANY LIMITED | 1,924,156 | 21,443,659 |
| | Magang (Group) Holding Company Limited Magang Press | 381,143 | 279,779 |
| | Changzhou Baoling Heavy Industry Machinery Co., Ltd. | 266,680 | 13,334 |
| | Anhui Qingyang Baohon MINING&RESOURCE Co., Ltd. | 199,182 | 3,544,839 |
| | Maanshan Gangchen Industrial Co., Ltd | 187,800 | 190,370 |
| | Masteel Automobile Transportation Service Co., Ltd. | 150,704 | 10,906,319 |
| | Jiangsu Gongchang Roll Joint Stock Co., Ltd. | 3,397 | 367,190 |
| | Taicang Wugang Wharf Co., Ltd. | 2,014 | 1,165 |
| | Shenglong Chemical Co., Ltd. | 474 | 474 |
| | Wuhan Baozhang Automotive Steel Parts Co., Ltd | – | 1,624 |
| | Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd | – | 4,346,374 |
| | Baowu Raw Material Supply Co., Ltd. | – | 11,980,999 |
| | Other entities controlled by the ultimate controlling party | 48,162,038 | 56,392,795 |
| | Other entities controlled by the Holding | 30,220,776 | 66,919,998 |
| | Other associates of the Holding | 5,451,405 | 6,343,429 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS
(CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Payables to related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | 31 December 2022 |
|----------------|--|----------------------|------------------|
| | Sub-total | 8,208,946,086 | 5,782,051,531 |
| Other payables | Magang (Group) Logistics Co., Ltd. | 33,028,273 | 500,000 |
| | Anhui Masteel Equipment Maintenance Co., Ltd. | 500,000 | 500,000 |
| | Baowu Heavy Industry Co., Ltd. | – | 440,000 |
| | Ma Steel International Trade and Economic Co., Ltd. | 500,000 | – |
| | Shanghai Ouyeel Material Technology Co., Ltd. | 100,000 | 100,000 |
| | Shanghai Baosteel Engineering & Technology Co., Ltd. | 70,000 | 50,000 |
| | Hefei Bao Real Estate City Development Co., Ltd. | – | 20,000 |
| | Ouyeel Cloud Commerce Co., Ltd. | – | 10,000 |
| | Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd. | 2,000 | 2,000 |
| | Maanshan Iron Construction Group Co., Ltd. | 21,750 | – |
| | Holly Industrial | – | 8,000 |
| | Maanshan Shenma Metallurgical Co., Ltd. | – | 100,000 |
| | MCC South (Wuhan) Thermal Engineering Co., Ltd. | – | 500 |
| | Qinghai Kaiyuan Metal Material Co., Ltd. | 200,000 | 200,000 |
| | Anhui Qingyang Baohon MINING&RESOURCE Co., Ltd. | – | 100,000 |
| | Changzhou Baoling Heavy Industry Machinery Co., Ltd. | – | 1,750 |
| | Others | 543,350 | 727,000 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Payables to related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | 31 December 2022 |
|----------------------|---|--------------------|------------------|
| | Sub-total | 34,965,373 | 2,759,250 |
| Contract liabilities | Ma Steel (Jinhua) Processing and Distribution Co., Ltd. | 167,114,779 | 137,624,459 |
| | Magang (Guangzhou) Steels Processing Co., Ltd. | 120,066,829 | 70,234,904 |
| | Baowu Heavy Industry Co., Ltd. | 55,259,661 | 58,619,922 |
| | Shanghai Ouyeel Material Technology Co., Ltd.6 | 54,343,294 | 153,347,835 |
| | Bsteel Online Co., Ltd. | 46,446,313 | 140,676,295 |
| | Maanshan Gangchen Industrial Co., Ltd. | 25,873,131 | 27,840,809 |
| | Shanghai Iron & Steel Exchange Co., Ltd. | 19,033,075 | 43,069,782 |
| | Holly Industrial | 11,827,580 | 5,270,522 |
| | Magang Chemicals & Energy | 6,881,829 | – |
| | Anhui Masteel Zhang Zhuang Mining Co., Ltd. | 2,185,715 | 1,934,261 |
| | Magang (Group) Logistics Co., Ltd. | 2,836,020 | 3,991,488 |
| | Masteel Group Kang Tai Land Development Co., Ltd. | 1,928,017 | 3,052,552 |
| | Shanghai Ouyeel Material Technology Co., Ltd. | 1,529,112 | – |
| | Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd. | 1,112,548 | 47,716,814 |
| | Anhui Tiankai Road and Bridge Co., Ltd. | 163,785 | 144,943 |
| | Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd. | 121,260 | 605,813 |
| | Anhui Baosteel Steel Distribution Co., Ltd. | 41,183 | 20,079 |
| | Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd. | 30,432 | 117,027 |
| | Maanshan Shenma Metallurgical Co., Ltd. | 4,097 | 3,626 |
| | Changzhou Baoling Heavy Industry Machinery Co., Ltd. | 2,363 | 2,091 |
| | Suzhou Suma Industry Development Co., Ltd. | 793 | 702 |
| | Masteel Group Kang Cheng Building and Installing Co., Ltd. | – | 683,313 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Payables to related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | 31 December 2022 |
|---------------|--|--------------------|------------------|
| | Shanghai Baosteel Trading Co., Ltd. | – | 2,859,564 |
| | Beijing Baosteel North Trade Co., Ltd. | – | 238,938 |
| | Masteel Group Mapping Co., Ltd. | – | 8,850 |
| | CIMC Baochuang (Wuxi) Steel Processing Co., Ltd. | – | 799,068 |
| | Yuxi Xinxing Steel Co., Ltd. | – | 85,280 |
| | Others | 2,217,590 | 2,758,953 |
| | Sub-total | 519,019,406 | 701,707,890 |
| Notes payable | Baowu Raw Material Supply Co., Ltd. | 916,748,230 | 1,375,467,238 |
| OBEI | | 745,810,741 | – |
| | Ma Steel International Trade and Economic Co., Ltd. | 442,773,392 | 340,818,750 |
| | Masteel Chengxing Metal Resources Co., Ltd. | 375,526,640 | – |
| | Maanshan Iron & Steel Company Limited | 167,502,425 | – |
| | Baosteel Resources Holdings(Shanghai) Co., Ltd. | 100,000,000 | 40,647,091 |
| | Shanghai Baosight Software Co., Ltd. | 28,066,910 | 16,833,540 |
| | Holly Industrial | 3,733,882 | – |
| | Anhui Masteel Surface Technology Co., Ltd. | 3,428,219 | 64,354 |
| | Masteel Group Design and Research Institute Co., Ltd. | 1,794,478 | 11,813,432 |
| | Baowu Equipment Intelligent Technology Co., Ltd. | 1,228,305 | – |
| | Sinosteel Xingtai Mechanical Rolling Co., Ltd. | 1,123,220 | – |
| | Anhui Masteel Equipment Maintenance Co., Ltd. | 865,944 | 1,208,430 |
| | Sinosteel Wuhan Safety and Environmental Protection Research Institute Co., Ltd. | 794,000 | – |
| | Yangtze River Delta (Hefei) Digital Technology Co., Ltd. | 711,454 | 636,000 |
| | MCC South Engineering Technology Co., Ltd. | 542,400 | 1,395,600 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

Payables to related parties (Continued)

The Group

| Item | Related parties | 30 June 2023 | 31 December 2022 |
|------|---|---------------|------------------|
| | Shanghai Jinyi Inspection Technology Co., Ltd. | 159,000 | 421,880 |
| | Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd. | 65,879 | – |
| | MCC South (Wuhan) Thermal Engineering Co., Ltd. | – | 414,170 |
| | Maanshan Masteel Electric Repair Co., Ltd. | – | 174,924 |
| | Anhui Baoxin Software | – | 68,136 |
| | Jiangsu Gongchang Roll Joint Stock Co., Ltd. | – | 234,588 |
| | Holly Industrial | – | 4,207,696 |
| | Ezhou Pelletizing Co., Ltd. of WISC Resources Group | – | 76,078,235 |
| | Sub-total | 2,790,875,119 | 1,870,484,064 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

7. Equity transactions with related parties

Masteel Finance is a limited liability company established in accordance with the laws of the People's Republic of China, with a registered capital of RMB2 billion, of which RMB1.82 billion was contributed by Masteel, accounting for 91% of the total registered capital, and RMB180 million was contributed by Masteel Holding, accounting for 9% of the total registered capital.

In November 2022, Magang Stock entered into the *Merger Agreement between Baowu Group Finance Co., Ltd. and Magang Group Finance Co., Ltd.* with Baowu Finance, Masteel Finance, the Holding, Baowu Group, Baoshan Iron & Steel Co., Ltd. and Wuhan Iron and Steel Co., Ltd. The Company transferred 91% equity interest in Masteel Finance directly held by the Company to Baowu Finance at a consideration of RMB2,671 million in exchange for 29.68% equity interest in Baowu Finance, and the settlement date of the merger is 30 April 2023. Upon completion of the merger, Baowu Finance, as the absorbing party and the surviving party of the merger, shall succeed to and assume all the assets, liabilities, business, contracts and all other rights and obligations of Masteel Finance and shall apply for the relevant change of registration formalities. Masteel Finance, as the absorbed party and the non-surviving party of the merger, shall be inherited and assumed by Baowu Finance, and also, Masteel Finance shall go through the formalities for the cancellation of the registration.

Upon completion of the merger, the Group will no longer include Masteel Finance in its scope of consolidation. Also, the Group directly holds 29.68% equity interest in Baowu Finance and has appointed two directors to serve on the Special Committee of the Board of Directors, thus Baowu Finance is included in the Group's associates and accounted for under the equity method.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XI. SHARE BASED PAYMENT

1. Information about share-based payments

| | 30 June 2023 | 31 December 2022 |
|---|------------------|---------------------|
| Total amount of equity instruments granted during the year | – | 75,050,000 |
| Total amount of equity instruments exercised during the year | – | – |
| Number of each equity instrument cancelled by the Company during the year | 5,944,000 | – |

Expenses recognised during the year arising from share-based payments are as follows:

| Item | 30 June 2023 | 31 December 2022 |
|-------------------------------------|--------------------|---------------------|
| Equity-settled share-based payments | (5,538,638) | 32,826,870 |

2. Equity-settled share-based payments

On March 30, 2022, the 59th meeting of the 9th Board of Directors and the 49th meeting of the 9th Supervisory Board of the Company deliberated and passed the “Proposal on the First Grant of Restricted Shares to the Incentive Recipients of the Company’s 2021 A-Share Restricted Stock Incentive Plan”, which determined that the grant date of the restricted stock incentive plan is March 30, 2022. As of April 25, 2022, the Group had received a total of RMB171,864,500 of capital contributions from incentive recipients, including RMB75,050,000 of new registered capital and RMB96,814,500 of capital reserve. The changed registered capital is RMB7,775,731,186. The Group recognizes a liability in full for the repurchase obligation of restricted shares and treats it as the purchase of treasury shares. The total number of restricted shares granted and registered under the incentive plan is 75,050,000, which has been registered in China Securities Depository and Clearing Co., Ltd. Shanghai Branch on May 9, 2022 and has obtained the certificate of securities change registration.

On December 29, 2022, the third extraordinary general meeting of shareholders of the Company in 2022 deliberated and passed the “Proposal on the Repurchase and Cancellation of Certain Restricted Shares”. The 1,864,000 shares of restricted stock held by the 6 people who retired, transferred or died will not be released from sale, and will be repurchased by the company at the grant price of 2.29 yuan per share plus the bank’s time deposit interest for the same period.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XI. SHARE BASED PAYMENT (CONTINUED)

2. Equity-settled share-based payments (Continued)

On 29 March 2023, the second extraordinary general meeting of 2023 of the Company resolved the Proposal on the Repurchase and Cancellation of Certain Restricted Shares. The 4,080,000 restricted shares held by 13 individuals who retired, transferred or deceased will no longer be released from restricted sale and will be repurchased by the Company at the sum of the grant price of RMB2.29 per share plus interest on time deposits for the same period at the bank.

As of 30 June 2023, the Company had accrued the repurchase amount of 5,944,000 shares for the 19 individuals mentioned above due to retirement, transfer and decease and offset the long-term payables. The Company has fulfilled the relevant cancellation procedures.

Pursuant to the Company's *2021 A-Share Restricted Stock Incentive Plan* (the "Incentive Plan"), if the performance appraisal target for the release period in any appraisal year of the Incentive Plan is not satisfied, the Company will repurchase all of the restricted shares corresponding to the appraisal year at the lower value of the grant price and the market price. As the stipulated performance appraisal target for 2022 was not achieved, the Company was required to repurchase all the restricted shares corresponding to the appraisal year of 2022 at the lower of the grant price and the market price, involving 242 individuals, with 22,849,200 shares repurchased at a repurchase amount of RMB52,324,668. As of 30 June 2023, the repurchase and cancellation plan had not been fulfilled.

Determination method of fair value of equity instruments on the grant date

The fair value of the equity instruments issued by the Group on the grant date is the market value of the Group's shares on the grant date.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XII. CAPITAL MANAGEMENT

The main objective of the Group's capital management is to ensure the Group's ability to continue operations and to maintain healthy capital ratios in order to support business growth and maximise shareholders' value.

The Group manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to externally imposed capital requirements constraints. For the six months ended 30 June 2023, capital management objectives, policies or procedures of the Group did not change.

The Group uses a gearing ratio to manage its capital. The gearing ratio refers to the percentage of net debt versus total capital attributable to owners of the parent plus net debt, and the target gearing ratio for the Group is between 50% and 70%. Net debt includes customer deposits, bank loans, notes payable, trade payables, payroll and employee benefits payable, and other payables, etc., minus cash and bank balances. Capital refers to total capital attributable to owners of the parent. The Group's gearing ratio at the end of the reporting period was as follows:

Gearing ratio was as follows:

| | 30 June 2023 | 31 December 2022 |
|--|-----------------------|---------------------|
| Current liabilities | | |
| Customer deposits | – | 9,082,110,579 |
| Repurchase agreements | – | 659,635,255 |
| Short-term loans | 8,773,620,958 | 9,198,483,165 |
| Notes payable | 6,224,257,622 | 5,220,978,025 |
| Trade payables | 16,627,260,626 | 17,224,018,731 |
| Payroll and employee benefits payable | 166,541,362 | 488,255,914 |
| Other payables | 2,841,171,373 | 3,917,090,333 |
| Other current liabilities | 674,880,660 | 648,392,994 |
| Non-current liabilities due within one year | 3,200,841,489 | 2,059,412,922 |
| Non-current liabilities | – | – |
| Long-term loans | 7,250,337,107 | 7,982,390,765 |
| Lease liabilities | 298,224,844 | 305,546,394 |
| Long-term employee benefits payable | 17,302,359 | 16,423,474 |
| Less: Cash and bank balances | 6,360,496,388 | 6,534,701,307 |
| Net liabilities | 39,713,942,012 | 50,268,037,244 |
| Capital attributable to owners of the parent | 26,856,392,704 | 29,194,825,322 |
| Capital and net liabilities | 66,570,334,716 | 79,462,862,566 |
| Gearing ratio | 60% | 63% |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

| Item | 30 June 2023 | 31 December 2022 |
|--|----------------------|---------------------|
| Contracted, but not provided for Capital commitments | 3,802,637,058 | 3,230,499,705 |
| Total | 3,802,637,058 | 3,230,499,705 |

2. Contingencies

Difference of corporate income tax

The State Administration of Taxation issued “The notice of income tax collection and management on Shanghai Petrochemical Company Limited and other eight companies listed overseas corporation” (Guo Shui Han [2007] No. 664) in June 2007, with stated claims that the relevant local tax bureaus must correct immediately the expired tax incentives of the nine Hong Kong listed companies. The income tax difference between the results of the previously expired preferential rate and the applicable rate should be treated in accordance with the relevant provisions of the “People’s Republic of China Administration of Tax Collection Law”.

The Company was one of the nine companies mentioned above and used a 15% preferential tax rate in the previous years. Then, the Company and the tax authorities had a comprehensive communication and according to the tax authorities, the applicable corporate income tax rate in 2007 was 33%, which was adjusted from the original 15%. The Company has not been charged of prior period income taxes arising from difference in income tax rates.

In view of above, the director of the Company believed that it is uncertain whether the tax authorities will chase the difference between the previous period’s income tax at this stage, and the final result of this matter cannot be estimated reliably. Therefore, the financial statements have not made any preparation or adjustments related to the income tax differences.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Material non-adjusting post balance sheet date events

Until the approval date of 2023 interim report, there is no significant event after the reporting period need to be disclosed by the Group or the Company.

XV. OTHER SIGNIFICANT EVENTS

1. Operating segment information

The Group has identified the Company and its subsidiaries other than Masteel Finance as one reportable segment on the basis of its internal organisational structure, management requirements and internal reporting system. The Group focuses on the business of production and sales of iron and steel products and their by-products, and Masteel Finance mainly provides financial services within the Group. The Group has not identified financial services as a separate reportable segment. On 30 April 2023, the Company transferred 91% equity interest in Masteel Finance directly held by the Company to Baowu Finance by way of equity replacement. Accordingly, there is no need to present more detailed operating segment information.

(1) Geographical information

The following table sets out information about the geographical location of the Group's operating income from external customers and the Group's non-current assets (excluding financial instruments, independent account assets, deferred tax assets). The geographical information is based on the location of customers receiving services or goods. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets; the location of the operation to which they are allocated, in the case of intangible assets and goodwill; and the location of operations, in the case of interests in associates and joint ventures.

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XV. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Operating segment information (Continued)

(2) Other financial information*

| | Group | | Company | |
|---------------------------------------|------------------|------------------|------------------|------------------|
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Current assets | 22,439,153,612 | 39,317,078,246 | 15,442,346,493 | 18,721,108,107 |
| Less: Current liabilities | 44,262,535,080 | 54,151,564,967 | 39,977,983,748 | 38,784,663,002 |
| Net current liabilities | (21,823,381,468) | (14,834,486,721) | (24,535,637,255) | (20,063,554,895) |
| | | | | |
| | Group | | Company | |
| | 30 June 2023 | 31 December 2022 | 30 June 2023 | 31 December 2022 |
| Total assets | 83,436,327,222 | 96,887,310,222 | 71,369,777,098 | 72,903,958,127 |
| Less: Current liabilities | 44,262,535,080 | 54,151,564,967 | 39,977,983,748 | 38,784,663,002 |
| Total assets less current liabilities | 39,173,792,142 | 42,735,745,255 | 31,391,793,350 | 34,119,295,125 |

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS

1. Notes receivable

(1) Classification of notes receivable

| Item | 30 June 2023 | 31 December 2022 |
|--------------------------------|--------------|------------------|
| Bank acceptance notes | 761,294,000 | 2,028,976,500 |
| Commercial acceptance bills | — | — |
| Sub-total | 761,294,000 | 2,028,976,500 |
| Less: Provisions for bad debts | — | — |
| Total | 761,294,000 | 2,028,976,500 |

All of the above notes are due within one year.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS
(CONTINUED)

1. Notes receivable (Continued)

(2) *The pledged notes receivable of the Company at the end of the period:*

| Item | Pledged amount at the end of the period |
|-----------------------------|---|
| Bank acceptance notes | 631,825,868 |
| Commercial acceptance bills | – |
| Total | 631,825,868 |

(3) *Outstanding endorsed or discounted notes that have not matured at the end of the period*

| Item | Amount derecognized at period end | Amount not derecognized at period end |
|-----------------------------|---|---|
| Bank acceptance notes | 10,988,499,538 | 733,429,807 |
| Commercial acceptance bills | – | – |
| Total | 10,988,499,538 | 733,429,807 |

2. Trade receivables

(1) *Trade receivables by customer type:*

| Customer type | 30 June 2023 | 31 December 2022 |
|--------------------------------|-----------------|---------------------|
| Related parties | 1,505,765,995 | 1,521,815,499 |
| Third party | 99,952,184 | 94,058,612 |
| Sub-total | 1,605,718,179 | 1,615,874,111 |
| Less: Provisions for bad debts | 65,531,620 | 61,074,999 |
| Total | 1,540,186,559 | 1,554,799,112 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Trade receivables (Continued)

(2) The age of trade receivables is analysed below:

| Age | 30 June 2023 | 31 December 2022 |
|--------------------------------|----------------------|---------------------|
| Within one year (inclusive) | 1,476,849,200 | 1,437,303,570 |
| One to two years (inclusive) | 54,931,680 | 122,718,207 |
| Two to three years (inclusive) | 21,520,050 | 7,489,131 |
| Over three years | 52,417,249 | 48,363,203 |
| Sub-total | 1,605,718,179 | 1,615,874,111 |
| Less: Provisions for bad debts | 65,531,620 | 61,074,999 |
| Total | 1,540,186,559 | 1,554,799,112 |

The ageing is counted starting from the date when trade receivables are recognised.

(3) Trade receivables by provisioning method

| Category | 30 June 2023 | | | | 31 December 2022 | | | | | |
|--|----------------------|------------|-------------------------|-----------|----------------------|---------------|-------------------------|--------------|------------|---------------|
| | Carrying amount | | Provision for bad debts | | Carrying amount | | Provision for bad debts | | Book value | |
| | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) | Amount | Ratio (%) | | |
| Assessed bad debt provision individually | 1,061,674,481 | 66 | - | - | 1,061,674,481 | 1,111,413,475 | 69 | - | - | 1,111,413,475 |
| - Receivables from intra-group subsidiaries | 1,061,674,481 | 66 | - | - | 1,061,674,481 | 1,111,413,475 | 69 | - | - | 1,111,413,475 |
| Assessed bad debt provision in portfolios | 544,043,698 | 34 | (65,531,620) | 12 | 478,512,078 | 504,460,636 | 31 | (61,074,999) | 12 | 443,385,637 |
| - Assessed bad debt provision in portfolios based on credit risk characteristics | 544,043,698 | 34 | (65,531,620) | 12 | 478,512,078 | 504,460,636 | 31 | (61,074,999) | 12 | 443,385,637 |
| Total | 1,605,718,179 | 100 | (65,531,620) | | 1,540,186,559 | 1,615,874,111 | 100 | (61,074,999) | | 1,554,799,112 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Trade receivables (Continued)

(3) Trade receivables by provisioning method (Continued)

Assessment of ECLs on trade receivables

At all times the Company measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of ageing and the expected loss rate. According to the historical experience of the Company, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

30 June 2023

| | Expected credit loss ratio | Carrying amount | Impairment loss at the end of the period |
|--------------------|-------------------------------|-----------------|--|
| Within one year | 1% | 458,031,095 | 4,580,311 |
| One to two years | 21% | 28,252,816 | 5,897,331 |
| Two to three years | 51% | 5,522,058 | 2,816,249 |
| Over three years | 100% | 52,237,729 | 52,237,729 |
| Total | | 544,043,698 | 65,531,620 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS
(CONTINUED)

2. Trade receivables (Continued)

(3) Trade receivables by provisioning method (Continued)

31 December 2022

| | Expected credit loss ratio | Carrying amount | Impairment loss at the end of the year |
|--------------------|-------------------------------|--------------------|---|
| Within one year | 1% | 405,775,825 | 4,057,758 |
| One to two years | 16% | 43,011,998 | 6,881,920 |
| Two to three years | 45% | 10,068,170 | 4,530,677 |
| Over three years | 100% | 45,604,643 | 45,604,644 |
| Total | | 504,460,636 | 61,074,999 |

The loss given default is measured based on the actual credit loss experience in the past, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

(4) The movements of the provision for bad debts were as follows:

| | 30 June 2023 | 31 December 2022 |
|-----------------|-------------------|---------------------|
| Opening balance | 61,074,999 | 44,605,266 |
| Increase | 4,456,621 | 16,469,733 |
| Closing balance | 65,531,620 | 61,074,999 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Trade receivables (Continued)

(5) The top five trade receivables classified by debtor were as follows:

| 30 June 2023 | Relationship with the Company | Ending balance | Age | Percentage of Trade receivables | Ending balance of provision |
|--------------|-------------------------------|----------------|-----------------|---------------------------------|-----------------------------|
| Company 1 | Related party | 264,290,047 | Within one year | 16% | (2,642,900) |
| Company 2 | Subsidiary | 216,601,159 | Within one year | 13% | – |
| Company 3 | Subsidiary | 197,958,205 | Within one year | 12% | – |
| Company 4 | Subsidiary | 157,557,464 | Within one year | 10% | – |
| Company 5 | Subsidiary | 148,323,502 | Within one year | 9% | – |
| Total | / | 984,730,377 | / | 60% | (2,642,900) |

| 31 December 2022 | Relationship with the Company | Ending balance | Age | Percentage of Trade receivables | Ending balance of provision |
|------------------|-------------------------------|----------------|------------------|---------------------------------|-----------------------------|
| Company 1 | Subsidiary | 482,724,261 | Within two years | 30% | – |
| Company 2 | Subsidiary | 337,003,035 | Within one year | 21% | – |
| Company 3 | Related party | 216,344,542 | Within one year | 13% | (2,163,445) |
| Company 4 | Subsidiary | 182,590,413 | Within one year | 11% | – |
| Company 5 | Subsidiary | 90,787,253 | Within one year | 6% | – |
| Total | / | 1,309,449,504 | / | 81% | (2,163,445) |

3. Financial receivables

| Item | Opening balance | Changes in fair value during the period | Ending balance | Accumulated impairment losses recognised in other comprehensive income |
|------------------|-----------------|---|----------------|--|
| Notes receivable | 2,090,411,894 | – | 1,567,483,220 | – |
| Total | 2,090,411,894 | – | 1,567,483,220 | – |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS
(CONTINUED)

4. Other receivables

| | <i>Note</i> | 30 June 2023 | 31 December 2022 |
|----------------------|-------------|-------------------------|---------------------|
| Dividends receivable | (1) | 36,879,200 | – |
| Other receivables | (2) | 97,912,991 | 150,558,816 |
| Total | | 134,792,191 | 150,558,816 |

(1) *Dividends receivable*

(a) Dividends receivable by category:

| Item(or investee) | 30 June 2023 | 31 December 2022 |
|--------------------------|-------------------------|---------------------|
| Ma Steel (HK) | 36,879,200 | – |
| Total | 36,879,200 | – |

(2) *Other receivables*

(a) By customer type:

| Customer type | 30 June 2023 | 31 December 2022 |
|--------------------------------|-------------------------|---------------------|
| Related parties | 11,480,593 | 58,527 |
| Third party | 145,153,318 | 212,996,212 |
| Sub-total | 156,633,911 | 213,054,739 |
| Less: Provisions for bad debts | 58,720,920 | 62,495,923 |
| Total | 97,912,991 | 150,558,816 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables (Continued)

(2) Other receivables (Continued)

(b) An age analysis of the other receivables is as follows:

| Age | 30 June 2023 | 31 December 2022 |
|--------------------------------|--------------------|---------------------|
| Within one year (inclusive) | 94,159,482 | 146,676,603 |
| One to two years (inclusive) | 4,211,978 | 4,417,763 |
| Two to three years (inclusive) | 39,732 | 711,678 |
| Over three years | 58,222,719 | 61,248,695 |
| Sub-total | 156,633,911 | 213,054,739 |
| Less: Provisions for bad debts | 58,720,920 | 62,495,923 |
| Total | 97,912,991 | 150,558,816 |

The ageing is counted starting from the date when other receivables are recognised.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables (Continued)

(2) Other receivables (Continued)

(c) The movements of the provision for bad debts were as follows:

| Provision for bad debts | 30 June 2023 | | | Total | 31 December 2022 | | | Total |
|--|--|---|---|-------------|--|---|--|------------|
| | Stage I 12-month expected credit losses | Stage II Not credit- impaired financial assets (Lifetime expected credit losses) | Stage III Credit-impaired financial assets (Lifetime expected credit losses) | | Stage I 12-month expected credit losses | Stage II Not credit-impaired financial assets (Lifetime expected credit losses) | Stage III Credit-impaired financial assets (Lifetime expected credit losses) | |
| Balance at the beginning of the period | 633,140 | 10,260,036 | 51,602,747 | 62,495,923 | 299,819 | 8,799,222 | 50,635,384 | 59,734,425 |
| Changes due to the opening balance | - | - | - | - | - | - | - | - |
| Transfer to stage 2 | - | - | - | - | - | - | - | - |
| Transfer to stage 3 | - | - | - | - | - | - | - | - |
| Reverse to stage 2 | - | - | - | - | - | - | - | - |
| Reverse to stage 1 | - | - | - | - | - | - | - | - |
| Provided | - | - | - | - | 333,321 | 1,460,814 | 967,363 | 2,761,498 |
| Reversal | (616,194) | (1,962,370) | (1,196,439) | (3,775,003) | - | - | - | - |
| Write-off | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Other changes | - | - | - | - | - | - | - | - |
| Balance at the end of the period | 16,946 | 8,297,666 | 50,406,308 | 58,720,920 | 633,140 | 10,260,036 | 51,602,747 | 62,495,923 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS
(CONTINUED)

4. Other receivables (Continued)

(2) Other receivables (Continued)

(d) Analysed by nature

| Nature of other receivables | 30 June 2023 | 31 December 2022 |
|--------------------------------------|--------------------|---------------------|
| Due from trading companies | 58,767,824 | 81,625,203 |
| Guarantee for steel futures | 80,845,758 | 81,935,967 |
| Prepayments of custom duties and VAT | 70,000 | 30,020,000 |
| Others | 16,950,329 | 19,473,569 |
| Sub-total | 156,633,911 | 213,054,739 |
| Less: Provision for bad debts | 58,720,920 | 62,495,923 |
| Total | 97,912,991 | 150,558,816 |

(e) The top five other receivables classified by debtor were as follows:

30 June 2023

| Debtor | Nature | Balance | Age | Ratio to total other receivables (%) | Balance of bad debts |
|-----------|-------------------------------|--------------------|-------------------|---|-------------------------|
| Company 1 | Due from trading companies | 45,390,133 | More than 3 years | 29 | (45,390,133) |
| Company 2 | Guarantee for steel futures | 43,108,167 | Within 1 year | 28 | - |
| Company 3 | Guarantee for steel futures | 37,735,591 | Within 1 year | 24 | - |
| Company 4 | Due from trading companies | 2,467,170 | More than 3 years | 2 | (2,467,170) |
| Company 5 | Due from trading companies | 2,427,691 | More than 3 years | 2 | (2,427,691) |
| Total | | 131,128,752 | | 85 | (50,284,994) |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables (Continued)

(2) Other receivables (Continued)

(e) The top five other receivables classified by debtor were as follows: (Continued)

31 December 2022

| Debtor | Nature | Balance | Age | Ratio to total other receivables (%) | Balance of bad debts |
|-----------|-----------------------------|-------------|-------------------|--------------------------------------|----------------------|
| Company 1 | Due from trading companies | 45,390,133 | More than 3 years | 21 | (45,390,133) |
| Company 2 | Guarantee for steel futures | 44,388,394 | Within 1 year | 21 | – |
| Company 3 | Guarantee for steel futures | 37,545,573 | Within 1 year | 18 | – |
| Company 4 | Guarantee | 29,950,000 | Within 1 year | 14 | (299,500) |
| Company 5 | Others | 2,821,477 | Within 1 year | 1 | (28,215) |
| Total | | 160,095,577 | | 75 | (45,717,848) |

5. Long-term equity investments

(1) Long-term equity investments by category:

| Item | Carrying amount | 30 June 2023 | | Carrying amount | 31 December 2022 | |
|--|-----------------|-------------------------|----------------|-----------------|-------------------------|----------------|
| | | Provision for bad debts | Book value | | Provision for bad debts | Book value |
| Investments in subsidiaries | 7,019,960,737 | (969,575,662) | 6,050,385,075 | 8,863,133,346 | (969,575,662) | 7,893,557,684 |
| Investments in joint ventures and associates | 6,678,489,038 | – | 6,678,489,038 | 4,100,947,917 | – | 4,100,947,917 |
| Total | 13,698,449,775 | (969,575,662) | 12,728,874,113 | 12,964,081,263 | (969,575,662) | 11,994,505,601 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. Long-term equity investments (Continued)

(2) Investments in subsidiaries

| Subsidiary | Opening balance | Increase | Decrease | Ending balance | Provision for impairment | Impairment at the end of the period |
|----------------------------------|-----------------|----------|-----------------|----------------|--------------------------|-------------------------------------|
| Ma Steel (Wuhu) | 8,225,885 | - | - | 8,225,885 | - | - |
| Ma Steel (Cihu) | 48,465,709 | - | - | 48,465,709 | - | - |
| Ma Steel (HK) | 52,686,550 | - | - | 52,686,550 | - | - |
| MG Trading | 1,573,766 | - | - | 1,573,766 | - | - |
| Ma Steel (Australia) | 126,312,415 | - | - | 126,312,415 | - | - |
| Ma Steel (Hefe) | 1,775,000,000 | - | - | 1,775,000,000 | - | - |
| Ma Steel (Hefe) Processing | 85,596,489 | - | - | 85,596,489 | - | - |
| Ma Steel (Yangzhou) Processing | 116,462,300 | - | - | 116,462,300 | - | - |
| Wuhu Technique | 106,500,000 | - | - | 106,500,000 | - | - |
| Chongqing Material | 175,000,000 | - | - | 175,000,000 | - | - |
| Anhui Chang Jiang Iron and Steel | 1,234,444,444 | - | - | 1,234,444,444 | - | - |
| Masteel Finance | 1,843,172,609 | - | (1,843,172,609) | - | - | - |
| Hefe Materials | 140,000,000 | - | - | 140,000,000 | - | - |
| MG-VALDUNES | 227,031,323 | - | - | 227,031,323 | - | 969,575,662 |
| Ma Steel Hangzhou Sales | 10,000,000 | - | - | 10,000,000 | - | - |
| Ma Steel Wuxi Sales | 10,000,000 | - | - | 10,000,000 | - | - |
| Ma Steel Nanjing Sales | 10,000,000 | - | - | 10,000,000 | - | - |
| Ma Steel Shanghai Sales | 10,000,000 | - | - | 10,000,000 | - | - |
| Ma Steel Rail Transportation | 1,522,317,563 | - | - | 1,522,317,563 | - | - |
| Mascometal | 127,368,631 | - | - | 127,368,631 | - | - |
| Ma Steel Hongfei | 51,000,000 | - | - | 51,000,000 | - | - |
| Wuhan Material | 212,500,000 | - | - | 212,500,000 | - | - |
| Total | 7,893,557,684 | - | (1,843,172,609) | 6,050,385,075 | - | 969,575,662 |

For information about the subsidiaries of the Company, refer to Note VII.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. Long-term equity investments (Continued)

(3) Investments in joint ventures and associates:

For the six months ended 30 June 2023

| Name of investee | Opening balance | Increase | Decrease | Investment income under the equity method | Changes during the period | | | | Ending balance | Impairment at the end of the period |
|---|-----------------|---------------|---------------|---|----------------------------|-----------------------|---|--------------------------|----------------|-------------------------------------|
| | | | | | Other comprehensive income | Other equity movement | Cash dividend declared or profit distribution | Provision for impairment | | |
| Joint venture | | | | | | | | | | |
| Maanshan BOC-Ma Steel Gases Company Limited | 297,830,424 | - | - | 28,281,656 | - | 226,657 | (25,000,000) | - | - | 301,338,737 |
| Sub-total | 297,830,424 | - | - | 28,281,656 | - | 226,657 | (25,000,000) | - | - | 301,338,737 |
| Associates | | | | | | | | | | |
| Henan JimMa Energy | 934,867,868 | - | - | 25,716,599 | (891,014) | 797,402 | (7,200,000) | - | - | 953,290,855 |
| Shenglong Chemical | 1,114,069,916 | - | - | (20,255,431) | - | 1,035,786 | - | - | - | 1,094,850,271 |
| Xinchuang Environmental Protection | 75,989,051 | - | - | (1,542,796) | - | 373,936 | - | - | - | 74,820,191 |
| Ouyee Factoring | 163,524,728 | - | (165,977,906) | 2,453,178 | - | - | - | - | - | - |
| Magang Chemicals & Energy | 259,319,074 | - | - | 3,988,089 | - | 697,938 | - | - | - | 264,005,101 |
| OBEI | 425,551,735 | - | - | 2,155,468 | 37,422 | - | - | - | - | 427,744,625 |
| Baowu Water Technology Co., Ltd. | 661,849,275 | - | - | 2,408,565 | - | (4,388,069) | - | - | - | 659,869,751 |
| Masteel Gases | 167,945,846 | - | - | 7,311,566 | - | 1,414,379 | - | - | - | 176,671,791 |
| Baowu Finance | - | 2,671,258,054 | - | 28,811,979 | 25,827,683 | - | - | - | - | 2,725,897,716 |
| Sub-total | 3,803,117,493 | 2,671,258,054 | (165,977,906) | 51,047,217 | 24,974,091 | (68,648) | (7,200,000) | - | - | 6,377,150,301 |
| Total | 4,100,947,917 | 2,671,258,054 | (165,977,906) | 79,328,873 | 24,974,091 | 158,009 | (32,200,000) | - | - | 6,678,489,038 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

5. Long-term equity investments (Continued)

(3) Investments in joint ventures and associates: (Continued)

2022

| Name of investee | Opening balance | Increase | Decrease | Investment income under the equity method | Changes during the period | | | Cash dividend declared or profit distribution | Provision for impairment | Others | Ending balance | Impairment at the end of the period |
|---|-----------------|----------|---------------|---|----------------------------|-----------------------|-------|---|--------------------------|------------|----------------|-------------------------------------|
| | | | | | Other comprehensive income | Other equity movement | Other | | | | | |
| Joint venture | | | | | | | | | | | | |
| Maanshan BOC-Ma Steel Gases Company Limited | 307,367,524 | - | - | 83,462,900 | - | - | - | (93,000,000) | - | - | 297,830,424 | - |
| Sub-total | 307,367,524 | - | - | 83,462,900 | - | - | - | (93,000,000) | - | - | 297,830,424 | - |
| Associates | | | | | | | | | | | | |
| Henan JimMa Energy | 870,862,596 | - | - | 98,170,142 | 234,768 | 1,600,362 | - | (86,000,000) | - | - | 934,867,868 | - |
| Shenglong Chemical | 1,088,420,632 | - | - | 44,970,320 | - | 678,964 | - | - | - | - | 1,114,069,916 | - |
| Xinchuang Environmental Protection | 74,212,749 | - | - | 7,260,385 | - | (13,076) | - | (5,471,007) | - | - | 75,989,051 | - |
| Ma-Steel Commercial Factoring | 159,107,630 | - | - | 3,116,814 | - | - | - | - | - | 1,300,284 | 163,524,728 | - |
| Magang Chemicals & Energy | 773,875,614 | - | (500,232,300) | 72,514,064 | - | (1,138,062) | - | (120,515,965) | - | 34,815,723 | 259,319,074 | - |
| Masteel (K.Wah) | 115,944,838 | - | (115,944,838) | - | - | - | - | - | - | - | - | - |
| OBEI | 422,657,885 | - | - | 3,377,519 | (71,143) | (412,526) | - | - | - | - | 425,551,735 | - |
| Ouyee Blockchain Finance | 341,116,220 | - | (344,892,151) | 31,818,502 | - | (9,539,571) | - | (18,443,000) | - | - | - | - |
| Baowu Water Technology Co., Ltd. | 655,562,950 | - | - | 21,097,679 | - | (5,663) | - | (14,805,691) | - | - | 661,849,275 | - |
| Masteel Gases | 142,834,080 | - | - | 34,681,963 | - | 733,331 | - | (10,303,528) | - | - | 167,945,846 | - |
| Sub-total | 4,624,595,194 | - | (961,069,289) | 317,007,388 | 163,625 | (8,156,241) | - | (205,539,191) | - | 36,116,007 | 3,803,117,493 | - |
| Total | 4,931,962,718 | - | (961,069,289) | 400,470,288 | 163,625 | (8,156,241) | - | (298,539,191) | - | 36,116,007 | 4,100,947,917 | - |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

6. Revenue and cost of sales

(1) Revenue and cost of sales

| Item | Note | For the six months ended 30 June 2023 | | For the six months ended 30 June 2022 | |
|------------------------------|----------|--|----------------|--|----------------|
| | | Revenue | Cost of sales | Revenue | Cost of sales |
| Principal operating income | | 37,454,253,923 | 38,470,273,781 | 47,111,898,468 | 45,099,905,556 |
| Other operating income | | 1,345,077,516 | 1,307,425,660 | 1,663,396,228 | 1,265,659,219 |
| Total | | 38,799,331,439 | 39,777,699,441 | 48,775,294,696 | 46,365,564,775 |
| Including: Sales of products | XVI.6(2) | 38,794,384,589 | 39,776,693,808 | 48,766,435,236 | 46,364,717,869 |
| Other | | 4,946,850 | 1,005,633 | 8,859,460 | 846,906 |

(2) Disaggregation of revenue from contracts with customers

| Type of contract | For the six months ended 30 June 2023 | | For the six months ended 30 June 2022 | |
|---------------------------------------|---|---------------|---|---------------|
| | Revenue | Cost of sales | Revenue | Cost of sales |
| Revenue from contracts with customers | 38,794,384,589 | | 48,766,435,236 | |
| Rental income | 4,946,850 | | 8,859,460 | |
| Total | 38,799,331,439 | | 48,775,294,696 | |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

6. Revenue and cost of sales (Continued)

(2) Disaggregation of revenue from contracts with customers (Continued)

| Type of contract | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|---------------------------------------|---------------------------------------|
| By type of goods or services | | |
| Sales of steel products | 36,318,962,122 | 45,270,873,577 |
| Sales of other products | 2,452,565,758 | 3,449,894,977 |
| Sales of services | 9,126,485 | 35,787,263 |
| Other | 13,730,224 | 9,879,419 |
| Total | 38,794,384,589 | 48,766,435,236 |
| Timing of revenue recognition from contracts with customers | | |
| – Recognise at a point in time | 38,771,527,880 | 48,720,768,554 |
| – Recognise over time | 22,856,709 | 45,666,682 |
| Total | 38,794,384,589 | 48,766,435,236 |

7. R&D expenses

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|---------------------------------------|---------------------------------------|
| Material and power expenses | 300,659,228 | 397,812,394 |
| Depreciation of property, plant and equipment | 15,932,204 | 25,016,464 |
| Employee benefits | 114,513,553 | 63,656,364 |
| Testing and processing expenses | 14,001,245 | 10,756,667 |
| Outsourced research expenses | 2,934,781 | 8,722,219 |
| Others | 7,707,134 | 16,067,299 |
| Total | 455,748,145 | 522,031,407 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVI. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

7. R&D expenses (Continued)

According to Accounting Standard for Business Enterprises Interpretation No. 15, the R&D expenses recognized by the Group in its operating costs in connection with the trial production of new product development are as follows:

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|---|---|
| Cost of trial production of new product development | 908,402,745 | 1,128,944,955 |
| Including: Material and power expenses | 768,598,206 | 981,824,534 |
| Depreciation of property, plant and equipment | 111,149,435 | 112,444,917 |
| Testing and processing expenses | 23,777,652 | 27,510,850 |
| Others | 4,877,452 | 7,164,654 |

8. Investment income

| Item | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|---|---|
| Investment income from long-term investments under the cost method | 259,151,643 | 1,795,750,649 |
| Investment income from long-term investments under the equity method | 79,328,873 | 309,241,625 |
| Gain from disposal of associates | (4,370,588) | (21,033,514) |
| Investment income from disposal of long-term equity investments | 828,121,833 | - |
| Gain from disposal of financial assets held for trading | 32,990,100 | 7,422,799 |
| Including: Financial assets designated at fair value through profit or loss | - | - |
| Loss from disposal of financial liabilities held for trading | - | (24,207,555) |
| Investment income from other equity instrument investments | - | 21,597,770 |
| Including: Dividend income from investments in other equity instruments derecognised during the period | - | - |
| Dividend income from investments in other equity instruments held at the balance sheet date | - | 21,597,770 |
| Total | 1,195,221,861 | 2,088,771,774 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVII. BREAKDOWN OF NON-RECURRING GAINS OR LOSSES FOR THE SIX MONTHS END 30 JUNE 2023

| Item | Amount |
|---|-------------|
| (1) Loss from disposal of non-current assets | 16,883,791 |
| (2) Government grants recognised in current period profit or loss (excluding those having close relationships with the Group's operation and enjoyed in fixed amount or quantity according to uniform national standard) | 52,456,933 |
| (3) Exchange of non-monetary assets | 334,259,810 |
| (4) Except for the effective hedging business related to the ordinary business of the Company, changes in fair value of financial assets, derivative financial assets and financial liabilities held for trading, as well as the return on investment generated from the disposal of financial assets and financial liabilities held for trading, derivative financial liabilities, and financial assets at fair value through other comprehensive income | 2,139,084 |
| (5) Other items qualified as extraordinary gain and loss | (4,370,587) |
| (6) Net non-operating income or expenses other than the above items | 1,270,382 |
| Sub-total | 402,639,413 |
| (7) Income tax effect | (5,800,821) |
| (8) Non-controlling interests effect (net of tax) | (3,357,066) |
| Total | 393,481,526 |

Note: Extraordinary gain and loss items (1) to (8) listed above are presented in the amount before taxation.

The calculation of non-recurring gains or losses is in accordance with "Regulation for the preparation of information disclosure by listed securities companies No.1 – Non-recurring Gains or Losses (2008 revised)" (No.43 [2008]) issued by the CSRC.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVIII. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

For the six months ended 30 June 2023

| Profit for the reporting period | Return on weighted average net assets (%) | Basic earnings per share (cent/share) | Diluted earnings per share (cent/share) |
|---|---|---------------------------------------|---|
| Net loss attributable to owners of the parent | (7.95) | (28.92) | (28.92) |
| Net loss attributable to owners of the parent excluding non-recurring gains or losses | (9.35) | (34.03) | (34.03) |

For the six months ended 30 June 2022

| Profit for the reporting period | Return on weighted average net assets (%) | Basic earnings per share (cent/share) | Diluted earnings per share (cent/share) |
|---|---|---------------------------------------|---|
| Net loss attributable to owners of the parent | 4.44 | 18.53 | 18.53 |
| Net loss attributable to owners of the parent excluding non-recurring gains or losses | 3.55 | 14.80 | 14.80 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVIII. RETURN ON NET ASSETS AND EARNINGS PER SHARE (CONTINUED)

1. Calculation of earnings per share

(1) *The basic earnings per share*

For calculation of the basic earnings per share, refer to Note V 58.

(2) *Basic earnings per share excluding extraordinary gain and loss*

Basic earnings per share excluding extraordinary gain and loss is calculated as dividing consolidated net (loss)/profit excluding extraordinary gain and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

| | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|---|
| Consolidated net (loss)/profit attributable to owners of the parent | (2,226,780,506) | 1,426,597,236 |
| Extraordinary gains and losses attributable to ordinary shareholders of the Company | 393,481,526 | 286,728,554 |
| Consolidated net (loss)/profit attributable to owners of the parent excluding non-recurring gains or losses | (2,620,262,032) | 1,139,868,682 |
| Weighted average number of ordinary shares in issue during the period | 7,700,681,186 | 7,700,681,186 |
| Basic earnings per share excluding extraordinary gain and loss (cent/share) | (34.03) | 14.80 |

(3) *The diluted earnings per share*

A net loss was incurred during the year, and the potential common shares are anti-dilutive, therefore diluted earnings per share is the same as basic earnings per share.

(4) *Diluted earnings per share excluding extraordinary gain and loss*

A net loss was incurred during the year, and the potential common shares are anti-dilutive, therefore diluted earnings per share is the same as basic earnings per share.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVIII. RETURN ON NET ASSETS AND EARNINGS PER SHARE (CONTINUED)

2. Calculation of weighted average return on net assets

(1) Weighted average return on net assets

Weighted average return on net assets is calculated as dividing consolidated net (loss)/profit attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets

| | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|---|
| Consolidated net (loss)/profit attributable to owners of the parent | (2,226,780,506) | 1,426,597,236 |
| Weighted average amount of consolidated net assets | 28,018,612,718 | 32,130,568,378 |
| Weighted average return on net assets | (7.95) | 4.44 |

Calculation of weighted average amount of consolidated net assets is as follows:

| | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|---|
| Consolidated net assets at the beginning of the period | 29,194,825,322 | 32,752,858,934 |
| Effect of consolidated net (loss)/profit attributable to ordinary shareholders of the Company | (2,226,780,506) | 1,426,597,236 |
| Weighted average amount of consolidated net assets | 28,018,612,718 | 32,130,568,378 |

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVIII. RETURN ON NET ASSETS AND EARNINGS PER SHARE (CONTINUED)

2. Calculation of weighted average return on net assets (Continued)

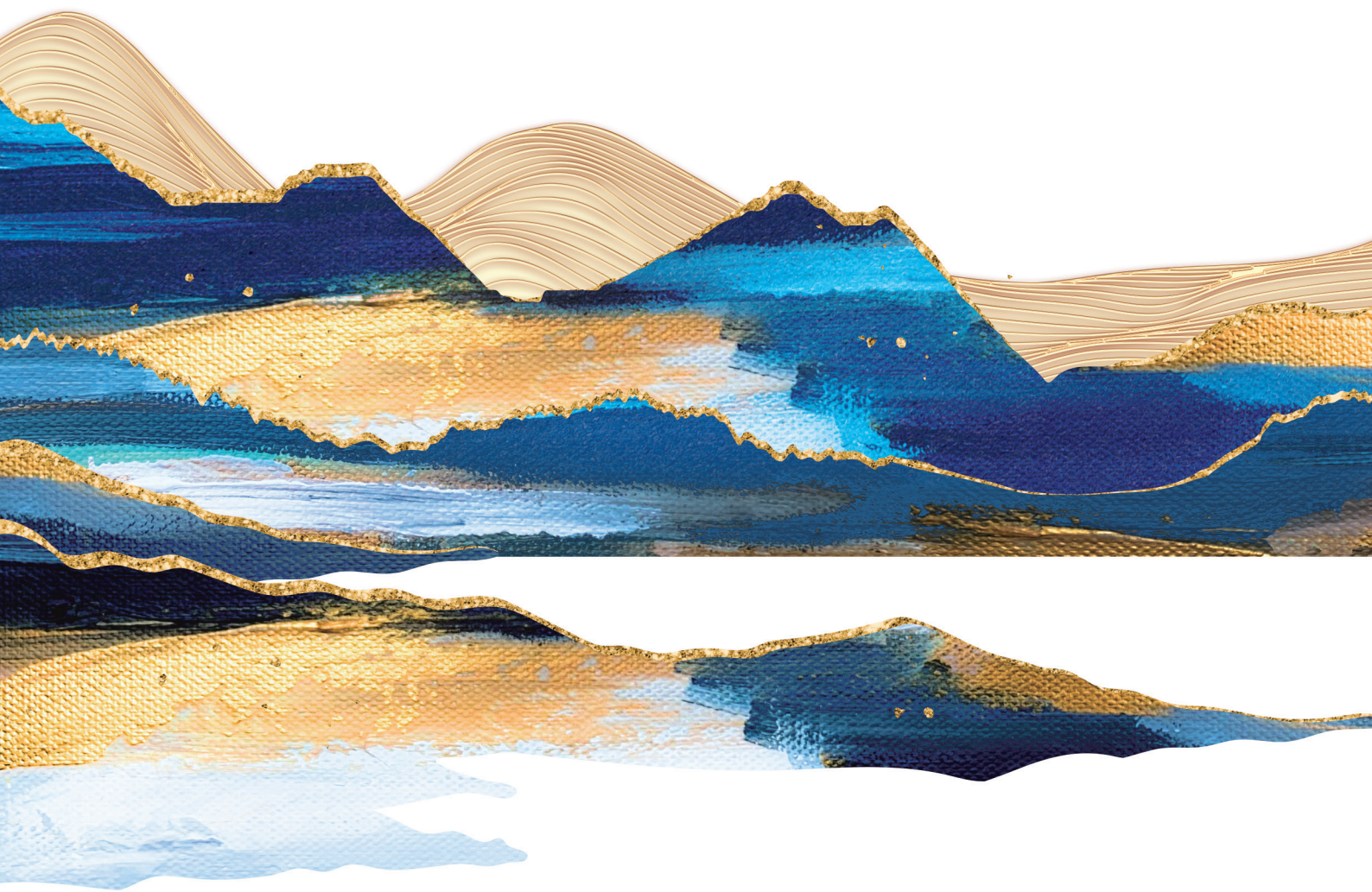
(2) *Weighted average return on net assets excluding extraordinary gain and loss*

Weighted average return on net assets excluding extraordinary gain and loss is calculated as dividing consolidated net profit excluding extraordinary gain and loss attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets:

| | For the six months ended 30 June 2023 | For the six months ended 30 June 2022 |
|---|--|---|
| Consolidated net (loss)/profit excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders | (2,620,262,032) | 1,139,868,682 |
| Weighted average amount of consolidated net assets | 28,018,612,718 | 32,130,568,378 |
| Weighted average return on net assets excluding extraordinary gain and loss | (9.35) | 3.55 |

Chairman of the Board: DingYi

Approved and submitted by the Board on 30 August 2023



馬鞍山鋼鐵股份有限公司
Maanshan Iron & Steel Company Limited