



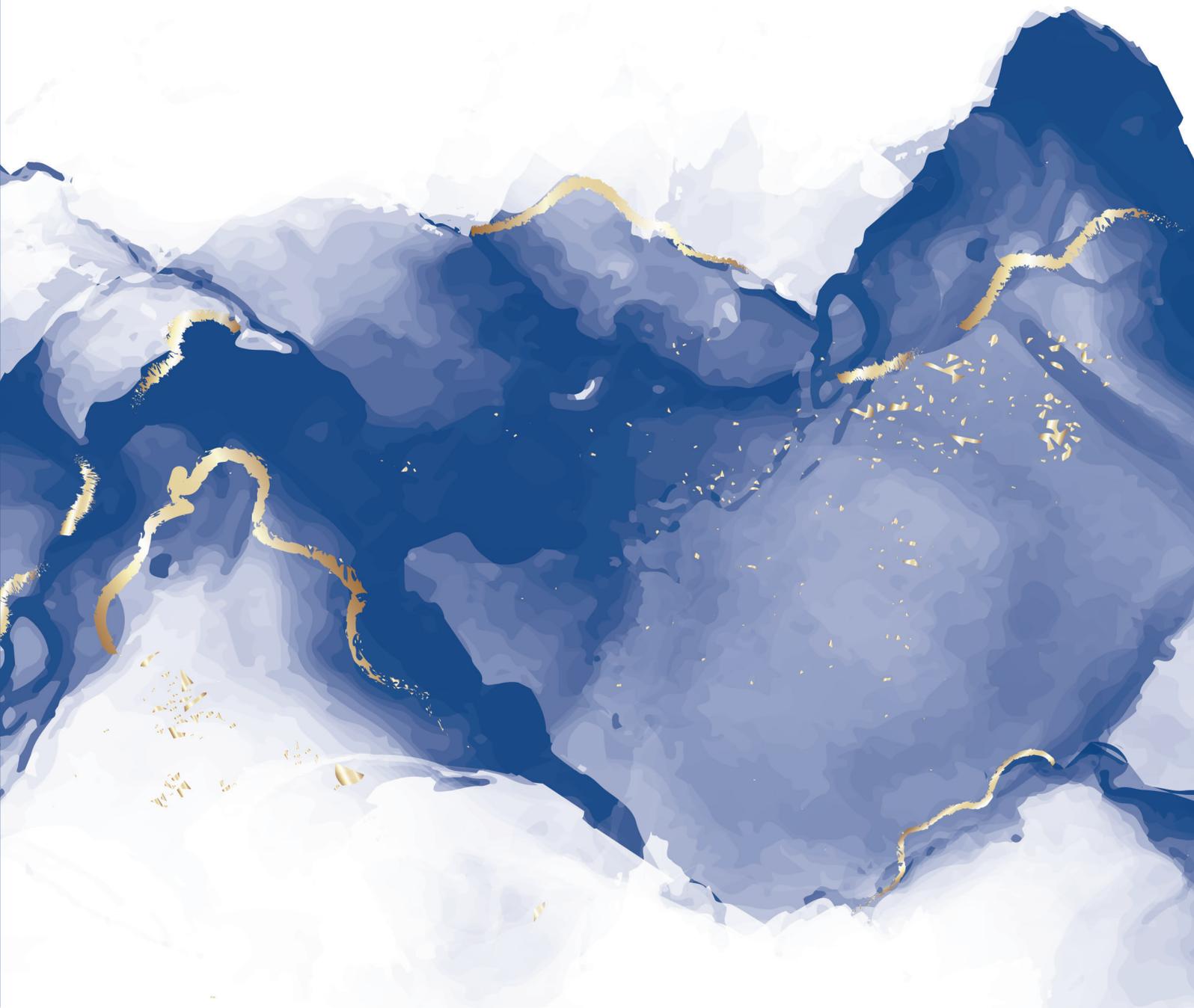
MAANSHAN IRON & STEEL COMPANY LIMITED

H Share Code: 323

A Share Code: 600808

2022

Interim Report



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A copy of the interim report signed by the chairman of the Board.

Financial statements signed and sealed by the Company's legal representative, chief accountant and head of Accounting Department.

DOCUMENT AVAILABLE FOR INSPECTION

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.

Interim report announced on the website of the Hong Kong Stock Exchange.

The Articles of Association of the Company.

Other Related Information.

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 Board.
- 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 approved by the Board: None
- Risk relating to forward-looking statements
The report analyses major risks faced by the Company. Please refer to "(II) Potential risks" of "V. Discussion and Analysis of the Company's Future Development" in Section III "Management Discussion and Analysis (Directors' Report)" 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 its 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	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
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
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

I Definitions (Continued)

DEFINITION OF COMMON WORDS (CONTINUED)

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
Masteel Finance	means	Magang Group Finance Co. Ltd., a controlling subsidiary of the Company
Masteel Transportation Material	means	Baowu Group MaSteel Rail Transportation Material Technology Co., Ltd., a wholly-owned subsidiary of the Holding
MG-VALDUNES	means	MG-VALDUNES S.A.S, a wholly-owned subsidiary of the Company
Ma Steel (Hong Kong)	means	Ma Steel (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company
Magang Investment	means	Magang Group Investment Ltd., a wholly-owned subsidiary of the Holding
Jinma Energy	means	Henan Jinma Energy Co. Ltd., a joint venture of the Company
Auditor, Ernst & Young	means	Ernst & Young Hua Ming LLP
Reporting Period	means	From 1 January 2022 to 30 June 2022

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 of the board of directors, joint company secretary		Joint company secretary
Name	He Hongyun	Rebecca Chiu
Correspondence address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC	Room 1204-06, 12/F, The Chinese Bank Building, 61 Des Voeux Road, Central
Telephone	86-555-2888158/2875251	(852)21552649
Fax	86-555-2887284	(852)21559568
Email address	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

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	The Shanghai Stock Exchange	Magang Stock	600808
H Shares	The Stock Exchange of Hong Kong Limited	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, Wan chai, 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	56,366,882,559	56,863,615,397	-0.87
Net profit attributable to owners of the parent	1,427,570,875	4,643,787,117	-69.26
Net profit excluding non-recurring gains or losses attributable to owners of the parent	1,140,842,321	4,751,908,439	-75.99
Net cash flows from operating activities	3,378,563,965	11,280,586,519	-70.05

	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	31,483,568,153	32,752,858,934	-3.88
Total assets	94,890,097,747	91,207,743,018	4.04
Total share capital	7,775,731,186	7,700,681,186	0.97

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>)	0.1853	0.6030	-69.27
Diluted earnings per share (<i>RMB/share</i>)	0.1853	0.6030	-69.27
Basic earnings per share excluding non-recurring gains or losses (<i>RMB/share</i>)	0.1480	0.6171	-76.02
Return on net assets (weighted average) (%)	4.44	15.36	Decreased by 10.92 percentage points
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	3.55	15.72	Decreased by 12.17 percentage points

7. NON-RECURRING GAINS OR LOSSES ITEMS AND AMOUNT

Unit: RMB

Non-recurring gains or losses Item	Amount
Gain from disposal of non-current assets	346,150,687
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)	110,223,606
Employee termination compensation	-67,711,712
Gain from disposal of associates	-22,176,271
Except for the effective hedging business related to the ordinary business of the Company, changes in fair value of 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 and financial assets at fair value through other comprehensive income	155,901,068
Net non-recurring income or expenses other than the above items	439,410
Less: Income tax effect	121,217,864
Non-controlling interests effect (net of tax)	114,880,370
Total	286,728,554

III Management Discussion and Analysis (Directors' Report)

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.

III Management Discussion and Analysis (Directors' Report) (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 Company created and innovated a business model of "base management + brand operation" suitable for its own development in accordance with its strategic positioning, established a partnership with three domestic steel mills for brand operation based on steel products, and achieved cooperation in the fields of product technical support, information sharing, production base management and product sales based on the principle of win-win cooperation, which has a positive impact on the Company's brand influence and comprehensive competitiveness. In addition, 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, affected by factors such as the complex and severe international situation, the spread of domestic epidemics, and the sluggish operation of the industrial chain and supply chain, the domestic economic development was faced with the triple pressure of demand contraction, supply shock, and weakening expectations. The steel market presented a trend of "reduced supply, weak demand, rising inventory, falling prices, rising costs, declining income, and declining profits", and iron and steel enterprises were facing great challenges in their production and operation. In the first half of the year, the output of pig iron, crude steel and steel in the country was 439 million tonnes, 527 million tonnes and 667 million tonnes, respectively, down 4.7%, 6.5% and 4.6% year-on-year, respectively.

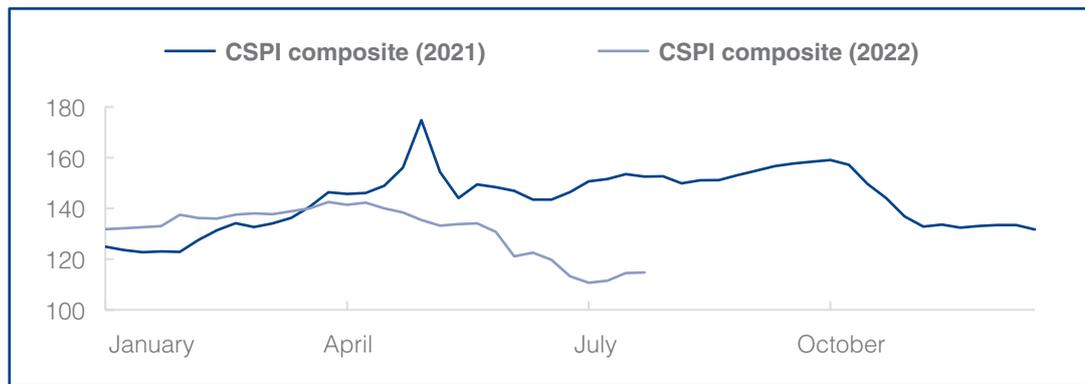
In terms of steel prices, in the first quarter, due to production restrictions and other factors, steel supply and demand were relatively balanced, and steel prices rose moderately, reaching a high in the year at 142.51 points in early April; in the second quarter, with the rapid recovery of steel supply and the impact of weak downstream demand, steel prices dropped sharply. At the end of June, the China steel composite price index was 122.52 points, down 14% from the high point. During the Reporting Period, the average value of China steel composite price index was 135.28 points, a year-on-year decrease of 4.65%. (Data source: National Bureau of Statistics, China Iron and Steel Association)

III Management Discussion and Analysis (Directors' Report) (Continued)

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

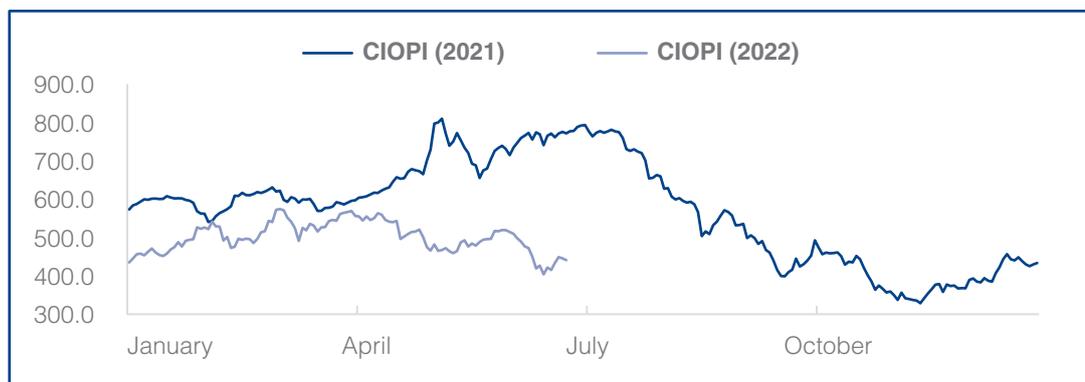
(2) Steel industry during the reporting period (Continued)

Figure 1 Steel composite price index in China since 2021



In terms of raw materials and fuels, iron ore prices showed a fluctuating trend during the Reporting Period. The average value of China's iron ore price index was 501.06 points, down 22.8% year-on-year, and was basically the same as the average price in the second half of last year. The price of coking coal has risen sharply. At the end of June, the Mysteel coking coal composite index was 2,480.6 points, up 24% from the beginning of the year. During the Reporting Period, the average value of the Mysteel coking coal composite index was 2,507.5 points, a year-on-year increase of 104.8%.

Figure 2 Iron ore price index in China since 2021

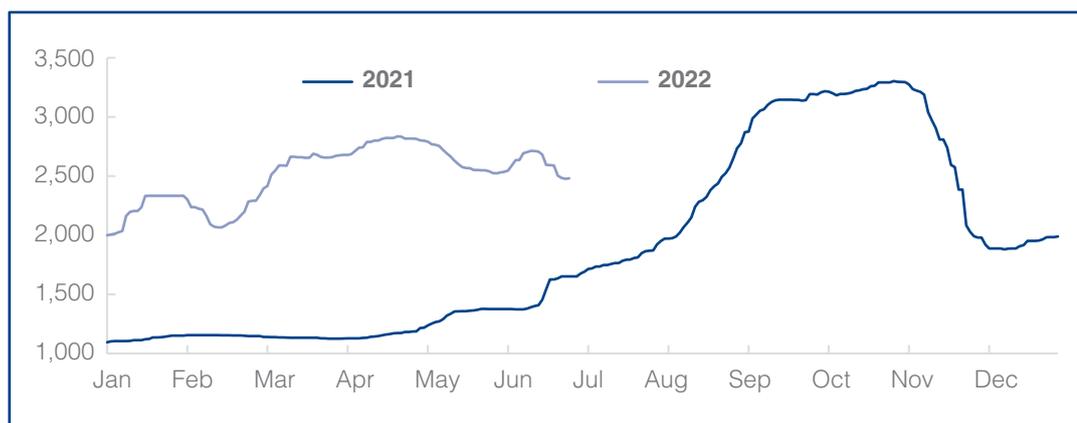


III Management Discussion and Analysis (Directors' Report) (Continued)

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 3 Mysteel coking coal composite index since 2021



In general, the price of steel fell sharply in the second quarter and the price of main raw materials rose sharply, which severely squeezed the profitability of steel enterprises.

2. 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 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.

III Management Discussion and Analysis (Directors' Report) (Continued)

2. CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD (CONTINUED)

(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 four major iron and steel production bases of the headquarters, Changjiang Steel, Ma Steel (Hefei) and MG-VALDUNES 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

During the Reporting Period, the Group had owned 2,370 valid patents, including 1,050 invention patents; 5 foreign invention patents; owned 4,662 technical know-hows (non-patented technologies).

3. DISCUSSION AND ANALYSIS ON OPERATION

(1) Operating results and measures on main tasks

1. *Operating results*

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

III Management Discussion and Analysis (Directors' Report) (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

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

1. Operating results (Continued)

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

2. Main tasks and results

During the Reporting Period, the Company focused on three aspects of “stabilizing growth, promoting transformation, and grasping reform”.

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

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

III Management Discussion and Analysis (Directors' Report) (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

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

2. Main tasks and results (Continued)

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

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

III Management Discussion and Analysis (Directors' Report) (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

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

2. *Main tasks and results (Continued)*

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

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

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

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

III Management Discussion and Analysis (Directors' Report) (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

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

2. *Main tasks and results (Continued)*

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

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

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

III Management Discussion and Analysis (Directors' Report) (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

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

2. *Main tasks and results (Continued)*

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

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

3. *Cash flow*

During the Reporting Period, the net increase in cash and cash equivalents of the Group was RMB0.508 billion, compared with RMB1.933 billion in the previous year. Among them, the net cash inflow from operating activities was RMB3.379 billion, compared with RMB11.281 billion in the previous year, with a year-on-year decrease of RMB7.902 billion, mainly due to the decrease in cash received from the sale of goods and the provision of labor services. The net cash outflow from investment activities was RMB2.140 billion, compared with RMB7.966 billion in the previous year, with a year-on-year decrease of RMB5.826 billion, mainly due to the decrease of cash outflow from trading financial assets and creditor's rights investment. The net cash outflow from financing activities was RMB0.770 billion, compared with the net outflow of RMB1.359 billion in the previous year, with a year-on-year decrease of RMB0.589 billion. The change was mainly due to the funding raising through the issuance of restricted shares under the implementation of equity incentive plan in the period and lower net outflow of borrowing financing than the same period of last year.

III Management Discussion and Analysis (Directors' Report) (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

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

3. *Cash flow (Continued)*

Excluding the influence of Finance Company, the net increase of cash and cash equivalents was RMB0.657 billion. The details were as follows: the net cash inflow from operating activities was RMB5.549 billion, with a year-on-year decrease of RMB1.811 billion, mainly due to the decrease of cash received from the sale of goods and the provision of labor services. The net cash outflow from investment activities was RMB4.162 billion, a year-on-year increase of RMB1.236 billion, mainly due to the increased outflow of purchased fixed assets and projects under construction compared with the previous year. The cash flow from financing activities was not affected by the Finance Company.

4. *Financial position and exchange risks*

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

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

III Management Discussion and Analysis (Directors' Report) (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

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

4. *Financial position and exchange risks (Continued)*

The Group's imports of raw materials are mainly settled in US dollars, imported equipment and spare parts are settled in Euro or Japanese Yen, and export products are settled in US dollars. During the Reporting Period, most of the US dollars paid for imported raw materials were settled through trade financing. However, US dollar financing was greatly affected by exchange rate fluctuations. In order to avoid exchange rate risk, the Company mainly took the following countermeasures: (1) using financial derivatives to control the risk of exchange rate changes. For the U.S. dollar financing, choosing the time for forward purchase of foreign exchange, locking the exchange rate hedge, controlling the cost impact risk of import procurement due to exchange rate changes. (2) reasonable allocation of U.S. dollar assets, liabilities structure, hedging exchange rate risk. The amount of equipment purchased from Europe and Japan is small, and the purchase payment is relatively insignificant as affected by exchange rate fluctuation.

5. *Internal control and risk management*

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

The Audit Committee reviewed the 2021 internal audit work report of the Company on 27 January 2022, agreeing to the internal audit work arrangements for 2022 and submitted it to the Board for consideration. The Audit Committee heard the 2021 anti-fraud work report on 28 February 2022.

III Management Discussion and Analysis (Directors' Report) (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 Board reviewed and approved the 2021 Comprehensive Risk Management and Internal Control Work Report on 23 March 2022. The report confirms that the Company implemented an effective internal control over all important aspects pursuant to the Basic Internal Control Norms for Enterprises and other relevant requirements. The Company appointed Ernst & Young Hua Ming LLP as our auditor to audit the effectiveness of our internal control related to financial report as at 31 December 2021 and issued a standard unqualified internal control audit report. During the Reporting Period, the Company enhanced control measures to improve the internal control policy and continued to improve the internal control system to ensure that its internal control always remains effective.

The hearing of "2021 Risk Supervision and Evaluation Report" by the Board was made on 23 March 2022, confirming that the Company would take appropriate control measures for strategic risks, financial risks, market risks, operational risks, legal risks and environmental risks, etc. in 2020 and the risks were under control. During the Reporting Period, the Company evaluated the risks, formulated the measures for identified risks, and carried out key prevention and control to ensure that the risks were under control.

The Board heard the internal control and comprehensive risk management reports for the first quarter and the first half of 2022 on 29 April and 30 August 2022, respectively.

III Management Discussion and Analysis (Directors' Report) (Continued)

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

III Management Discussion and Analysis (Directors' Report) (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)*

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

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

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

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

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

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

Operating profit, profit before tax, net profit and net profit attributable to owners of the parent decreased by 68.86%, 70.19%, 67.93% and 69.26%, respectively, as compared with last year, mainly due to the decrease in gross profit of steel products of the Company during the period as compared with the same period of last year.

Non-operating income decreased by 97.15% as compared with the same period of last year, mainly due to the gains from disposal of certain scrapped old equipment for the new production line in the same period of the previous year.

III Management Discussion and Analysis (Directors' Report) (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)*

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

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

Net profit attributable to non-controlling interests decreased by 52.24% as compared with the same period of last year, mainly due to the decrease in the profitability of certain non-wholly owned subsidiaries from the same period of last year.

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

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

The change in net cash flow from financing activities was mainly due to the increase in funds absorbed from the offering of restricted shares under the Share Incentive Scheme during the period and the decrease in net outflow of borrowing facilities compared with the same period of last year.

No significant change in the business type, composition or sources of the Company's profit.

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(1) Analysis of principal operations (Continued)

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 revenue (%)	Year-on-year increase or decrease in of sales (%)	Year-on-year increase or decrease gross margin (%)
Steel industry	52,226	46,884	10.23	-3.15	5.10	Decreased by 7.05 percentage points

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	24,770	23,235	6.20	7.14	14.00	Decreased by 5.65 percentage points
Plates	24,523	21,059	14.13	-10.53	-1.20	Decreased by 8.11 percentage points
Wheels and axles	1,405	1,254	10.75	15.35	16.33	Decreased by 0.74 percentage point

During the Reporting Period, the principal operation income of the Group amounted to RMB54,566 million, of which the steel industry income amounted to RMB52,226 million, accounting for 96% of the principal operation income. There was no significant change in the proportion. The sales volume of steel was approximately 10.70 million tonnes, of which the sales volume of long products, plates and wheels and axles were 5.42 million tonnes, 5.16 million tonnes and 120,000 tonnes, respectively; exported 360,000 tonnes of steel, accounting for 3.36% of the total sales volume of steel.

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(2) Analysis of assets and liabilities

1. Assets and liabilities

Unit: 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	7,225,308,196	7.61	6,667,853,614	7.31	8.36
Financial assets held for trading	3,742,190,534	3.94	5,732,467,255	6.29	-34.72
Notes receivables	2,104,554,357	2.22	466,956,969	0.51	350.70
Financing receivables	2,813,267,598	2.96	4,795,905,782	5.26	-41.34
Other receivables	711,064,497	0.75	310,005,481	0.34	129.37
Inventories	13,499,132,079	14.23	12,463,004,529	13.66	8.31
Financial assets purchased under agreements to resell	3,438,089,887	3.62	784,602,397	0.86	338.20
Long-term receivables	7,681,457	0.01	11,142,621	0.01	-31.06
Long-term equity investments	4,791,106,690	5.05	5,158,883,895	5.66	-7.13
Investment properties	59,964,698	0.06	60,811,604	0.07	-1.39
Property, plant and equipment	30,397,615,778	32.03	28,605,250,896	31.36	6.27
Construction in progress	12,661,177,187	13.34	10,999,333,300	12.06	15.11
Right-of-use assets	298,335,380	0.31	568,919,288	0.62	-47.56
Repurchase agreements	108,679,593	0.11	925,465,952	1.01	-88.26
Short-term loans	8,387,230,131	8.84	8,952,209,045	9.82	-6.31
Financial liabilities held for trading	-	-	31,663,498	0.03	-100.00
Notes payable	7,155,680,843	7.54	3,953,458,712	4.33	81.00
Contract liabilities	5,009,662,433	5.28	5,741,241,284	6.29	-12.74
Payroll and employee benefits payable	165,848,311	0.17	349,524,741	0.38	-52.55
Taxes payable	650,141,050	0.69	1,073,613,979	1.18	-39.44
Other payables	7,143,003,297	7.53	3,954,899,554	4.34	80.61
Non-current liabilities due within one year	158,304,938	0.17	1,358,293,333	1.49	-88.35
Long-term loans	6,563,232,765	6.92	5,452,250,052	5.98	20.38
Lease liabilities	313,049,892	0.33	571,979,597	0.63	-45.27
Long-term payable	171,864,500	0.18	-	-	N/A
Other comprehensive income	-13,858,001	-0.01	12,271,369	0.01	-212.93
Special reserve	87,884,690	0.09	45,427,634	0.05	93.46

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(2) Analysis of assets and liabilities (Continued)

1. *Assets and liabilities (Continued)*

Financial assets held for trading decreased by 34.72% as compared with the end of the previous year, mainly due to the decrease in the amount of wealth management products such as certificates of deposit held by Masteel Finance in the current period compared with the end of the previous year.

Notes receivables increased by 350.70% as compared with the end of the previous year, mainly due to the increase in notes receivables the Company intended to hold to maturity as some suppliers only accepted bills with a high credit rating of the drawer as transaction consideration under the impact of the economic downturn and suppliers' avoidance of systematic risks in the market in the current period.

Financing receivables decreased by 41.34% as compared with the end of the previous year, mainly due to the decrease in notes with higher credit ratings received by the Company when selling goods as compared with the end of the previous year.

Other receivables increased by 129.37% as compared with the end of the previous year, mainly due to the fact that the payment terms agreed in the contract have not been fulfilled by the end of the Reporting Period, and the consideration for the transfer of iron-smelting capacity by Changjiang Steel, a subsidiary of the Company, has not yet been settled in the current period.

Financial assets purchased under agreements to resell increased by 338.20% as compared with the end of the previous year, mainly due to the increase of reverse repurchase business of bonds of Masteel Finance in the current period.

Long-term receivables decreased by 31.06% as compared with the end of the previous year, mainly due to the timely recovery of part of the amounts as Masteel Finance carried out sale and leaseback business in the current period.

Right-of-use assets decreased by 47.56% as compared with the end of the previous year, mainly due to the decrease in the right-of-use assets resulting from the decrease in use area of the Group building and Zhiyuan building leased by the Company as well as the decrease in rent in the current period.

Repurchase agreements decreased by 88.26% as compared with the end of the previous year, mainly due to the decrease in the amount of funds pledged by Masteel Finance to other financial institutions in the current period.

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(2) Analysis of assets and liabilities (Continued)

1. *Assets and liabilities (Continued)*

Financial liabilities held for trading amounted to 0, representing a decrease of RMB32 million compared with the end of the previous year, mainly due to changes in the fair value of the forward foreign exchange contracts held by the Company in the current period.

Notes payables increased by 81.00% as compared with the end of the previous year, mainly due to the flexible increase in purchase invoicing ratio in accordance with the Company's operating strategy in the current period.

Payroll and employee benefits payable decreased by 52.55% as compared with the end of the previous year, mainly due to the the payment of the unpaid payroll and employee benefits accrued at the end of previous year in the current period.

Taxes payable decreased by 39.44% as compared with the end of the previous year, mainly due to the payment of unpaid value-added tax and value-added tax surcharge payable at the end of previous year in the current period.

Other payables increased by 80.61% as compared with the end of the previous year, mainly due to the unpaid dividends for 2021 declared by the Company in the current period.

Long-term liabilities due within one year decreased by 88.35% as compared with the end of the previous year, mainly due to the repayment of long-term loans due within one year in the current period.

Lease liabilities decreased by 45.27% as compared with the end of the previous year, mainly due to the change of present value of lease payment after re-calculation resulting from the decrease in rent and use area of the Group building and Zhiyuan building leased by the Company compared with the previous year.

Long-term payables increased by RMB172 million as compared with the end of the previous year, mainly due to the accounting of the unlocked equity incentive bonus of the Company in this item.

Other comprehensive income decreased by 212.93% as compared with the end of the previous year, mainly due to the changes in the investment value of other equity instruments measured at fair value in the current period.

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(2) Analysis of assets and liabilities (Continued)

1. *Assets and liabilities (Continued)*

Special reserve increased by 93.46% as compared with the end of the previous year, mainly due to the increase in the safety fund and the special reserves for joint venture.

2. *Overseas asset*

At the end of the Reporting Period, the overseas assets amounted to RMB1.75 billion, accounting for 1.85% 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 RMB2.771 billion, among that: the mandatory reserves which deposited with the central bank by the Masteel Finance amounted to approximately RMB0.9 billion, bank deposits for bank acceptance notes amounted to approximately RMB1.344 billion, bank deposits for performance guarantees amounted to RMB22 million.

(3) 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	13,551
Changes in investment amount	-565
Investment amount as at the end of previous year of the Company	14,116
Increase/decrease in investment amount (%)	-4.00

As approved by the Company's annual general meeting in 2021, the Company implemented its capital contribution reduction in Anhui Magang Chemical & Energy Technology Co., Ltd. (the "Chemical & Energy") by way of receiving the return of the assets related to the coke oven gas purification business of Magang Chemical at a consideration. During the Reporting Period, the capital contribution reduction was completed and the Company's shareholding in Magang Chemical decreased from 45% to 32%.

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(3) Investment analysis (Continued)

1. General analysis of external equity investments (Continued)

On 29 September 2021, the 50th meeting of the ninth session of the Board of the Company approved the transfer of 30% equity interest in Anhui Masteel K.Wah New Building Materials Co., Ltd. and solid waste disposal related assets held by the Company to Baowu Environment Maanshan Resources Utilization Co., Ltd. During the Reporting Period, the relevant equity interests and assets were transferred and the Company no longer held the equity interest in Anhui Masteel K.Wah New Building Materials Co., Ltd.

- (1) During the Reporting Period, the Company had not carried out any significant equity investments.
- (2) Significant Non-Equity Investment

Unit: million RMB

Project name	Budgeted investment	New investment during the Reporting Period	Project progress
Product quality projects	19,544	1,545	27%
Energy-saving and environment protection projects	8,741	1,056	56%
Equipment advancement and other modification projects	5,012	1,636	69%
Other projects	N/A	545	N/A
Total	/	4,782	/

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(3) Investment analysis (Continued)

1. General analysis of external equity investments (Continued)

(2) Significant Non-Equity Investment (Continued)

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
Continuous casting and steel rolling project of new special steel project	4,207	Civil and steel structure construction, equipment orders and installation
Steelmaking and refining works of new special steel project	2,486	Civil and steel structure construction, equipment orders and installation
Coke oven overhaul project in the coking plant	1,850	Civil construction and equipment installation phase
B blast furnace overhaul project in the steel making plant	1,325	Civil construction
C# sintering machine project of the steal making plant	730	Steel structure and equipment installation
Energy-medium system transformation and capacity expansion project of new special steel project	681	Civil construction and equipment fabrication and installation
New special steel plant-wide public and auxiliary	399	Civil engineering, and steel structure construction
Ma Steel smart manufacturing – pre-ironmaking centralized control center project	350	Equipment installation and commissioning phase
Long products intelligent control phase I project	187	Completion of the first stage and commissioning of the second stage
Ma Steel smart manufacturing – cold rolling centralized control project	168	System debug
Reconstruction project of mixing system and external feeding system of port raw material plant	150	Civil engineering and steel structure construction phase
Unorganized emission rectification project of coal coking company	135	Civil construction
Flue gas desulfurization and denitrification of No. 1 – 3 sintering machine and the auxiliary and public facilities of new belt roaster with a capacity of 4 million tonnes	130	Equipment installation
Environmental improvement of slag room in No. 4 steel rolling plant	130	Civil construction
Supporting inspection and testing center project of new special steel project	124	Civil engineering and steel structure construction, equipment orders
Unorganized emission reconstruction project of ironmaking plant (phase I)	120	Civil construction
Comprehensive treatment and reconstruction project for unorganized emission from port raw material plant	113	Civil construction
Construction project of the second phase of the intellectual control center of the cold rolling plant	110	System debug
Coke oven gas refined desulfurization project in northern area of Masteel	105	Equipment installation
Total	13,500	/

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

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(3) Investment analysis (Continued)

1. General analysis of external equity investments (Continued)

(2) Significant Non-Equity Investment (Continued)

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
600,000 tonnes steel slag pressurized hot-stuffy project	158	Basically completed
EPC general contracting project for rain and sewage diversion and water system upgrading and reconstruction	143	Equipment and pipeline installation
Recovery and utilization of waste heat from electric furnace	119	Civil construction
Total	420	/

The construction fund of Changjiang Steel comes from its own fund.

(3) Financial assets measured at fair value

Unit: RMB

Account name	Opening balance of the Reporting Period	Closing balance of the Reporting Period	Change in the Reporting Period	Effects on the profit of the current period
Financial assets held for trading	5,732,467,255	3,742,190,534	-1,990,276,721	148,445,125
Financial liabilities held for trading	31,663,498	-	-31,663,498	7,455,943
Financing receivables	4,795,905,782	2,813,267,598	-1,982,638,184	-
Other current assets	2,474,819,099	3,015,664,200	540,845,101	-939,048
Other equity instruments investments	641,943,339	604,281,327	-37,662,012	25,475,396
Total	13,676,798,973	10,175,403,659	-3,501,395,314	180,437,416

III Management Discussion and Analysis (Directors' Report) (Continued)

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

- (4) During the reporting period, there was no significant disposal of the Company's assets or equity.
- (5) 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 profit for the Reporting Period amounted to RMB266 million. At the end of the Reporting Period, its total assets and net assets amounted to RMB11,328 million and RMB6,059 million, respectively.

During the Reporting Period, the revenue of Changjiang Steel from principal operation was RMB10,035 million, the profit therefrom was RMB628 million, and the net profit was RMB266 million, representing a year-on-year decrease of 66%, mainly due to the increase in raw material prices and the decrease in steel prices during the Reporting Period.

- (2) Magang Group Finance Co. Ltd. has a registered capital of RMB2,000 million, in which the Company holds a direct stake of 91%. Its business scope is as follows: financial and financing consultancy and relevant consultancy as well as agency business to members of the Group; guarantee provided; bill acceptance and discounting, loans and finance leasing to members of the Group; engagement in inter-bank borrowing; assisting members of the Group in the collection and payment of transaction amount; approved insurance agency business; handling entrusted loans, internal transfer and bill settlement, design of settlement and liquidation plans for members of the Group, and accepting deposits from member entities. The net profit for the Reporting Period amounted to RMB149 million. At the end of the Reporting Period, its total assets and net assets amounted to RMB21,139 million and RMB2,456 million, respectively.

No.	Indicator	Standard ratio (%)	Actual ratio for the year (%)
1	Capital adequacy ratio	≥10.5	20.48
2	Liquidity ratio	≥25	91.04
3	Non-performing asset ratio	≤4	0
4	Non-performing loan ratio	≤5	0
5	Loan loss reserves adequacy ratio	≥100	288.90
6	Loans from other banks ratio	≤100	0
7	Investment ratio	≤70	61.08
8	Guarantee ratio	≤100	26.31
9	Self-owned property, plant and equipment ratio	≤20	0.14

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(5) Analysis of the group's major subsidiaries and investees (Continued)

1. Controlling subsidiary (Continued)

According to the requirements of internal control, the Finance Company strived to build an organizational structure with reasonable division of labor and clear responsibilities, and clarified department responsibilities and post responsibilities according to the principle of separation of incompatible responsibilities and mutual checks and balances. The Finance Company established an internal control system that can meet the management needs, and continuously improved and upgraded in combination with the development needs. The relevant internal control activities cover the main aspects and links of business operation, internal management and internal supervision, and have been effectively implemented in improving the quality of accounting information, strengthening business management, controlling business risks, plugging loopholes and preventing fraud. During the Reporting Period, the business risk management of Finance Company was sound with no risk events, normal asset classification, sufficient provision and no bad debt loss, thus all indicators met the regulatory requirements.

- (3) 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 metallurgy and extended processing of ferrous metals and sales of resulting products and by-products; production and sales of coke and coke chemical products and energy, extended processing of iron and steel products, production and distribution of metallic products. The net profit for the Reporting Period amounted to RMB139 million. At the end of the Reporting Period, the total assets and net assets amounted to RMB4,205 million and RMB3,185 million, respectively.
- (4) 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 RMB99 million, with total assets of RMB3,154 million and net assets of RMB1,643 million as at the end of the Reporting Period.
- (5) 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; sales, import and export of various shapes of steel products. In the Reporting Period, the net losses amounted to RMB45 million; at the end of Reporting Period, the total assets and the net assets were RMB563 million and RMB238 million, respectively.

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(5) Analysis of the group's major subsidiaries and investees (Continued)

1. Controlling subsidiary (Continued)

- (6) 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 RMB35 million. At the end of the Reporting Period, it had total assets amounting to RMB143 million and net assets of RMB138 million.
- (7) 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 RMB10 million. At the end of the Reporting Period, it had total assets amounting to RMB1,015 million and net assets of RMB362 million.

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 RMB459 million. At the end of the Reporting Period, its total assets and net assets were RMB10,244 million and RMB4,654 million, respectively.
- (2) Anhui Magang Chemicals & Energy Technology Co., Ltd. has a registered capital of RMB696.6459 million and the Company directly holds 32% of its equity. It's mainly engaged in the research & development, production and sale of chemical products (excluding hazardous chemicals and precursor chemicals). The net profit for the Reporting Period was approximately RMB201 million. At the end of the Reporting Period, its total assets and net assets were RMB2,111 million and RMB1,350 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 profit for the Reporting Period was approximately RMB133 million. At the end of the Reporting Period, the total assets and net assets were RMB5,869 million and RMB3,994 million, respectively.
- (4) Maanshan Ma Steel Linde Gases Company Limited (formerly Maanshan BOC-Ma Steel 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 RMB105 million. At the end of Reporting Period, the total assets and net assets were RMB709 million and RMB635 million, respectively.

III Management Discussion and Analysis (Directors' Report) (Continued)

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

(6) Structured entity controlled by the Company

Applicable Not Applicable

5. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

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

In the second half of this year, the Company will carry out the important instruction of General Secretary Xi Jinping on “preventing the pandemic, stabilizing the economy, and securing the development”, and make every effort to fight the battle of “preserving survival in the current period and promoting development in the long run”, so as to cultivate new opportunities in the crisis and open a new game in the changing situation.

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

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

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

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

III Management Discussion and Analysis (Directors' Report) (Continued)

5. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

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

1. *Focusing on the "preserving survival in the current period" and on the "seven enhancements" (Continued)*

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

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

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

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

III Management Discussion and Analysis (Directors' Report) (Continued)

5. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

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

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

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

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

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

III Management Discussion and Analysis (Directors' Report) (Continued)

5. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(2) Potential risks

The main risks that the Company may face include pandemic prevention and control risks, safety management risks, environmental protection risks, demand risks in the long products market due to real estate regulation and the risk of significant fluctuations in the prices of bulk raw materials and fuels and "Two Funds" risks.

Risks	Response
Pandemic prevention and control risk	To strictly abide by the deployment of the CPC Central Committee, the State Council, provincial and municipal Party Committees and governments on pandemic prevention and control. To adhere to the prevention and control strategy of "guarding against imported cases and rebound in indigenous cases", and continue to implement the normalization of pandemic prevention and control.
Safety management risk	To put people first, establish the concept of safety development, implement the dual prevention mechanism of hierarchical control of safety risks and troubleshooting and treatment of hidden dangers, and the responsibility system of all employees for safe production, move forward, strengthen accountability and strengthen process accountability; Highlight weak links, pay close attention to cooperative safety management, and comprehensively promote the management of cooperative personnel under the real name system; Strengthen training and education, comprehensively improve the ability of managers at all levels to perform their duties safely, and focus on the training of cooperative personnel with certificates; Continue to strengthen the full-time rectification work in key areas, investigate major hidden dangers and eliminate all kinds of potential safety hazards.

III Management Discussion and Analysis (Directors' Report) (Continued)

5. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(2) Potential risks (Continued)

Risks	Response
Environmental protection risk	To strengthen the study, publicity and implementation of ecological civilization ideas, policies and businesses, strengthen the awareness of ecological and environmental protection, improve the standpoint, and comprehensively strengthen and implement the overall requirements of environmental protection. To practice environmental protection responsibilities and implementation of inspection, evaluation and restraint mechanisms. To strictly implement the relevant requirements of pollutant discharge permit, carry out environmental assessment and acceptance of construction projects according to law, and strengthen the standardized management of hazardous waste. To accelerate the "three governance" project. To fully complete the transformation of ultra-low emission of waste gas, basically achieve zero discharge of waste water and no delivery of solid waste by the end of the year. To speed up the rectification of problems found in inspections and take one example against three.
Demand risks in the long products market caused by real estate regulation	To expand the regional market and vigorously develop various infrastructure projects, especially key projects. To strengthen the strong alliance with domestic well-known engineering and construction enterprises and build a stable strategic supply chain relationship. To investigate market demand, try to develop new varieties and guide market demand habits. To make full use of the opportunity of vigorously promoting steel structure housing by the state to strengthen the promotion of section steel products in the field of steel structure housing. To adhere to the principle of payment to delivery and control business risks. To further expand the overseas section steel products market and track international key engineering projects.

III Management Discussion and Analysis (Directors' Report) (Continued)

5. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT (CONTINUED)

(2) Potential risks (Continued)

Risks	Response
Prices large fluctuations risk of bulk raw materials and fuels	To strengthen market analysis, improve the ability of market analysis, research and judgment, adopt appropriate business strategies, and actively control the pace of procurement. To determine the price formation mechanism through bidding, price comparison and negotiation. To strengthen the pricing process of price group meeting and price committee, and strictly implement the contract approval procedures.
"Two Funds" risk	To strengthen inventory management and reduce capital occupation; improve the mechanism, practically optimize the management of accounts receivable, and adhere to the basic policy of "delivery upon payment". To strengthen the analysis of accounts receivable, regularly verify accounts receivable, strengthen the clearing of debts, and avoid business risks.

6. OTHER DISCLOSURES

1. Work of Audit Committee. The Audit Committee of the Company comprises independent directors Ms. Zhu Shaofang, Ms. Zhang Chunxia and Mr. Wang Xianzhu. The Audit Committee has reviewed the 2022 semi-annual results.
2. Significant Event 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.
3. Purchase, Sale or Redemption of Listed Securities of the Company. During the Reporting Period, the Company did not redeem any of its listed stocks, nor did the Company and its affiliated companies purchase or resale any of the listed stocks.
4. Pre-emptive Rights. According to Chinese laws and the Articles of Association of the Company, it is not required that the current shareholders shall purchase new shares based on their holding shares before the Company issues news shares.

III Management Discussion and Analysis (Directors' Report) (Continued)

6. OTHER DISCLOSURES (CONTINUED)

5. Code on Corporate Governance Practices. During the Reporting Period, the Company has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No deviation 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 behaviour 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's office in Maanshan, Anhui (No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC).
8. Safety Accidents Occurred in Plant Areas. During the Reporting Period, a safety accident happened when the Company's service provider, MCC Baosteel Technology Services Co., Ltd. (MCCBTS) was carrying out the rush repair to the desulfurization and denitration system of the belt roaster in the Company's ironmaking general plant. For details, please refer to the Announcement on Safety Accidents in Plant Areas. After the accident, the Company immediately launched the emergency plan to fully assist in search and rescue. At the same time, the Company implemented the employees' pre-job safety oath to strengthen safety awareness; carried out special safety inspection and rectification to eliminate potential safety hazards; revised the Management Measures for Cooperative Safety to improve the safety production constraint mechanism of suppliers, subcontractors and relevant personnel.

Section IV Corporate Governance

1. SHAREHOLDERS' GENERAL MEETING

Session of Meeting	Date of Meeting	Specified Website for Publishing Resolutions	Publishing Date of Resolution	Meeting resolutions
2022 First Extraordinary General Meeting, 2022 First A Shares Class Meeting, 2022 First H Shares Class Meeting	10 March 2022	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-11/600808_20220311_1_gy4gQ1Lh.pdf	11 March 2022	Refer to explanation
2021 Annual General Meeting	23 June 2022	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-24/600808_20220624_1_nE8oX5A6.pdf	24 June 2022	Refer to explanation

The explanation of the shareholders' general meeting:

Pursuant to the Notice on the 2022 First Extraordinary General Meeting, 2022 First A Shares Class Meeting and 2022 First H Shares Class Meeting of Maanshan Iron & Steel Company Limited issued by the Company on 11 January 2022, these general meetings were originally scheduled to be held on 28 February 2022 to consider matters related to equity incentive. Due to the time adjustment of the reply issued by the state-owned assets supervision authorities, the Company postponed these general meetings to 10 March 2022. For details, please see the Announcement on Postponement of 2022 First Extraordinary General Meeting, 2022 First Class Meeting of the Holders of A Shares and 2022 First Class Meeting of the Holders of H Shares issued by the Company on February 20. On 10 March 2022, the resolutions considered and approved by the general meetings were: the 2021 Restricted A Share Incentive Scheme (draft) and its summary; the Performance Assessment Measures for the Restricted A Share Incentive Scheme in 2021; the Administrative Measures for Share Incentives; the Resolution on Authorization to the Board to Handle the Related Matters for the Restricted Share Incentive Scheme by the General Meeting.

According to the Notice on Convening the 2021 Annual General Meeting issued by the Company on 5 May 2022, the 2021 annual general meeting of the Company was held on 23 June 2022. The resolutions considered and approved at the meeting include: Report of the Board of Directors for the year 2021; Report of the Supervisory Committee for the year 2021; Audited financial report for the year 2021; Appointment of Ernst & Young Hua Ming LLP as the Company's auditor for the year 2022 and authorisation of the Board of Directors to determine its remuneration; Profit distribution plan for the year 2021; Remuneration of Directors, Supervisors and senior management for the year 2021; Administrative Measures on the Performance and Remuneration of the Directors, Supervisors and Senior Management of the Company; Resolution on capital reduction and restructuring of Anhui Magang Chemical & Energy Technology Co., Ltd.; Resolution on the issuance of ultra-short-term financing notes by the Company; Resolution on the plan for the public issuance of corporate bonds; Amendments to the Articles of Association and its appendices. In addition, the 2021 Annual General Meeting also heard the report of the independent Directors of the Company for 2021.

Section IV Corporate Governance (Continued)

1. SHAREHOLDERS' GENERAL MEETING (CONTINUED)

The above General Meeting took place in the Company's office building, located at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province. Announcements detailing resolutions made at these meetings 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>).

2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, there was no change in the Directors, Supervisors and senior management of the Company. On 18 August 2022, the Board agreed the resignation of Mr. Mao Zhanhong as the deputy general manager of the Company due to other work arrangements; agreed the resignation of Mr. Ren Tianbao from the post of deputy general manager of the Company and the appointment of Mr. Ren Tianbao as the general manager of the Company.

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	No
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>)	–

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
Results of the First Grant of the 2021 Restricted A Share Incentive Scheme	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-05-11/600808_20220511_1_z2lpjPUU.pdf

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

Magang Stock and its holding subsidiaries, Ma Steel (Hefei), Changjiang Steel and Masteel Transportation Material are all key pollutant discharge units stipulated by the national environmental protection department, and all implement a series of emission standards for the iron and steel industry. Main pollutants are waste water, waste gases and solid wastes.

The names, discharge methods, quantity and distribution of main pollutants and characteristic pollutants are as follows:

Name of Company	Pollutant Category	Typical Pollutants	Way of Discharge	Processing Equipment	Number and Distribution of Discharge Outlets
Magang Stock	Waste gases	Dust, NO _x , SO ₂ , etc.	Emitted into the air via chimney stack after dust elimination, desulfidation and denitration	292 sets	323 distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	67 sets	11
	Solid wastes	Iron dust, iron oxide scale, metallurgical slag, etc.	Comprehensive utilization, outsourced compliant disposal, compliant storage	15 sets	-
Changjiang Steel	Waste gases	Dust, NO _x , SO ₂ , etc.	Emitted into the air via chimney stack after dust elimination, desulfidation and denitration	61 sets	64 distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	8 sets	1
	Solid wastes	Iron dust, iron oxide scale, metallurgical slag, etc.	Comprehensive utilization, outsourced compliant disposal	-	-

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 fog, 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 sets	1
	Solid wastes	Emulsified liquid slag, oil sludge, waste filter paper, bottom residue, etc.	Comprehensive utilization, outsourced compliant disposal	–	–
Masteel Transportation Material	Waste gases	Dust, NO _x , SO ₂ , etc.	Discharged after up to standard processing	12 sets	21 distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	2 sets	2

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 in the First Half of the Year (Ton)
Magang Stock	Waste gases	Dust	≤9.52mg/m ³	11,161.855	3,485.52
		SO ₂	≤7.47mg/m ³	16,595.385	2,061.07
		NO _x	≤11.02mg/m ³	32,118.567	3,041.93
	Waste water	COD	≤13.61mg/l	1,573.6	157.75
		Ammonia nitrogen	≤0.43mg/l	161.6	4.99
Changjiang Steel	Waste gases	Dust	≤9.78mg/m ³	2,938.2	959.23
		SO ₂	≤5.09mg/m ³	3,243.25	358.45
		NO _x	≤5.58mg/m ³	7,091.746	392.44
	Waste water	COD	0mg/l	0	0
		Ammonia nitrogen	0mg/l	0	0
Ma Steel (Hefei)	Waste gases	Dust	≤18.5mg/m ³	51.90187	4.72
		SO ₂	≤8.5mg/m ³	6.039998	0.4956
		NO _x	≤36mg/m ³	38.059999	9.6037
	Waste water	COD	≤29.79mg/l	106.82	6.4970
		Ammonia nitrogen	≤4.5mg/l	16.1	0.8798
Masteel Transportation Material	Waste gases	Dust	≤4.42mg/m ³	/	4.01
		SO ₂	≤25.2mg/m ³	/	22.832
		NO _x	≤55.7mg/m ³	/	50.438
	Waste water	COD	0mg/l	/	0

Note: The total discharge amount during the Reporting Period 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 Discharge Permit for Iron and Steel Industry (HJ846-2017).

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 dust emissions are as follows:

Unit: tonne

Name of Company	Dust Emission		Total
	Organised Emission	Unorganised Emission	
Magang Stock	2625.24	860.28	3,485.52
Changjiang Steel	688.26	270.97	959.23
Ma Steel (Hefei)	4.72	–	4.72
Masteel Transportation Material	4.01	–	4.01

The above organised emission is calculated according to the monitoring data, while the unorganised emission is calculated according to the emission coefficient specified in the original Ministry of Environmental Protection's "Calculation Methods of Pollutants Discharge Amount for Seventeen Industries Classified in Pollutants Discharge Permitting Administration (Including Factors & Material Measuring Methods) (Trial)" in 2017. During the Reporting Period, the disposal of solid waste and hazardous waste was as follows: (1) the Company generated 5.5459 million tonnes of solid waste, among which, 1.4740 million tonnes were recycled for production and utilization, 4.0699 million tonnes were exported for comprehensive utilization, 2,000 tonnes were outsourced for compliant disposal. The production of hazardous waste was 39,200 tonnes, among which, 43,600 tonnes were disposed in compliance, and 1,300 tonnes were stored in compliance. (2) Changjiang Steel generated 1,252,800 tonnes of solid waste, among which, 279,500 tonnes were recycled for production and utilization, 973,100 tonnes were exported for comprehensive utilization, 200 tonnes were outsourced for compliant disposal. The production of hazardous waste was 3,857.10 tonnes, among which, 3,865.6 tonnes were disposed in compliance, and 11.34 tonnes were stored in compliance. (3) Ma Steel (Hefei) generates 600.26 tonnes of solid waste, all of which were outsourced for compliance disposal. The amount of hazardous waste generated was 371.83 tonnes, all of which were disposed of in compliance. (4) Masteel Transportation Material generated 3,733.8 tonnes of solid waste, among which, 3,714.84 tonnes were for comprehensive utilization, 18.96 tonnes were outsourced for compliant disposal. The amount of hazardous waste generated was 657.02 tonnes, all of which were disposed in compliance.

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)*

The Company has carried out closed transformation for areas producing volatile organic compounds (VOC), such as the biochemical wastewater treatment system of coal coking company and the coating workshop of Masteel Transportation Material; formulated VOC management and monitoring system, and implemented VOC monitoring for coking, color coating and other related processes. The monitoring results were all up to standards.

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

All processes of the Company are equipped with pollution prevention facilities and are operating normally in accordance with the requirements of the environmental assessment. As of 30 June 2022, there were 78 (sets) wastewater treatment facilities, 376 (sets) waste gas treatment facilities and 15 (sets) of solid waste treatment facilities. All production processes of the Company are equipped with noise elimination, noise reduction, sound isolation and other facilities to effectively control the emission of environmental noise.

Online monitoring and monitoring facilities are installed at the main discharge outlets of waste water and waste gas, and networking and all-round real-time monitoring are realized in accordance with the government's requirements to ensure that the actual pollutant emission outperform the standard requirements. Among them, the Company has installed 149 sets of waste gas online monitoring facilities (70 sets of state control have been networked and 79 sets of internal control), 148 sets of waste water online monitoring facilities (71 sets of state control and 77 sets of internal control), and 156 sets of video monitoring facilities; Changjiang Steel is equipped with 19 sets of waste gas online monitoring systems; Changjiang Steel, Ma Steel (Hefei) and Masteel Transportation Material each installed a set of waste water online monitoring system.

The Company has formulated the Management Measures for Environmental Protection Equipment to carry out hierarchical management of pollution control facilities according to their importance, stability and impact, and to conduct 24-hour dynamic monitoring of key environmental protection facilities. During the Reporting Period, the pollution control facilities operated normally and reached the emission standard.

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*

During the Reporting Period, eight important construction projects of the Company, including C sintering machine project, B blast furnace overhaul and transformation, and solid waste resources comprehensive utilization industrial park, obtained the EIA approval; twenty-six projects, including the overhaul and transformation project of sintering machine A of ironmaking general plant, have completed the filing of the EIA registration form. Changjiang Steel completed the filing of the EIA registration form for the reconstruction project of the dust removal facilities of the No. 2 blast furnace cast iron field.

According to relevant regulations, Magang Stock, Changjiang Steel, Ma Steel (Hefei) and Masteel Transportation Material shall apply for pollutant discharge permits. At present, all of them have applied for the permits, and a total of 5 pollutant discharge permits have been obtained (one for each of Magang Stock, Changjiang Steel and Ma Steel (Hefei), one for each of Masteel Transportation Material south area and north area).

4. *Prepared Emergency Response Plans for Environmental Incidents*

The Company, Ma Steel (Hefei) and Changjiang Steel have completed the filing of the Emergency Response Plan for Environmental Emergencies. At the same time, in order to ensure rapid response and effective control of all units in the event of environmental incidents, the Company organized 22 drills in the first half of the year, including the Emergency Response Plan for Shutdown of 8# Coke Oven Desulfurization and Denitration Booster Fan and the Emergency Response Plan for Radiation Source Accidents, Ma Steel (Hefei) organized and completed the drill of Emergency Response Plan for Radiation Accidents of Radiation Devices, and Changjiang Steel organized and completed the drill of three plans, including Emergency Response Plan for Water Treatment and Sewage Leakage of Rolling Mill.

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)

5. *Environmental Self-monitoring Programme*

In strict accordance with the requirements of the Measures for the Self-Monitoring and Information Disclosure by the Enterprises subject to Intensive Monitoring and Control of the State (for Trial Implementation) (No. 81 [2013] of the Ministry of Environmental Protection) Self-monitoring Technical Guidelines of the State and Technical Specifications for Application and Issuance of Pollutant Permit, the Company comprehensively sorted out waste water, waste gas, noise, radiation, soil and groundwater points. The headquarters of Masteel, Changjiang Steel, Ma Steel (Hefei) and Masteel Transportation Material have respectively compiled and completed the 2022 self-monitoring plan, and reported locally to the Ecological Environment Bureau. The self-monitoring adopted two methods of continuous automatic monitoring and manual monitoring, and the discharge outlets were monitored continuously and automatically. All self-monitoring data were kept for more than 1 year, and the results were uploaded to the Information Disclosure Platform for Self-Monitoring and Supervisory Monitoring of Key Pollutant Discharge Units; the Company entrusted qualified third-party monitoring institutions to monitor each discharge outlet, and the monitoring data was disclosed immediately.

6. *No administrative penalties were imposed for environmental problems during the Reporting Period*

7. *Other environmental information that should be disclosed*

Applicable Not Applicable

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

Applicable Not Applicable

V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

During the Reporting Period, Magang Stock, Ma Steel (Hefei) and Changjiang Steel successively passed the inspection of GB/T 24001–2016/ISO 14001:2015 environmental management system of professional certification companies.

(4) Measures taken to reduce its carbon emissions during the reporting period and their effectiveness

During the Reporting Period, Magang Stock vigorously promoted economic operation to achieve energy conservation and carbon reduction, for example, the converter gas and steam recovery rate of the four steel rolling converter was 100% for six consecutive months; the proportion of self-generated electricity increased by 8.28 percentage points over last year; the recovery of surplus energy per tonne of steel increased by 2.16kgce/t compared with last year; the water consumption per tonne of steel decreased by 0.23t/t compared with last year; the hot charging rate increased by 8.28 percentage points over last year.

Magang Stock continued to promote the application of “Four New” energy-saving technologies and accelerated the construction of energy-saving projects. In the first half of the year, six key energy-saving and carbon reduction projects, including waste heat recovery of long products and small bar heating furnaces, were completed and put into operation, with an annual energy-saving benefit of RMB17 million.

Magang Stock continued to vigorously promote the construction of distributed photovoltaic power generation. The installed PV capacity of the headquarters reached 39.27MW, and the power generation during the Reporting Period was 17.7 million kWh, reaching a record high. Masteel Transportation Material actively promoted the roof photovoltaic power generation project with a scale of approximately 4.45MWp, which is expected to be completed by the end of September; Changjiang Steel carried out the measurement of the low calorific value and carbon content per unit calorific value (carbon element) of the incoming fuel to further consolidate the quality management of carbon emission data; formulated and implemented clean transportation improvement plans, increased the proportion of clean transportation, and promoted energy conservation and carbon reduction in transportation; Ma Steel (Hefei) improved combustion efficiency and reduced natural gas consumption by improving air-fuel ratio of natural gas burner, reducing annealing temperature of annealing furnace, centralized production and other measures.

V Environmental and Social Responsibility (Continued)

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

During the Reporting Period, Ding Yi, Secretary of the Party committee and chairman of the board of directors of the Company, Gao Tie, deputy secretary of the Party committee and Secretary of the Discipline Inspection Commission of the Company, and other leaders led teams to investigate and visit Longtai village, Lintou Town, Hanshan County, and Liji village, a local town of Funan County, which were assisted by the Company, and put forward guiding opinions on the improvement of the industry, ecology, culture, education, organization and other aspects of the assisted villages, and designated departments to be responsible for implementation.

According to the targeted assistance work plan of Anhui Province in 2022, the Company completed the establishment of the assistance project and organized the feasibility study of the project; decomposed the assistance tasks, and purchased and sold the agricultural and sideline products in poverty-alleviation areas through the distribution of employee welfare, directly and effectively led the assistance areas to increase income. By the end of June, more than RMB1.5 million had been purchased; publicized the enrollment policies of the Company's technician school and Anhui Metallurgy Institute, and encouraged students in the assisted areas to study and enjoy relevant educational assistance measures. The first secretary stationed in Longtai village and Liji village dispatched by the Company led the working team, strictly implemented the requirements of the county and village, assisted the two committees of the village to take various measures for pandemic prevention and control, and fought with village cadres and the broad masses of Party members in the front line of pandemic prevention and control; made in-depth visits and investigations, practically solved the people's urgent problems and anxieties, carried out rectification of human settlements and housing safety, carried out fire safety inspection of "no burning of straw" in busy farming seasons, strengthened safety precautions in flood season and publicity of safety knowledge and common sense of "drowning prevention for minors in summer", invited safety technicians to provide safety guidance for enterprises in the village, repaired and renovated circuits for poverty-stricken households to thoroughly solve electricity safety problems; comprehensively promoted the construction of beautiful villages, led the two village committees to guide village grid members, rural Party members and the general public to participate in the governance of human settlements by using the strength of women's federations, volunteers and other groups in the working mode of "Party building + human settlements environment improvement", and formed a good working atmosphere.

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 commitments were made:

1. to avoid horizontal competition, China Baowu issued the “Commitment Letter on Avoiding Horizontal Competition”;
2. 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”;
3. 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 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.

VI Significant Events (Continued)

4. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

During the Reporting Period, the board of directors proposed the appointment of Ernst & Young Hua Ming LLP as the Company's auditor. The resolution was approved by the Company's 2021 Annual General Meeting on 23 June 2022. During the Reporting Period, the Company did not change to employ accounting firms, nor did accounting firms issue non-standard auditing reports to the Company.

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

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

7. 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.

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

Applicable Not Applicable

VI Significant Events (Continued)

9. 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*

Applicable Not Applicable

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	3,448	6.16
Purchasing products from China Baowu	18,682	39.12
Total	22,130	/

The prices of ores, scrap, spare parts and other products the Group purchases from China Baowu 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 contract.

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 2022 annual cap of RMB53,311 million specified in the “Sale and Purchase of Product Agreement”.

VI Significant Events (Continued)

9. 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	29	22.43
Receiving services from China Baowu	3,616	49.30
Total	3,645	/

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 2022 annual cap of RMB11,967 million specified in the “Acceptance and Provision of Services Agreement”.

VI Significant Events (Continued)

9. 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	19,708	Interest expenses
	Monthly average maximum daily deposit	18,436	
Loan	Maximum daily loan	3,965	Interest income
	Monthly average maximum daily loan	3,862	
Other income			
Net income from handling fee and commission			0.2
Income from discount interest			20

VI Significant Events (Continued)

9. 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)

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.

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 2022 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.

VI Significant Events (Continued)

9. 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
Capital reduction and restructuring of Magang Chemical	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-31/600808_20220331_10_lbdrEd4J.pdf
Transfer of 550,000 tonnes of ironmaking capacity from Changjiang Steel to Baogang Zhanjiang Iron and Steel Company, and purchase of 280,000 tonnes of steelmaking capacity by the Company from Baosteel Special Steel Co., Ltd.	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-08/600808_20220608_5_Gm54WZJy.pdf

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

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

Applicable Not Applicable

- (4) During the reporting period, the Company did not have other debt transactions or pledge with each related party except for regular business transaction

VI Significant Events (Continued)

9. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

- (5) 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	Balance at the beginning of the period	Amount for the period		Balance at the end of the period
					Total amount deposited during the period	Total amount withdrawn during the period	
Maanshan Iron and Steel Group and its subsidiaries	Financial business between the Company's holding financial company and its related parties	Nil	0.42%-2.18%	6,652	52,188	52,268	6,572
Total	/	/	/	6,652	52,188	52,268	6,572

2. Loans business

Unit: million RMB

Related party	Connection	Amount for loan	Interest rate range of Loans	Balance at the beginning of the period	Amount for the period		Total amount repaid during the period
					Balance at the end of the period	Total loan amount for the period	
Maanshan Iron and Steel Group and its subsidiaries	Financial business between the Company's holding financial company and its related parties	4,900	1.0%-3.7%	1,051	952	696	1,307
Total	/	/	/	1,051	952	696	1,307

VI Significant Events (Continued)

9. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

- (5) 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)

3. *Credit business or other financial business*

Unit: million RMB

Related party	Connection	Business types	Total	Actual amount
Maanshan Iron and Steel Group and its subsidiaries	Financial business between the Company's holding financial company and its related parties	Charge for financial services	42	42

VI Significant Events (Continued)

10. MATERIAL CONTRACTS AND EXECUTION THEREOF

1. During the reporting period, there was no substantial entrustment, contracting and leasing made by the Company
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)	31.5
Total Amount of Guarantees Offered by the Company (including guarantees offered to subsidiaries)	
Total amount of guarantees (A+B)	31.5
Total amount of guarantees as a percentage of net assets of the Company (%)	8.78
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)	31.5

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.

VI Significant Events (Continued)

11. 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 Openly Soliciting Proxy Votes by Independent Directors	2022.1.12
Announcement on Estimated Increase in Profit in Annual Results of 2021	2022.1.29
Announcement of Explanation of the Safety Accident at the Plant	2022.2.7
Announcement on Launch of Futures Hedging Activities in the Year 2022	2022.3.2
Preliminary Results Announcement for the Year of 2021	2022.3.10
Announcement on Resolution Passed at the 2022 First Extraordinary General Meeting, First Class Meeting of A Shareholders, First Class Meeting of H Shareholders	2022.3.11
Announcement on the Profit Distribution Plan for the Year 2021	2022.3.24
Announcement on Accounting Policy Changes	2022.3.24
Announcement on Appointment of Accounting Firm	2022.3.24
Announcement on the Proposed Issuance of Short-term Financing Bonds	2022.3.31
Announcement on the Proposed Issuance of Corporate Bonds	2022.3.31
Announcement of Capital Reduction and Related Transaction for Investee Subsidiary	2022.3.31
Announcement on the First Grant of Restricted Shares to the Incentive Targets of the Company's 2021 A Share Restricted Share Incentive Scheme	2022.3.31
Announcement of the Annual Results Presentation 2021	2022.4.1
Announcement on the Results of the First Grant of the 2021 A Share Restricted Stock Incentive Scheme	2022.5.11
Announcement on the Amendments to the Articles of Association and its Appendices	2022.6.8
Announcement of Connected Transactions (Transfer and Purchase of Production Capacity)	2022.6.8
Announcement on an Additional Proposal at the 2021 Annual General Meeting	2022.6.8
Announcement of Resolutions Passed at the 2021 Annual General Meeting	2022.6.24

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	100	0.0000013	75,050,000	-	-	-	75,050,000	75,050,100	0.97
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestically owned shares	-	-	-	-	-	-	-	-	-
Including: Domestic non-state-owned legal person shares	-	-	-	-	-	-	-	-	-
Shares owned by domestic natural persons	100	0.0000013	75,050,000	-	-	-	75,050,000	75,050,100	0.97
4. Foreign shareholding	-	-	-	-	-	-	-	-	-
Including: Overseas legal person shares	-	-	-	-	-	-	-	-	-
Overseas natural person shares	-	-	-	-	-	-	-	-	-
B. Shares without selling restriction	7,700,681,086	99.9999987	-	-	-	-	-	7,700,681,086	99.03
1. RMB ordinary shares	5,967,751,086	77.4999987	-	-	-	-	-	5,967,751,086	76.75
2. Foreign shares listed domestically	-	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	1,732,930,000	22.5	-	-	-	-	-	1,732,930,000	22.29
4. Other shares	-	-	-	-	-	-	-	-	-
C. Total	7,700,681,186	100	75,050,000	-	-	-	75,050,000	7,775,731,186	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

The Company's 2021 Restricted A Share Incentive Scheme (the "Incentive Scheme") was approved by the Company's 2022 First Extraordinary General Meeting, the First A Share Class Meeting and the First H Share Class on 10 March 2022. According to the authorization of the general meeting of shareholders, the Board confirmed that the granting conditions stipulated in the Incentive Scheme have been fulfilled. On 30 March 2022, being the grant date of this restricted share incentive scheme, 75.93 million restrictive shares were granted to 262 incentive participants at RMB2.29 per share. During the granting process, 2 incentive participants no longer participated in the Incentive Scheme due to position changes or other personal reasons, and gave up the subscription of 880,000 shares in total. Therefore, the actual number of participants being granted this time under the Incentive Scheme was 260, and 75.05 million shares were granted.

(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	7,505	Equity incentive	Note
Total	–	–	7,505	7,505	/	/

Note: According to the 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*) 168,574

(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 or Frozen Situations		Shareholder Nature
	Increase/Decrease within the Reporting Period	No. of Shares at the End of Period	Percentage (%)	No. of Shares under Restricted Condition for Sales	Share Status Number	
Magang (Group) Holding Co., Limited	-	3,506,467,456	45.095	- Nil	-	State-owned shareholder
Hong Kong Securities Clearing Company (Nominees) Limited	1,000,030	1,717,328,520	22.086	- Unknown	Unknown	Unknown
Magang Group Investment Ltd.	-	158,282,159	2.036	- Nil	-	State-owned shareholder
Central Huijin Investment Ltd.	-	139,172,300	1.790	- Unknown	Unknown	State-owned shareholder
China Merchants Bank Co., Ltd. – SSE dividend trading open-ended index securities investment fund	Unknown	92,954,869	1.195	- Unknown	Unknown	Unknown
Hong Kong Securities Clearing Company Limited	-102,089,413	75,386,019	0.970	- Unknown	Unknown	Unknown
China Life Pension Strategy No. 4 Equity Pension Product – Industrial and Commercial Bank of China Limited	Unknown	34,531,120	0.444	- Unknown	Unknown	Unknown
Beijing Guoxing Real Estate Management Co., Ltd.	13,903,093	33,970,600	0.437	- Unknown	Unknown	Unknown
Zhang Wu	-18,000,000	21,200,000	0.273	- Unknown	Unknown	Unknown
Industrial and Commercial Bank of China Limited – Yinhua Xinsheng Flexible Allocation Hybrid Securities Investment Fund (LOF)	Unknown	18,705,100	0.241	- 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)

Top Ten Shareholders with unrestricted selling condition				
Name of Shareholder	The number of unrestricted Outstanding shares held	Type and Quantity of Shares		
		Type	Quantity	
Magang (Group) Holding Co., Limited	3,506,467,456	Ordinary shares in RMB	3,506,467,456	
Hong Kong Securities Clearing Company (Nominees) Limited	1,717,328,520	Overseas listed shares	1,717,328,520	
Magang Group Investment Ltd.	158,282,159	Ordinary shares in RMB	158,282,159	
Central Huijin Investment Ltd.	139,172,300	Ordinary shares in RMB	139,172,300	
China Merchants Bank Co., Ltd. – SSE dividend trading open-ended index securities investment fund	92,954,869	Ordinary shares in RMB	92,954,869	
Hong Kong Securities Clearing Company Limited	75,386,019	Ordinary shares in RMB	75,386,019	
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	33,970,600	Ordinary shares in RMB	33,970,600	
Zhang Wu	21,200,000	Ordinary shares in RMB	21,200,000	
Industrial and Commercial Bank of China Limited – Yinhua Xinsheng Flexible Allocation Hybrid Securities Investment Fund (LOF)	18,705,100	Ordinary shares in RMB	18,705,100	
Notes on the above shareholders' affiliated relation or concerted action		At the end of the Reporting Period, the controlling shareholder of Magang Group Investment Ltd. is Magang (Group) Holding Co., Limited, hence they are persons acting in concerted action. In addition, 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 1,717,328,520 H shares of the Company on behalf of its clients, among which, 377,400,000 shares are held on behalf of Baosteel 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)

During the Reporting Period, no shares held by the Magang (Group) Holding Company Limited, Magang Group Investment Ltd. 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.

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 with selling restrictions held	Shares with selling restrictions available for trading	
			Available time for trading	No. of shares newly available for trading Selling restrictions
1	Ding Yi	85	Please refer to the Company's "Announcement on the Results of the First Grant of the 2021 Restricted A Share Incentive Scheme" for the availability for trading and selling restrictions of these shares with selling restrictions at the website: http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-05-11/600808_20220511_1_z2lpjPUU.pdf .	
2	Liu Guowang	85		
3	Mao Zhanhong	60		
4	Tang Qiming	60		
5	Ren Tianbao	60		
6	Fu Ming	60		
7	Zhang Maohan	60		
8	Wang Guangya	45		
9	Deng Songgao	45		
10	Luo Wulong	45		
11	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.	

Note: Excluding the 100 A shares of the Company purchased by Mr. Mao Zhanhong in 2021.

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 2022, the Company was aware of below interests or short positions recorded 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 in equity of the Company's issued H shares (shares)	Approximate percentage of the Company's issued H shares (%)
Baosteel Hong Kong Investment Company Limited	Beneficial holder	377,400,000 (Long position)	21.78
BlackRock, Inc.	Beneficial holder	87,648,000 (Long position)	5.06

As at 30 June 2022, 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 directors, supervisors, or senior management had any interests or short positions in the share capital or relevant share capital 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 30 June 2022, the Company was no aware of any interests or short positions recorded according to the Securities and Future Ordinance.

VII Movements in Share Capital and Shareholders (Continued)

3. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

- (I) Changes in shareholdings of current and outgoing directors, supervisors and senior executives in the reporting period

Unit: 0'000 shares

Name	Position	No. of shares held at the beginning of the period	No. of shares held at the beginning of the period	Increase/decrease of shares in the Reporting Period	Reason for increase/decrease
Ding Yi	Director	–	85	85	Granted for equity incentive
Mao Zhanhong	Senior executive	0.01	60.01	60	Granted for equity incentive
Ren Tianbao	Director	–	60	60	Granted for equity incentive
Fu Ming	Senior executive	–	60	60	Granted for equity incentive
Zhang Maohan	Senior executive	–	60	60	Granted for equity incentive
He Hongyun	Senior executive	–	28	28	Granted for equity incentive

VII Movements in Share Capital and Shareholders (Continued)

3. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES (CONTINUED)

- (2) Equity incentives granted to directors, supervisors and senior management during the reporting period

Unit: 0'000 shares

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	Senior executive	0.01	60	–	60.01	60.01
Ren Tianbao	Director	–	60	–	60	60
Fu Ming	Senior executive	–	60	–	60	60
Zhang Maohan	Senior executive	–	60	–	60	60
He Hongyun	Senior executive	–	28	–	28	28
Total	/	0.01	353	–	353.01	353.01

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 2022

Renminbi Yuan

ASSETS	<i>Note V</i>	30 June 2022	31 December 2021
		Unaudited	Audited
CURRENT ASSETS			
Cash and bank balances	1	7,225,308,196	6,667,853,614
Financial assets held for trading	2	3,742,190,534	5,732,467,255
Notes receivables	3	2,104,554,357	466,956,969
Trade receivables	4	1,325,672,268	1,107,071,353
Financing receivables	5	2,813,267,598	4,795,905,782
Prepayments	6	1,326,592,063	1,534,440,838
Other receivables	7	711,064,497	310,005,481
Inventories	8	13,499,132,079	12,463,004,529
Financial assets purchased under agreements to resell	9	3,438,089,887	784,602,397
Loans and advances to customers	10	3,752,613,367	4,726,693,965
Other current assets	11	4,017,750,240	4,669,834,825
Total current assets		43,956,235,086	43,258,837,008
NON-CURRENT ASSETS			
Long-term receivables	12	7,681,457	11,142,621
Long-term equity investments	13	4,791,106,690	5,158,883,895
Other equity instrument investments	14	604,281,327	641,943,339
Investment properties	15	59,964,698	60,811,604
Property, plant and equipment	16	30,397,615,778	28,605,250,896
Construction in progress	17	12,661,177,187	10,999,333,300
Right-of-use assets	18	298,335,380	568,919,288
Intangible assets	19	1,945,461,675	1,727,329,824
Deferred tax assets	20	164,640,851	171,800,693
Other non-current assets		3,597,618	3,490,550
Total non-current assets		50,933,862,661	47,948,906,010
TOTAL ASSETS		94,890,097,747	91,207,743,018

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

Consolidated Statement of Financial Position (Continued)

30 June 2022

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Note V</i>	30 June 2022	31 December 2021
		Unaudited	Audited
CURRENT LIABILITIES			
Customer deposits	21	9,453,109,631	9,253,057,291
Repurchase agreements	22	108,679,593	925,465,952
Short-term loans	23	8,387,230,131	8,952,209,045
Financial liabilities held for trading	24	–	31,663,498
Notes payable	25	7,155,680,843	3,953,458,712
Trade payables	26	12,150,630,980	10,437,709,731
Contract liabilities	27	5,009,662,433	5,741,241,284
Pay roll and employee benefits payable	28	165,848,311	349,524,741
Taxes payable	29	650,141,050	1,073,613,979
Other payables	30	7,143,003,297	3,954,899,554
Non-current liabilities due within one year	31	158,304,938	1,358,293,333
Provision	32	33,341,775	37,618,128
Other current liabilities	33	651,256,117	746,361,366
Total current liabilities		51,066,889,099	46,815,116,614
NON-CURRENT LIABILITIES			
Long-term loans	34	6,563,232,765	5,452,250,052
Lease liabilities	35	313,049,892	571,979,597
Long-term payable	36	171,864,500	–
Long-term employee benefits payable	37	25,032,518	28,537,508
Deferred revenue	38	877,051,239	911,424,466
Deferred tax liabilities	20	15,085,361	17,251,303
Total non-current liabilities		7,965,316,275	6,981,442,926
TOTAL LIABILITIES		59,032,205,374	53,796,559,540

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

Consolidated Statement of Financial Position (Continued)

30 June 2022

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)	<i>Note V</i>	30 June 2022 Unaudited	31 December 2021 Audited
SHAREHOLDERS' EQUITY			
Share capital	39	7,775,731,186	7,700,681,186
Capital reserve	40	8,449,725,107	8,344,594,034
Less: Treasury shares	41	171,864,500	–
Other comprehensive income	42	(13,858,001)	12,271,369
Special reserve	43	87,884,690	45,427,634
Surplus reserve	44	4,688,014,995	4,688,014,995
General reserve	45	240,955,417	300,334,506
Retained earnings	46	10,426,979,259	11,661,535,210
Equity attributable to owners of the parent		31,483,568,153	32,752,858,934
Non-controlling interests		4,374,324,220	4,658,324,544
Total shareholders' equity		35,857,892,373	37,411,183,478
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		94,890,097,747	91,207,743,018

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 2022

Renminbi Yuan

		For the six months ended 30 June	
	Note V	2022 Unaudited	2021 Unaudited
Revenue	47	56,366,882,559	56,863,615,397
Less: Cost of sales	47	51,215,621,556	47,466,425,673
Taxes and surcharges	48	257,561,084	363,172,255
Selling expenses	49	128,478,727	126,960,070
General and administrative expenses	50	628,974,051	707,192,699
R&D expenses	51	2,064,563,819	2,046,087,559
Financial expenses	52	324,095,963	383,493,033
Including: Interest expense		261,302,897	352,060,365
Interest income		28,366,201	9,195,165
Add: Other income	53	111,692,169	60,339,953
Investment income	54	417,913,544	388,274,825
Including: Share of profits of associates and joint ventures		315,092,323	387,184,713
Gain on the changes in fair value	55	56,378,972	65,879,265
Credit impairment gains/(losses)	56	10,845,117	(6,742,752)
Asset impairment losses	57	(817,965,125)	(26,303,476)
Gain from disposal of assets	58	420,584,323	1,219,470
Operating profit		1,947,036,359	6,252,951,393
Add: Non-operating income	59	1,713,914	60,126,166
Less: Non-operating expenses	60	75,408,140	29,469,788
Profit before tax		1,873,342,133	6,283,607,771
Less: Income tax expense	62	257,565,942	1,245,769,164
Net profit		1,615,776,191	5,037,838,607
Categorised by operation continuity			
Net profit from continuing operations		1,615,776,191	5,037,838,607
Categorised by ownership			
Net profit attributable to owners of the parent		1,427,570,875	4,643,787,117
Net profit attributable to non-controlling interests		188,205,316	394,051,490

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

Consolidated Income Statement (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

	Note V	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited
Other comprehensive income, net of tax		(26,129,370)	(2,248,257)
Other comprehensive income attributable to owners of the parent, net of tax	42	(26,129,370)	(2,248,257)
Other comprehensive income that will not be reclassified to profit or loss:			
Changes in fair value of other equity instrument investments		(30,248,839)	23,174,957
Other comprehensive income that may be reclassified to profit or loss:			
Other comprehensive income using the equity method that may be reclassified to profit or loss		71,103	520,764
Exchange differences on translation of foreign operations		2,105,599	(27,620,789)
Changes in fair value of other debt investments		1,942,767	1,676,811
Other comprehensive income attributable to non-controlling interests, net of tax		–	–
Total comprehensive income		1,589,646,821	5,035,590,350
Attributable to:			
Owners of the parent		1,401,441,505	4,641,538,860
Non-controlling interests		188,205,316	394,051,490
EARNINGS PER SHARE:			
Basic earnings per share (cent/share)	63	18.53	60.30
Diluted earnings per share (cent/share)	63	18.53	60.30

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

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

Renminbi Yuan

For the six months ended 30 June 2022 (Unaudited)

	Attributable to owners of the parent									Non-controlling interests	Total shareholders' equity
	Share capital (Note V 39)	Capital reserve (Note V 40)	Less: Treasury shares (Note V 41)	Other comprehensive income (Note V 42)	Special reserve (Note V 43)	Surplus reserve (Note V 44)	General reserve (Note V 45)	Retained earnings (Note V 46)	Sub-total		
1. Balance at the beginning of the period	7,700,681,186	8,344,594,034	-	12,271,369	45,427,634	4,688,014,995	300,334,506	11,661,535,210	32,752,858,934	4,658,324,544	37,411,183,478
2. Increase/(decrease) during the period											
1) Total comprehensive income	-	-	-	(26,129,370)	-	-	-	1,427,570,875	1,401,441,505	188,205,316	1,589,646,821
2) Shareholders' contributions and reduction in capital											
(i) Capital contributions by shareholders	75,050,000	96,814,500	171,864,500	-	-	-	-	-	-	-	-
(ii) Changes in other equity of associates and joint ventures	-	(2,625,717)	-	-	-	-	-	-	(2,625,717)	-	(2,625,717)
(iii) Amount of share-based payments recognised in equity	-	10,942,290	-	-	-	-	-	-	10,942,290	-	10,942,290
3) Profits appropriation											
(i) Distribution to shareholders	-	-	-	-	-	-	-	(2,721,505,915)	(2,721,505,915)	(476,651,458)	(3,198,157,373)
(ii) Transfer to general reserve	-	-	-	-	-	-	(59,379,089)	59,379,089	-	-	-
4) Special reserve											
(i) Additions	-	-	-	-	46,612,000	-	-	-	46,612,000	8,330,783	54,942,783
(ii) Utilisation	-	-	-	-	(10,319,531)	-	-	-	(10,319,531)	(3,884,965)	(14,204,496)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	-	6,164,587	-	-	-	6,164,587	-	6,164,587
3. Balance at the end of the period	7,775,731,186	8,449,725,107	171,864,500	(13,858,001)	87,884,690	4,688,014,995	240,955,417	10,426,979,259	31,483,568,153	4,374,324,220	35,857,892,373

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 2022

Renminbi Yuan

For the six months ended 30 June 2021 (Unaudited)

	Attributable to owners of the parent							Sub-total	Non-controlling interests	Total shareholders' equity
	Share capital (Note V 39)	Capital reserve (Note V 40)	Other comprehensive income (Note V 42)	Special reserve (Note V 43)	Surplus reserve (Note V 44)	General reserve (Note V 45)	Retained earnings (Note V 46)			
1. Balance at the beginning of the period	7,700,681,186	8,361,457,903	(23,151,783)	37,295,614	4,687,127,180	248,156,969	7,374,557,923	28,386,124,992	4,225,060,973	32,611,185,965
2. Increase/(decrease) during the period										
1) Total comprehensive income	-	-	(2,248,257)	-	-	-	4,643,787,117	4,641,538,860	394,051,490	5,035,590,350
2) Shareholders' contributions and reduction in capital										
(i) Capital contributions by shareholders	-	-	-	-	-	-	-	-	-	-
(ii) Changes in other equity of associates and joint ventures	-	1,147,250	-	-	-	-	-	1,147,250	-	1,147,250
3) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	(1,001,088,554)	(1,001,088,554)	(236,624,809)	(1,237,713,363)
4) Special reserve										
(i) Additions	-	-	-	45,193,058	-	-	-	45,193,058	1,947,222	47,140,280
(ii) Utilisation	-	-	-	(13,563,964)	-	-	-	(13,563,964)	-	(13,563,964)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	4,878,004	-	-	-	4,878,004	-	4,878,004
3. Balance at the end of the period	7,700,681,186	8,362,605,153	(25,400,040)	73,802,712	4,687,127,180	248,156,969	11,017,256,486	32,064,229,646	4,384,434,876	36,448,664,522

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

Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

Renminbi Yuan

	Note V	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		55,504,379,461	56,703,182,393
Tax refunds received		1,881,814	937,173
Net decrease in deposits in the central bank		38,168,816	–
Net increase in repurchase agreements		–	356,782,462
Net decrease in financial assets purchased under agreements to resell		–	1,346,743,604
Net increase in customer deposits and balances from banks and other financial institutions and other financial institutions		200,052,340	2,933,206,054
Net decrease in loans and advances to customers		998,558,553	–
Cash received for interest charges, fees and commissions		148,867,571	210,780,490
Cash received relating to other operating activities	64(1)	260,645,302	160,080,223
Sub-total of cash inflows		57,152,553,857	61,711,712,399
Cash paid for purchases of goods and services		(46,358,885,494)	(45,077,268,193)
Net increase in deposits in the central bank		–	(99,173,001)
Net decrease in repurchase agreements		(816,786,359)	–
Net increase in financial assets purchased under agreements to resell		(2,653,497,995)	–
Net increase in loans and advances to customers		–	(616,828,480)
Cash paid to or on behalf of employees		(2,149,356,950)	(2,545,095,520)
Taxes and surcharges paid		(1,397,455,649)	(1,664,109,422)
Cash paid for interest charges, fees and commissions		(85,776,622)	(84,452,912)
Cash paid relating to other operating activities	64(2)	(312,230,823)	(344,198,352)
Sub-total of cash outflows		(53,773,989,892)	(50,431,125,880)
Net cash flows from operating activities	65(1)	3,378,563,965	11,280,586,519

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

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

	<i>Note V</i>	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited
2. Cash flows from investing activities			
Cash received from disposal of investments		13,014,288,002	13,008,836,113
Cash received from investment income		68,475,397	98,680,140
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets		195,554,394	33,221,561
Cash received relating to other investing activities	64(3)	56,031,856	–
Sub-total of cash inflows		13,334,349,649	13,140,737,814
Purchases of property, plant and equipment, intangible assets and other non-current assets		(4,514,685,242)	(2,846,413,330)
Cash paid for investments		(10,959,586,719)	(18,213,779,330)
Cash paid relating to other investing activities	64(4)	–	(46,449,040)
Sub-total of cash outflows		(15,474,271,961)	(21,106,641,700)
Net cash flows used in investing activities		(2,139,922,312)	(7,965,903,886)

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

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

	<i>Note V</i>	For the six months ended 30 June 2022 Unaudited	2021 Unaudited
3. Cash flows from financing activities			
Cash received from borrowings		10,139,612,273	7,896,208,250
Cash received from investors		171,864,500	–
Including: Capital injection from a subsidiary's non-controlling interests		–	–
Cash received relating to other financing activities	64(5)	473,115,130	–
Sub-total of cash inflows		10,784,591,903	7,896,208,250
Repayment of borrowings		(10,860,003,538)	(8,658,473,101)
Cash paid for distribution of dividends or profits and for interest expenses		(672,277,640)	(579,325,052)
Including: Dividends or profits paid to non- controlling interests by subsidiaries		(455,580,143)	(236,624,809)
Cash paid relating to other financing activities	64(6)	(22,752,073)	(16,934,619)
Sub-total of cash outflows		(11,555,033,251)	(9,254,732,772)
Net cash flows used in financing activities		(770,441,348)	(1,358,524,522)
4. Effect of foreign exchange rate changes on cash and cash equivalents		40,094,761	(23,517,507)
5. Net increase in cash and cash equivalents		508,295,066	1,932,640,604
Add: cash and cash equivalents at the beginning of the period		4,223,061,890	3,123,596,841
6. Cash and cash equivalents at the end of the period	65(2)	4,731,356,956	5,056,237,445

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

Statement of Financial Position

30 June 2022

Renminbi Yuan

ASSETS	<i>Note XV</i>	30 June 2022	31 December 2021
		Unaudited	Audited
CURRENT ASSETS			
Cash and bank balances		5,415,199,016	2,580,562,187
Financial assets held for trading		60,700,654	–
Notes receivables		1,039,572,532	670,651,738
Trade receivables	1	2,069,325,678	2,370,751,287
Financing receivables		1,870,338,213	2,178,463,701
Prepayments		1,347,426,600	860,597,030
Other receivables	2	446,953,749	260,814,759
Inventories		8,533,030,277	8,376,609,561
Other current assets		657,767,399	1,236,749,828
Total current assets		21,440,314,118	18,535,200,091
NON-CURRENT ASSETS			
Long-term equity investments	3	12,697,575,409	13,247,074,179
Other equity instrument investments		523,475,916	550,164,412
Investment properties		59,964,698	60,811,604
Property, plant and equipment		22,715,877,495	20,624,876,783
Construction in progress		11,404,416,494	10,187,178,312
Right-of-use assets		279,746,383	551,147,382
Intangible assets		1,383,260,693	1,085,272,031
Deferred tax assets		62,423,318	85,734,913
Total non-current assets		49,126,740,406	46,392,259,616
TOTAL ASSETS		70,567,054,524	64,927,459,707

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

Statement of Financial Position (Continued)

30 June 2022

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	30 June 2022	31 December 2021
	Unaudited	Audited
CURRENT LIABILITIES		
Short-term loans	9,375,487,639	9,812,742,107
Financial liabilities held for trading	–	31,663,498
Notes payable	3,939,209,452	397,205,795
Trade payables	10,822,667,665	9,662,660,374
Contract liabilities	3,668,495,382	4,313,631,584
Payroll and employee benefits payable	41,026,211	240,906,555
Taxes payable	335,903,231	805,680,949
Other payables	7,104,114,518	3,808,000,336
Non-current liabilities due within one year	157,034,411	1,357,008,967
Other current liabilities	476,904,402	560,772,106
Total current liabilities	35,920,842,911	30,990,272,271
NON-CURRENT LIABILITIES		
Long-term loans	6,563,232,765	5,452,250,052
Lease liabilities	295,113,263	554,191,729
Long-term payable	171,864,500	–
Long-term employee benefits payable	301,720	2,499,619
Deferred revenue	742,276,187	763,616,571
Total non-current liabilities	7,772,788,435	6,772,557,971
Total liabilities	43,693,631,346	37,762,830,242
SHAREHOLDERS' EQUITY		
Share capital	7,775,731,186	7,700,681,186
Capital reserve	8,454,242,823	8,349,111,750
Less: Treasury shares	171,864,500	–
Other comprehensive income	173,474,900	193,384,920
Special reserve	52,411,759	19,760,287
Surplus reserve	3,851,228,408	3,851,228,408
Retained earnings	6,738,198,602	7,050,462,914
Total shareholders' equity	26,873,423,178	27,164,629,465
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	70,567,054,524	64,927,459,707

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

Statement of Income Statement

For the six months ended 30 June 2022

Renminbi Yuan

	Note XV	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited
Revenue	4	48,775,294,696	48,734,989,252
Less: Cost of sales	4	45,236,619,820	41,687,791,715
Taxes and surcharges		182,635,779	264,124,709
Selling expenses		63,910,692	64,188,384
General and administrative expenses		380,380,228	497,746,664
R&D expenses		1,650,976,362	1,578,945,775
Financial expenses		286,376,561	354,589,912
Including: Interest expense		235,529,680	325,078,941
Interest income		11,603,137	6,211,643
Add: Other income		90,235,269	41,469,740
Investment income	5	2,088,771,774	1,055,277,477
Including: Share of profits of associates and joint ventures		309,241,625	384,177,631
Gain on the changes in fair value		66,851,402	66,632,058
Credit impairment (losses)/gains		(6,246,027)	4,837,299
Assets impairment losses		(781,555,137)	(32,096,255)
Gain from disposal of assets		57,976,374	70,289,895
Operating profit		2,490,428,909	5,494,012,307
Add: Non-operating income		866,345	57,611,312
Less: Non-operating expenses		52,034,683	6,957,195
Profit before tax		2,439,260,571	5,544,666,424
Less: Income tax expense		30,018,968	889,915,517
Net profit		2,409,241,603	4,654,750,907

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

Statement of Income Statement (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

	For the six months ended 30 June	
	Note XV 2022 Unaudited	2021 Unaudited
Categorised by operation continuity		
Net profit from continuing operations	2,409,241,603	4,654,750,907
Other comprehensive income, net of tax	(19,910,020)	23,695,721
Other comprehensive income that will not be reclassified to profit or loss:		
Changes in fair value of other equity instrument investments	(19,981,123)	23,174,957
Other comprehensive income that may be reclassified to profit or loss:		
Other comprehensive income using the equity method that may be reclassified to profit or loss	71,103	520,764
Total comprehensive income	2,389,331,583	4,678,446,628

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

Statement of Changes in Equity

For the six months ended 30 June 2022

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 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
2. Increase/(decrease) during the period								
1) Total comprehensive income	-	-	-	(19,910,020)	-	-	2,409,241,603	2,389,331,583
2) Capital contributions and reduction								
(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) Amounts of share-based payments recognised	-	10,942,290	-	-	-	-	-	10,942,290
3) Profit appropriation								
(i) Transfer to surplus reserves	-	-	-	-	-	-	-	-
(ii) Distribution to shareholders	-	-	-	-	-	-	(2,721,505,915)	(2,721,505,915)
4) 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
3. 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 Changes in Equity (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

For the six months ended 30 June 2021 (Unaudited)

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total Shareholders' equity
1. Balance at the beginning of the period	7,700,681,186	8,365,975,619	98,879,489	15,187,813	3,850,340,593	3,654,527,609	23,685,592,309
2. Increase/(decrease) during the period							
1) Total comprehensive income	-	-	23,695,721	-	-	4,654,750,907	4,678,446,628
2) Changes in the share of other equity of associates and joint ventures	-	1,147,250	-	-	-	-	1,147,250
3) Profit appropriation							
(i) Transfer to surplus reserves	-	-	-	-	-	-	-
(ii) Distribution to shareholders	-	-	-	-	-	(1,001,088,554)	(1,001,088,554)
4) Special reserve							
(i) Additions	-	-	-	38,403,594	-	-	38,403,594
(ii) Utilisation	-	-	-	(13,563,964)	-	-	(13,563,964)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	4,878,004	-	-	4,878,004
3. Balance at the end of the period	7,700,681,186	8,367,122,869	122,575,210	44,905,447	3,850,340,593	7,308,189,962	27,393,815,267

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

Statement of Cash Flows

For the six months ended 30 June 2022

Renminbi Yuan

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	44,767,258,216	40,830,576,727
Tax refunds received	1,712,017	–
Cash received relating to other operating activities	104,035,930	242,495,337
Sub-total of cash inflows	44,873,006,163	41,073,072,064
Cash paid for purchase of goods and services	(37,532,252,398)	(33,126,139,940)
Cash paid to or on behalf of employees	(1,668,734,724)	(2,076,612,371)
Taxes and surcharges paid	(653,432,147)	(973,996,751)
Cash paid relating to other operating activities	(295,730,216)	(160,093,611)
Sub-total of cash outflows	(40,150,149,485)	(36,336,842,673)
Net cash flows from operating activities	4,722,856,678	4,736,229,391
2. Cash flows from investing activities		
Cash received from disposal of investments	111,342,400	–
Cash received from investment income	1,621,329,483	847,294,395
Net cash received from disposal of property, plant and equipment, intangible assets and other non-current assets	189,620,011	35,268,411
Net cash received from disposal of subsidiaries and other business units	56,031,856	–
Sub-total of cash inflows	1,978,323,750	882,562,806
Purchase of property, plant and equipment, intangible assets and other non-current assets	(3,819,553,755)	(2,030,084,760)
Cash paid for investments	(148,555,595)	(50,726,160)
Net cash paid for acquisition of a subsidiary and other operating units	–	(263,292,082)
Cash paid relating to other investing activities	–	(46,449,042)
Sub-total of cash outflows	(3,968,109,350)	(2,390,552,044)
Net cash flows used in investing activities	(1,989,785,600)	(1,507,989,238)

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

Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
3. Cash flows from financing activities		
Cash received by absorbing investments	171,864,500	–
Cash received from borrowings	10,076,713,337	9,223,518,163
Cash received relating to other financing activities	473,115,130	19,938,242
Sub-total of cash inflows	10,721,692,967	9,243,456,405
Repayment of borrowings	(10,661,315,850)	(9,685,850,057)
Cash paid for the distribution of dividend or profits and for interest expenses	(191,755,123)	(316,811,308)
Cash paid relating to other financing activities	(21,379,560)	(15,895,529)
Sub-total of cash outflows	(10,874,450,533)	(10,018,556,894)
Net cash flows used in financing activities	(152,757,566)	(775,100,489)
4. Effect of foreign exchange rate changes on cash and cash equivalents	22,332,037	(54,370,143)
5. Increase in cash and cash equivalents	2,602,645,549	2,398,769,521
Add: Cash and cash equivalents at the beginning of the period	2,531,052,187	2,160,679,437
6. Cash and cash equivalents at the end of the period	5,133,697,736	4,559,448,958

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

Notes to the Financial Statements

For the six months ended 30 June 2022

Renminbi Yuan

I. GENERAL INFORMATION OF THE GROUP

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 2022, the Company had issued 7,775,730,000 shares in total, including ordinary A shares of 5,967,750,000 shares, restrictive A shares of 75,050,000 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.

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 2022.

The scope of the consolidated financial statements is determined on the control basis. The change in the scope of consolidation during the year is described in Note VI.

II. BASIS OF PREPARATION

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

The financial statements are prepared on a going concern basis.

As of 30 June 2022, the net current liabilities of the Group amounted to RMB7,110,654,013. The directors of the Company have considered the availability of funding sources, including but not limited to unutilised banking facilities of RMB28.3 billion as at 30 June 2022 and the expected cash inflows from the operating activities in the upcoming 12 months. The Board of Directors of the Company believes that the Group has sufficient working capital to continue as a going concern for not less than 12 months after the end of reporting period. Therefore, the Board of Directors of the Company continues to prepare the Group’s financial statements for the six months ended 30 June 2022 on a going concern basis.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

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. Assets classified as held for sale are disclosed at the lower of the carrying amount and fair value less costs to disposal on the date of classification. Provision for asset impairment is provided in accordance with related regulations.

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, etc.

1. Statement of compliance with the CAS

The financial statements have been prepared in accordance with the CAS, and present truly and completely the financial position of the Company and the Group as of 30 June 2022, and the results of their operations and cash flows for the six months ended 30 June 2022.

2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year.

3. Reporting currency

Renminbi, in which the financial statements are presented, is used as the Company's recording and functional currency. All values are rounded to the nearest Renminbi Yuan ("RMB") except when otherwise indicated.

The Group's subsidiaries use their respective local currencies as the reporting currencies for recording purposes in accordance with their own operating environment, which are translated into Renminbi in the preparation of the consolidated financial statements.

4. Business combinations

Business combinations are classified into "Business combination involving entities under common control" and "Business combinations involving entities not under common control".

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

4. Business combinations (Continued)

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 and liabilities obtained under common control (including the goodwill arising from the acquisition of the acquiree as part of the ultimate controlling party's investment) are measured at the carrying amounts as recorded by the ultimate controlling party at the acquisition date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium, which is included in the capital reserve. If the balance of the share premium reserve is insufficient, any excess is adjusted to retained earnings.

Business combination involving entities not under common control

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.

The acquirer shall, at the acquisition date, recognise the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at the date of acquisition.

Any excess of the sum of the fair value of consideration paid for a business combination (or the fair value of equity securities issued) and the fair value of the acquiree's equity interest held before the acquisition date over the acquirer's interest in the fair value of the acquiree's identifiable net assets is recorded as goodwill, which is measured at cost less any accumulated impairment losses subsequently. If the acquirer's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the fair value of consideration paid for a business combination (or the fair value of equity securities issued) and the fair value of the acquiree's equity interest held before the acquisition date, the acquirer shall reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities or contingent liabilities, as well as the fair value of consideration paid for a business combination (or the fair value of equity securities issued) and the fair value of the acquiree's equity interest held before the acquisition date, and recognise immediately in profit or loss any excess remaining after reassessment.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated financial statements

The scope of the consolidated financial statements is determined on the control basis, which consists of financial statements of the Company and its subsidiaries. A subsidiary is a company or entity that is controlled by the Company.

The accounting year of subsidiaries is coterminous and the accounting policies of subsidiaries are applied consistently with those of the Company when preparing consolidated financial statements. All intercompany balances, transactions and unrealised gains and losses resulting from intercompany transactions, and dividends within the Group are fully eliminated on consolidation.

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

For subsidiaries acquired through a business combination involving entities not under common control, the operating results and cash flows of the acquired company are included in the consolidated financial statements from the acquisition date until the date on which the Group ceases the control of the subsidiary. In preparing the consolidated financial statements, adjustments are made to the subsidiaries' financial statements based on fair values of the identifiable assets, liabilities and contingent liabilities at the acquisition date.

For subsidiaries acquired through a business combination involving entities under common control, the operating results and cash flows of a subsidiary are included in the consolidated financial statements from the beginning of the combination period. In preparing consolidated financial statements, adjustments are made to related items in prior years' financial statements, as if the combination had occurred from the date when the combining entities first came under control of the ultimate controlling party.

The investor shall reassess its control when changes in relevant facts and circumstances lead to changes in the elements of control.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Consolidated financial statements (Continued)

By stepping through multiple transactions to dispose of the equity investment in the subsidiary until it loses control, when it is a package transaction, the transactions are treated as a transaction that disposes of the subsidiary and loses control; however, the price difference between the disposal price and the disposal investment before the loss of control and the share of the net assets of the subsidiary is recognised as other comprehensive income in the consolidated financial statements, and is transferred to the current period profit or loss of control when the control is lost. If it is not a package transaction, the corresponding accounting treatment shall be carried out for each transaction. If the control right is not lost, the minority shareholders' equity changes will be treated as an equity transaction. If the control right is lost, the remaining equity shall be re-measured according to its fair value on the date of losing control. The difference between the summary of consideration obtained from the disposal of the equity and the fair value of the remaining equity, less the difference between the share of the original assets and the share of the net assets that have been continuously calculated from the date of purchase from the date of the original shareholding, is included in the current period profit or loss and; if there is goodwill for the subsidiary, the amount of the goodwill is deducted when calculating the profit and loss of the disposal of the subsidiary; Other comprehensive income related to the original subsidiary's equity investment shall be accounted for on the same basis as the subsidiary's direct disposal of the relevant assets or liabilities when the control is lost. Shareholders' equity recognised in addition to changes in other shareholders' equity not due to the net profit or loss, other comprehensive income and profit distribution related to the original subsidiary are transferred to current period profit or loss when control is lost.

6. Joint arrangements and joint operations

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, arising from the joint arrangement. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

The joint arrangements of the Group are all joint ventures.

7. Cash and cash equivalents

Cash represents the cash on hand and deposits which are readily available for payment. Cash equivalents represent the Group's short term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Foreign operations and foreign currency translation

The Group translates foreign currencies into the reporting currency when foreign currency transactions occur.

Foreign currency transactions are initially recorded using the functional currency rates ruling at the dates of the transactions. Monetary items denominated in foreign currencies are translated into functional currencies at the exchange rates ruling at the end of reporting period. The exchange differences are recognised in profit or loss, except those arising from the foreign currency borrowings specifically for the purpose of acquisition, construction or production of qualifying assets. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currencies using the foreign exchange rates at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates at the date the fair value is determined, and the exchange differences are recognised in profit or loss or other comprehensive income.

The Group translates functional currencies of overseas businesses into Renminbi when preparing the consolidated financial statements. All assets and liabilities are translated at the exchange rates ruling at the end of the reporting period; shareholders' equity, with the exception of retained earnings, are translated at the exchange rates ruling at the transaction date; all income and expense items in the income statement are translated at the average exchange rates during the period (Unless exchange rate fluctuations make it inappropriate to convert at the exchange rate, are translated at the exchange rates ruling at the transaction date). Exchange differences arising from the translations mentioned above are recognised as other comprehensive income. When an overseas business is disposed of, the cumulative translation differences arising from the overseas business will be transferred to profit or loss in the period. In case of a partial disposal, only the proportionate share of the related exchange translation difference is transferred to profit or loss.

The foreign currency cash flows and cash flows of an overseas business shall be translated at the exchange rates ruling at the dates of the cash flows. The effect of changes in exchange rates on cash and cash equivalents is presented separately in the statement of cash flows.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition and derecognition of financial instruments

The Group recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

A financial asset (either a part of financial asset or a part of a group of similar financial assets) will be derecognised, which means being written off from the account and the statement of financial position:

- (1) The contractual rights to receive cash flows from the financial asset expire; or
- (2) It transfers the contractual rights to receive the cash flows of the financial asset, or assumes a contractual obligation to pay the cash flows to one or more recipients in a “transfer arrangement” and that (a) substantially transfers all the risks and rewards of ownership of the financial asset, or (b) neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, but abandons control of the financial asset.

A financial liability is derecognised when, and only when, the current obligation is discharged or cancelled or expires. If an existing financial liability is replaced by the same debtor with a new financial liability, whose contractual stipulations is substantially different from those of the existing financial liability, or if an enterprise makes substantial revisions to almost all of the contractual stipulations of the existing financial liability, it shall terminate the recognition of the existing financial liability, and at the same time recognise the financial liability after revising the contractual stipulation as a new financial liability, and the difference is recognised in profit or loss.

All financial assets purchased or sold in regular way are recognised or derecognised on the trading date when the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. The trade date is the date that the Group committed to purchase or sell a financial asset.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets

The Group classifies its financial assets, based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as financial assets at amortised cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

A financial asset is measured at its fair value at initial recognition, except that the trade receivables or notes receivable arising from the sale of goods or services provided do not contain significant financing components or do not take into account that financing components not exceeding one year, which is measured at its trading price at initial measurement.

For financial assets measured at fair value through profit or loss, the relevant transaction costs are charged to profit or loss; for other financial assets, the relevant transaction costs are recognised as initial investment costs.

The subsequent measurement of financial assets depending on their classifications as follows:

Debt instrument investments measured at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met: (a) the financial asset is held whose objective is to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This type of financial asset using effective interest rate method to recognise interest income, the gain or loss generated by its' amortisation and impairment shall be accounted in the profit or loss for the year.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

The subsequent measurement of financial assets depending on their classifications as follows:
(Continued)

Debt instrument investments measured at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective will be achieved by both collecting contractual cash flows and trading financial assets; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. This type of financial asset using effective interest rate method to recognise interest income. Except for the interest income, impairment losses and exchange differences shall be accounted in the profit or loss for the year, other changes in fair value shall be accounted in other comprehensive income. When the financial assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be transferred to the profit or loss for the year.

Equity instrument investments measured at fair value through other comprehensive income

The Group irrevocably choose to designate the equity instrument investments not held for trading as financial assets measured at fair value through other comprehensive income at initial recognition. Dividends are recognised in profit or loss (except for dividends which are clearly recovered as part of the investment costs) and the changes in fair value shall be recognised in other comprehensive income, no impairment provision is required. When the financial assets are derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be transferred to retained earnings.

Financial assets measured at fair value through profit or loss

The financial assets which is excluded in the above-mentioned financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income is presented as financial assets measured at fair value through profit or loss. This type of financial asset is measured at fair value for subsequent measurement, all changes in fair value shall be accounted in the profit or loss for the year.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial liabilities

The Group classifies its financial liabilities at initial recognition as financial liabilities measured at fair value through profit or loss and financial liabilities at amortised cost. With respect to financial liabilities at fair value through profit or loss, transaction costs are charged to profit or loss; whereas for financial liabilities at amortised cost, transaction costs are recognised at initial cost.

The subsequent measurement of financial liabilities depending on their classifications as follows:

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss, including financial liabilities held for trading (including derivatives liabilities) and those are designated as at fair value through profit or loss at initial recognition. Financial liabilities at fair value through profit or loss (including derivative instruments attributable to financial liabilities) are subsequently measured at fair value. All changes in fair value of such financial liabilities are recognised in profit or loss. Financial liabilities designated at fair value through profit or loss are subsequently measured at fair value and gains or losses are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income. If gains or losses arising from the Group's own credit risk which are presented in other comprehensive income will lead to or expand accounting mismatch in profit or loss, the Group will include all the changes in fair value (including the amount affected by changes in the Group's own credit risk) of such financial liabilities in profit or loss.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are subsequently measured at amortised cost using the effective interest rate method.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Impairment of financial assets

The Group recognises loss allowance for financial assets measured at amortised cost, debt instrument investments measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts based on their expected credit losses.

For receivables that do not contain significant financing component, the Group adopts a simplified approach and measures the credit loss at an amount equal to lifetime expected credit losses.

For financial assets, loan commitments and financial guarantee contracts other than those adopting a simplified approach, the Group assesses whether their credit risk at each reporting date has increased significantly. If the financial assets whose credit risk has not increased significantly, it will be included in phase 1, and the Group measures the loss provision for those instruments at an amount equal to 12-month expected credit losses, and calculates interest income based on book value and actual interest rate; if the financial assets whose credit risk has increased significantly but without objective evidence for impairment after initial recognition, it will be included in phase 2, and the Group measures the loss provision of those instruments at an amount equal to lifetime expected credit losses, and calculates interest income based on book value and actual interest rate; if the financial assets that are evidently credit-impaired after initial recognition, they will be included in phase 3, and the Group measures the loss provision of those financial instruments at an amount equal to lifetime expected credit losses, and calculates interest income according to amortised cost and actual interest rate. For financial instruments with only low credit risk on the balance sheet date, the Group assumes that their credit risk has not increased significantly since the initial recognition.

The Group assesses the expected credit losses of financial instruments based on individual items and portfolios. The Group has considered the credit risk characteristics of different customers and assessed the expected credit losses of receivables based on the age combination.

For the disclosure of the Group's judgment criteria for the significant increase in credit risk, the definition of credit impaired assets, please refer to Note VIII.4.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Impairment of financial assets (Continued)

The Group considers the following factors when measuring expected credit loss: the unbiased probability-weighted average amount determined by evaluating a range of possible outcomes, the time value of the currency, and the reasonable and well-founded information about past events, current conditions and projections of future economic conditions that can be obtained at the balance sheet date without unnecessary additional accosts or efforts.

When the Group expects failing to collect or partially collect the contractual cash flow of financial assets, the Group will directly write off the book value of the financial assets.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and disclosed in the statement of financial position at net amount if the entity has a currently enforceable legal right to offset the recognised amounts, and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The financial guarantee contract is measured at fair value at initial recognition. Except for the financial guarantee contract designated as financial liabilities measured at fair value through profit or loss, financial guarantee contracts are determined in accordance with the higher of the expected credit loss reserve amount and the initial confirmed amount less the accumulated amortisation amount determined according to the revenue recognition principle.

Derivative financial instruments

The Group uses derivative financial instruments such as forward exchange contracts and commodity forward contracts to hedge the exchange risk. Derivative financial instruments are measured at its fair value at the transaction date at initial recognition and measured at fair value subsequently. Derivative financial instruments with positive fair value would be recognised as assets while those with negative fair value would be recognised as liabilities.

The gain or loss arising from changes in fair value of derivative financial instruments is recognised in profit or loss, except for those related to hedge accounting.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Transfer of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial assets, it shall derecognise the financial assets. Whereas, if it retains substantially all the risks and rewards of ownership of the assets, it shall not derecognise the financial assets.

If the entity neither transfers nor retains substantially all the risks and rewards of ownership of the financial assets, the entity shall determine whether it has retained control of the financial assets in this case: (i) if the entity has not retained control of the financial assets, it shall derecognise the financial assets and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer; (ii) if the entity has retained control of the financial assets, it shall continue to recognise the financial asset to the extent of its continuing involvement in the financial assets, and shall recognise an associated liability.

Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the guarantee amount. The guarantee amount is the maximum amount of consideration that the Group could be required to repay.

10. Inventories

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

Inventories are initially recognised at cost, which comprises purchase cost, processing cost, and other costs. Costs of delivered inventories, other than construction contracts and spare parts, are determined on the weighted average basis. 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.

Inventories are accounted for using the perpetual inventory system.

At the end of each reporting period, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of the amounts expected to be realised from their sale or use, provision for inventories is recognised in profit or loss.

Net realisable value is the estimated selling price on normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for raw materials and finished goods. For the inventories sold, the relevant inventory provision shall be written off accordingly, and the current period's cost of sales shall be reversed.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments

Long-term equity investments consist of equity investments in subsidiaries, joint ventures and associates.

Long-term equity investments are recognised at initial investment cost upon acquisition. For a long-term equity investment acquired through a business combination under common control, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. Any other comprehensive income previously recognised shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The portion recognised based on changes in the investee's equity (other than net profit or loss, other comprehensive income and profit distribution) is charged to profit or loss upon disposal of such long-term equity investment. For those partially disposed equity investments, gains or losses upon disposal are proportionately recognised in profit or loss when they still constitutes long-term equity investments after the disposal and are fully charged to profit or loss when they are reclassified to financial instruments after the disposal. For business combination involving entities not under common control, the initial investment cost should be the cost of acquisition (for step acquisitions not under common control, the initial investment cost is the sum of the carrying amount of the equity investment in the acquiree held before the acquisition date and the additional investment cost paid on the acquisition date), which is the sum of the fair value of assets transferred, liabilities incurred or assumed and equity instruments issued. If the equity investments in the acquiree involve other comprehensive income prior to the acquisition date, when disposing of the investments, the relevant other comprehensive income will be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. The portion recognised based on changes in the investee's equity (other than net profit or loss, other comprehensive income and profit distribution) is charged to profit or loss upon disposal of such long-term equity investment. For those partially disposed equity investments, gains or losses upon disposal are proportionately recognised in profit or loss when they still constitutes long-term equity investments after the disposal and are fully charged to profit or loss when they are reclassified to financial instruments after the disposal. The initial investment cost of a long-term equity investment acquired otherwise than through a business combination shall be determined as follows: for a long-term equity investment acquired by paying cash, the initial investment cost shall be the actual purchase price paid plus those costs, taxes and other necessary expenditures directly attributable to the acquisition of the long-term equity investment; for those acquired by the issue of equity securities, the initial investment cost shall be the fair value of the equity securities issued.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

The cost method is applied for long-term equity investments in the financial statements of the Company when the investee is controlled by the Company. Control refers to the power over the investee such that the Company is able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

When the cost method is adopted, long-term equity investments are recorded at initial investment cost. When additional investment is made or the investment is recouped, the cost of long-term equity investment is adjusted accordingly. Profits or cash dividends declared to be distributed by the investee should be recognised as investment income in the current period.

The equity method is applied for long-term equity investments when the investees are jointly controlled or significantly influenced by the Group. Joint control is the agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

When the equity method is adopted, the initial cost of an investment in excess of the share of investee's fair value on identifiable net assets remains unchanged; the initial cost of the investment that falls short of the share of investee's fair value on identifiable net assets shall be adjusted, for the difference which had been charged to profit or loss.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

When the equity method is adopted, after it has acquired a long-term equity investment, the Group recognises its share of the investee's profit or loss, as well as its share of the investee's other comprehensive income, as investment income or loss and other comprehensive income, and adjusts the carrying amount of the investment accordingly. The recognition of the investee's results should be based on the fair values of the individual identifiable assets of the investee according to the Group's accounting policies and accounting period. The gains and losses resulting from intercompany transactions with the investee should be eliminated to the extent of the amount attributable to the investor according to the shareholding (but if the gains and losses belong to asset impairment losses, they should be entirely recognised). The recognition should be based on the adjusted net profit of the investee. With respect to the long-term equity investment in associates and joint ventures acquired before the first-time adoption date, the remaining equity investment difference arising from the Amortisation using the straight-line method (if any) should be recognised as investment income or loss. The investor's share of profit distributions or cash dividends declared by the investee is deducted from the carrying amount of the investment. The Group recognises net losses incurred by the investee to the extent that the carrying amount of the investment and other long-term equity interests that are investment in the investee in substance is reduced to zero, except for which the investor has an extra obligation to assume loss of it. For the changes of equity in an investee other than profit or loss, the investor adjusts the carrying amount of the investment and recognised it in shareholders' equity.

When long-term equity investments are disposed of, the difference between the carrying amount and the actual proceeds received should be charged to profit or loss. For long-term equity investments under the equity method, if the method would not be adopted after the disposal, the basis of the accounting treatment on the related other comprehensive income under original equity method is the same as that on disposal of related assets or liabilities by the investee, the amount recognised in the equity on the changes in other equity movements except for the net profit or loss, other comprehensive income and profit distribution, should be all charged to the profit or loss for the year; if the equity method would continue to be adopted after the disposal, the basis of the accounting treatment on the related other comprehensive income under the original equity method is the same as that on disposal of related assets or liabilities by the investee, the amount recognised in the equity on the changes in other equity movements except for the net profit or loss, other comprehensive income and profit distribution, should be charged to profit or loss for the year in proportion.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

If the Company loses control of an investee with joint control or significant influence retained after partial disposal of its shares, the equity investment should be accounted for as a long-term investment in accordance with the rules of conversion from the cost method to the equity method; if no joint control or significant influence was retained, the equity investment should be accounted as a financial asset. The difference between the fair value on the day of losing control and the book value is recognised in profit or loss.

12. Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property) held to earn rental income and/or for capital appreciation.

Investment properties are measured initially at cost. As for the subsequent expenses related to investment properties, if the economic benefits of the assets are likely to flow to the Group and its cost can be measured reliably, then it will be included in the cost of investment properties. Otherwise, the subsequent cost will be calculated in the current profit or loss when it occurs.

The Group uses the cost model for subsequent measurement of investment properties and the estimated useful life is determined by the period that it can bring economic benefits to the Group. Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties over its estimated useful life of 30–50 years. The estimated residual value is 3% of the cost.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Property, plant and equipment

Property, plant and equipment are recognised when it is probable that their related future economic benefits will flow into the Group, and their cost can be measured reliably. The subsequent expenditure is recorded in the cost of property, plant and equipment only if the conditions above are met and the carrying amount of parts which had been replaced shall be derecognised; otherwise, shall be charged to profit or loss.

Property, plant and equipment are initially measured at cost. The purchase cost of property, plant and equipment comprises its purchase price, related taxes, and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

Except for the land abroad purchased by an overseas subsidiary of the Group, depreciation is calculated on the straight-line basis. The estimated useful lives, estimated residual values, and the annual depreciation rates of each category of property, plant and equipment are as follows:

	Estimated useful life	Estimated residual value	Annual depreciation rate
Buildings	10 – 30 years	3%	3.2 – 9.7%
Plant and machinery	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%

Where different components of property, plant and equipment have different useful lives or generate profit in different ways, the components are depreciated separately.

Useful lives, residual values and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

14. Construction in progress

Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction.

Construction in progress is reclassified to the appropriate category of property, plant and equipment, or intangible assets when completed and ready for use.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Borrowing costs

All the borrowing costs that are directly attributable to construction or production of all qualifying assets are capitalised and other borrowing costs are treated as an expense. A qualifying asset is defined as a property, plant and equipment, an investment property or inventory that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs commences when:

- (1) Expenditures for the assets are incurred;
- (2) Borrowing costs are incurred; or
- (3) The acquisition and construction activities that are necessary to bring the assets to get ready for their intended use or sale have commenced.

The capitalisation of borrowing costs ceases when the asset being acquired or constructed is substantially ready for its intended use or sale and borrowing costs incurred thereafter are treated as an expense.

Within the capitalisation period, the amounts of capitalised borrowing costs for each accounting period are determined by the following methods:

- (1) For specific borrowings, the borrowing costs eligible for capitalisation are the actual borrowing costs incurred during the current period deducted by any temporary interest or investment income;
- (2) For general borrowings, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate to the weighted average of capital expenditure that exceeds the specific borrowings.

Capitalisation of borrowing costs is suspended during extended periods in which the acquisition or construction of an item of property, plant and equipment is interrupted abnormally and the interruption lasts for more than three months until the acquisition or construction is resumed.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Right-of-use assets

At the commencement date, the Group recognises the right of using leased assets within the lease term as right-of-use assets, the amount of which includes: (1) the amount of the initial measurement of the lease liability; (2) any lease payments made at or before the commencement date, less any lease incentives received (if applicable); (3) any initial direct costs incurred; (4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Group remeasures lease liabilities due to changes in lease payments, the carrying amount of the right to use assets shall be adjusted accordingly. The Group depreciates right-of-use assets using the straight-line method. If the lease transfers ownership of the underlying assets to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term.

17. Intangible assets

Intangible assets are recognised if and only if it is probable that the related economic benefits will flow into the Group and the costs of which can be measured reliably. Intangible assets are measured at cost initially. However, for an intangible asset acquired in the business combination not under common control whose fair value can be reliably measured, it is separately recognised and is measured at its fair value.

The useful lives of intangible assets are assessed based on estimated economic benefit periods. Those intangible assets without foreseeable economic benefit periods are classified as intangible assets with indefinite useful lives.

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

	Useful life
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)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17 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.

Intangible assets with finite useful lives are amortised over the useful lives on the straight-line basis. The Group reviews the useful lives and amortisation method of intangible assets with finite useful lives, and adjusts them as appropriate, at least at the end of each reporting period.

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.

18. Impairment of assets

The impairment of assets shall be determined by the following method, except for inventories, deferred tax assets and financial assets: the Group assesses whether any indicator of impairment exists as of the end of each reporting period, and, if yes, performs an impairment test by estimation of the asset's recoverable amount. For goodwill acquired in business combinations and intangible assets with indefinite lives, an annual impairment test is performed no matter whether there is any indicator of impairment. Intangible assets that not available for use are also tested for impairment annually.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Impairment of assets (Continued)

An asset's recoverable amount is calculated as the higher of the asset's fair value less costs to sell and the present value of estimated future cash flows generated from the use of assets. The recoverable amount is calculated on individual basis unless it is not applicable, in which case the recoverable amount is determined for the asset group to which the asset belongs. An asset group is recognised based on whether the cash inflows generated by the asset group are largely independent to those of other assets or asset groups.

When the recoverable amount of an asset or an asset group is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction amount is charged to profit or loss and an impairment allowance is provided.

Impairment losses cannot be reversed in subsequent accounting periods.

19. Payroll and employee benefits payable

Employee benefits are all forms of consideration other than share-based payments given by an entity in exchange for service rendered by employees or the termination of employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits. The benefits that the Group provides to the spouses, children and dependents of employees, the late employees' family and other beneficiaries also shall be deemed as employee benefits.

Short-term employee benefits payable

A liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits.

Post-employment benefit (defined contribution plans)

Expenditures for employees' endowment insurance managed by the local government and annuity plan established by the Group are capitalised in the related assets or charged to profit or loss.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Payroll and employee benefits payable (Continued)

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. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under “Cost of sales”, “General and administrative expenses”, “selling expenses” and “Financial expenses” in the consolidated statement of comprehensive income by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements;
- net interest expense or income comprising interest income on plan assets, interest expense on plan obligations and the interest influenced by the asset limit.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Payroll and employee benefits payable (Continued)

Termination benefits

An entity is required to recognise termination benefits with a corresponding charge to profit or loss at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises any related restructuring costs.

Other long-term employee benefits

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

20. Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. The lease payment includes the fixed payment amount and the amount after deducting the lease incentive from the actual fixed payment amount, the variable lease payment amount depending on the index or ratio, the amount expected to be paid according to the guaranteed residual value, and the exercise price of the purchase option or the amount to be paid for exercising the termination option, provided that the group reasonably determines that the option will be exercised or the lease term reflects that the group will exercise the termination option.

In calculating the present value of lease payments, the Group uses the lease inclusion rate as the discount rate; If the interest rate contained in the lease cannot be determined, the interest rate of the tenant's incremental borrowing shall be used as the discount rate. The Group calculates interest expense for the periods of the lease term at a fixed periodic interest rate and includes it in the profit or loss of the current period, unless otherwise specified to be included in the cost of the underlying assets. Variable lease payments that are not included in the measurement of lease liabilities are included in the profit or loss of the current period when actually incurred, unless otherwise specified to be included in the cost of the underlying assets.

After the commencement date of the lease period, the Group increases the carrying amount of the lease liability when recognizing interest and decreases the carrying amount of the lease liability when making the lease payment. When there is a change in the amount of substantial fixed payments, a change in the amount of expected payment for the residual value of the guarantee, a change in the index or ratio used to determine the amount of the lease payment, the assessment of the option to purchase, the option to renew or terminate the option, or the actual exercise of the right, the Group remeasures the lease liability at the present value of the changed lease payment amount.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Provisions

Except for contingent considerations or contingent liabilities assumed for business combination not under common control, a provision is recognised if:

- (1) the obligation is a present obligation assumed by the Group; and
- (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- (3) a reliable estimate can be made of the amount of the obligation.

Provisions are initially measured at the best estimate of the expenditure required to settle the present obligation, after considering risks, uncertainties, present value, etc. Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

22. Share-based payments

A share-based payment is classified as either an equity-settled share-based payment or a cash-settled share-based payment. An equity-settled share-based payment is a transaction in which the Group receives services and uses shares or other equity instruments as consideration for settlement.

An equity-settled share-based payment in exchange for services received from employees is measured at the fair value of the equity instruments granted to the employees. If such equity settled share-based payment could vest immediately, related costs or expenses at an amount equal to the fair value on the grant date are recognised, with a corresponding increase in capital reserves; if such equity-settled share-based payment could not vest until the completion of services for a vesting period, or until the achievement of a specified performance condition, the Group at each balance sheet date during the vesting period recognises the services received for the current period as related costs and expenses, with a corresponding increase in capital reserves, at an amount equal to the fair value of the equity instruments at the grant date, based on the best estimate of the number of equity instruments expected to vest. The fair value is determined using the binomial model, please refer to Note 11.

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.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Share-based payments (Continued)

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.

23. 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)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Revenue

Revenue from contracts with customers

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. To obtain control of the relevant goods and services is to have the ability to direct the use of, and obtain substantially all of the remaining benefits from of the relevant goods and services.

Contracts for the 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 recognises 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.

Contracts for the 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.

Variable considerations

The contracts between the Group and its certain customers containing sales rebate arrangements (future price reductions based on cumulative sales volumes), which give rise to a variable consideration. The Group determines the best estimate of the variable consideration based on the expected value or the most probable value. However, the sales price including the variable consideration should not exceed the amount accumulatively recognised which is not likely to be significantly reversed when the uncertainty disappears.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Revenue (Continued)

Revenue from contracts with customers (Continued)

Sales involving right of return

For sales involving right of return, the Group recognises revenue at the amount of consideration expected to receive from the customer upon transfer of control of the good to the customer, and recognises a refund liability at the amount expected to be refunded due to the sales return. An asset recognised for an entity's right to recover products from a customer on setting a refund liability shall initially be measured by reference to the former carrying amount of the product (for example, inventory) less any expected costs to recover those products (including potential decreases in the value to the entity of returned products). At the end of each reporting period, the Group updates the estimation on the future sales return and measurement of both the refund liabilities and assets.

Significant financing component

When the contract contains a significant financing component, the Group determines the transaction price based on an amount that reflects the price that a customer would have paid for the goods or services in cash at the time of obtaining the control of the goods or services, and amortises the difference between the transaction price and the consideration promised in the contract under the effective interest method within the contract period using the discount rate that discounts the nominal amount of the contract consideration to the current selling price of the goods or services. The Group does not consider the effects of a significant financing component in the contract if it is expected that the period between when the customer obtains control of with goods or services and when the customer pays for such goods or services will be one year or less.

Principal versus agent

The Group has the right to determine the price of the goods transferred, that is, the Group has control over the products before transferring the steel and other products to the customers, and thus the Group is considered as the principal and recognises revenue based on the total amount received or receivable. Otherwise, the Group is considered to be acting as an agent. As an agent, revenue shall be recognised at the amount of the commission or brokerage that is expected to be collected. The amount is determined based on the net amount of received or receivable deducting any amount payable to the third party, or based on a specific commission amount or proportion.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Revenue (Continued)

Other revenue

Interest income

Interest income is recognised based on the time horizon of the use of the Group's cash by others and the effective interest rate.

Lease income

Lease income from operating leases is recognised over the lease terms on the straight-line basis. Contingent lease income is recognised when incurred.

25. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities depending on the relationship between the satisfaction of its performance obligations and the customer's payment in the balance sheet. The Group offsets the contract assets and contract liabilities under the same contract and presents the net amount.

Contract assets

A contract asset is the right to consideration in exchange for goods or services that the Group has transferred to a customer, and that right is conditioned on something other than the passage of time.

Contract liabilities

A contract liability is the 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, such as an amount of consideration that an entity has received before the transfer of the promised goods or services.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Government grants

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 non-monetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at the nominal amount.

Asset-related government grants are recognised when the government document designates that the government grants are used for constructing or forming long-term assets. If the government document is inexplicit, the Company should make a judgement based on the basic conditions to obtain the government grants, and recognises them as asset-related government grants if the conditions are to form long-term assets through construction or other method. Otherwise, the government grants should be income-related.

If the grant is a compensation for related expenses or losses in future period, the grant is recognised as deferred income and should be recognised in profit or loss for the period when the expenses or losses are incurred.

A government grant related to asset can be accounted by being recognised as deferred income, and amortised systematically and reasonably to profit or loss over the useful life of the related asset (government grants measured at the nominal amount should be recognised in profit or loss immediately for the period). When the asset is sold, transferred, discarded or destroyed within the useful life, the related deferred income should be recognised in profit or loss immediately.

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)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Deferred tax

Based on the differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, and the differences between the carrying amounts of some items that have a tax base but are not recognised as assets and liabilities and their tax base, the Group adopts the liability method for the provision of deferred tax.

A deferred tax liability is recognised in respect of all taxable temporary differences except those arising from:

- (1) the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; and
- (2) as to temporary differences associated with subsidiaries, joint ventures and associates: the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised in respect of all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference will be utilised except those arising from the initial recognition of an asset or liability in a transaction which:

- (1) is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit; and
- (2) as to deductible temporary differences associated with subsidiaries, joint ventures and associates: a deferred tax asset is recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilised.

At the end of each reporting period, deferred tax assets and liabilities are measured, based on taxation laws and regulations, at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, taking into account the income tax effect of expected asset realisation or liability settlement at the end of each reporting period.

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.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Deferred tax (Continued)

Deferred tax assets and liabilities should be offset and disclosed in net if and only if: the entity has a legally enforceable right to set off current tax and liabilities; and the deferred tax assets and liabilities concerned related to income taxes raised by the same authority on the same taxable entity, or taxable entities which intend, in each future period in which significant amounts of deferred tax are expected to be settled or recovered, to settle their current tax assets and liabilities either on a net basis or simultaneously.

28. 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.

As a lessee

Please refer to Note III. 16 and Note III. 20 for the accounting policies the Group chose as a lessee.

Short-term leases and leases of low value

At the commencement date, the Group recognises leases that due no more than 12 months and without purchase option as short-term leases and recognises leases for which the single leased new asset values lower than RMB40,000 as leases of low value. The sublet or expecting sublet of assets would not recognise lease of low value for the original leases. The Group elects not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value and recognises the lease payments associated with those leases as cost or in profit and loss on a straight-line basis.

As a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, a lease is classified as an operating lease.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Leases (Continued)

As a lessor (Continued)

As an operating lease lessor

The Group would recognise lease payments from operating leases in profit or loss on a straight-line basis. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred. The initial direct expenses shall be capitalised, amortised on the same basis as the rental income during the lease term, and included in the current profit or loss by stages.

Sale and leaseback transactions

As a lessor

If the transfer of assets in a sale and leaseback transaction is a sale, the Group, as the lessor, shall account for the purchase of the asset, and shall account for the lease of the asset in accordance with the preceding provisions; if the transfer of the asset in a sale and leaseback transaction is not a sale, the Group shall account for the asset purchase. As the lessor, it does not recognize the transferred asset, but recognises a financial asset equal to the transfer income, and performs accounting treatment on the financial asset in accordance with Note 3.9.

29. Share repurchase

The payment and transaction costs made on the repurchase of own equity instruments account for a deduction from equity. In addition to share-based payment, the issuance (including refinancing), repurchase, sale or cancellation of the own equity instruments shall be treated as changes in equity.

30. Profit distribution

The cash dividend of the Company is recognised as a liability upon the approval at the annual general meeting.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Safety production reserve

Safety production reserve sets aside in compliance with relevant regulations and is included in the cost of relevant products or recognised in profit or loss for the period and credited to the special reserve at the same time. When safety production reserve is utilised, it is accounted for based on whether a fixed asset is generated or not: if the costs incurred can be Categorised as expenditure, the costs incurred should be charged against the special reserve; if the reserve is used to build up fixed assets, the costs should be charged to construction in progress, and reclassified to fixed assets when the projects reach the status ready for intended use. Meantime, expenditures in building up fixed assets are directly charged against the special reserve with the accumulated depreciation recognised at the same amount.

32. General reserve

According to the relevant policy of the MOF, Masteel Group Finance Co., Ltd. ("Masteel Finance") accrues the general reserve from net profit as profit distribution. Since 1 July 2012, the balance of the general reserve should not be less than 1.5% of the balance of the risk assets.

33. Fair value measurement

The Group measures listed equity instrument investments, financing receivables and financial assets/liabilities held for trading at fair value at the end of each reporting period. 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.

For the assets and liabilities measured or disclosed at fair value in the financial statements, the fair value level to which they belong is determined according to the lowest level input value that is significant to the fair value measurement as a whole: the first level input value, which can be obtained on the measurement date The unadjusted quoted price of the same asset or liability in an active market; the input value of the second level, in addition to the input value of the first level, the directly or indirectly observable input value of the relevant asset or liability; the input value of the third level, the relevant asset or An unobservable input value for the liability.

On each balance sheet date, the Group reassesses the assets and liabilities recognised in the financial statements that are continuously measured at fair value to determine whether there is a transition between fair value measurement levels.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgments and estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of provision, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have significant effect on the amounts recognised in the financial statements:

Going concern

As stated in 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.

Operating lease – as lessor

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.

Classification between investment properties and owner-occupied properties

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.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgments and estimates (Continued)

Judgments (Continued)

Classification between investment properties and owner-occupied properties (Continued)

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.

Judgement on entities in which the Group holds less than 20% of voting rights but has a significant influence over them

As of 30 June 2022, the Group held 16.34% equity interests in Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. (“Xinchuang Environmental Protection”). The Company designates one director and one supervisor to Xinchuang Environmental Protection according to the Articles of Association and the directors of the Company believe the Company can exercise significant influence over Xinchuang Environmental Protection, despite the equity share is under 20%. Thus, the Group accounts for the investment in Xinchuang Environmental Protection as an associate.

As of 30 June 2022, the Group held 18.19% equity interests in Phima Intelligence Technology Co., Ltd. (“Phima Intelligence”). The Company designates one director to Phima Intelligence according to the Articles of Association, and the director is nominated to be a member of the Audit Committee. The directors of the Company believe the Company can exercise significant influence over Phima Intelligence, despite the equity share is under 20%. Thus, the Group accounts for the investment in Phima Intelligence as an associate.

As of 30 June 2022, the Group held 9.88% equity interests in Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd. (“Ouyeel Blockchain Finance”). The Company designates one director to Ouyeel Blockchain Finance according to the Articles of Association. The directors of the Company believe the Company can exercise significant influence over Ouyeel Blockchain Finance, despite the equity share is under 20%. Thus, the Company accounts for the investment in Ouyeel Blockchain Finance as an associate.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgments and estimates (Continued)

Judgments (Continued)

Judgement on entities in which the Group holds less than 20% of voting rights but has a significant influence over them (Continued)

As of 30 June 2022, the Group held 11% equity interests in OBEI Co., Ltd. (“OBEI”). The Company designates one director to OBEI according to the Articles of Association. The directors of the Company believe the Company can exercise significant influence over OBEI, despite the equity share is under 20%. Thus, the Company accounts for the investment in OBEI as an associate.

As of 30 June 2022, the Group held 16.14% equity interests in Ouyeel Commercial Factoring Co., Ltd. (“Ouyeel Factoring”). The Company designates one director to Ouyeel Factoring according to the Articles of Association. The directors of the Company believe the Company can exercise significant influence over Ouyeel Factoring, despite the equity share is under 20%. Thus, the Company accounts for the investment in Ouyeel Factoring as an associate.

At of 30 June 2022, the Group held 19.25% equity interests in Baowu Water Technology Co.,Ltd. (“Baowu Water”). The Company designates one director to Baowu Water according to the Articles of Association. The directors of the Company believe the Company can exercise significant influence over Baowu Water, despite the equity share is under 20%. Thus, the Company accounts for the investment in Baowu Water as an associate.

Lease term – lease contracts with an option to extend the lease

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)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgments and estimates (Continued)

Judgments (Continued)

Business model

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 characteristics of contractual cash flows

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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of financial assets

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.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgments and estimates (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

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.

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.

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 determines the amount due for return and the cost of return receivable based on the re-evaluated return rate.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

34. Significant accounting judgments and estimates (Continued)

Estimation uncertainty (Continued)

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.

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.

Estimation of inventories under net realisable value

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)

For the six months ended 30 June 2022

Renminbi Yuan

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

35. Changes in accounting policies and estimates

Changes in accounting policies

According to the fifth batch of the Q&A of Implementation of Chinese Accounting Standards for Business Enterprises in 2021 issued by the Accounting Department of Ministry of Finance on 1 November 2021, under general circumstances, before the control of the goods or services is transferred to the customer, the transportation activities incurred for the purpose of the fulfillment of the contracts with customers do not constitute a single performance obligation, and accordingly the relevant transportation expenses shall be treated as contract performance costs, and be amortized and included in the current profit and loss on the same basis as the recognition of revenue from goods or services. The Group treat the relevant transportation expenses as contract performance costs, include them in the income statement under "cost of sales".

The detail impacts are set out as follows:

The Group

For the six-month period ended 30 June 2021

	Before Transaction amount of the period	Changes in accounting policies	After Transaction amount of the period
Cost of sales	47,042,273,786	(424,151,887)	47,466,425,673
Selling expenses	551,111,957	(424,151,887)	126,960,070

The Company

For the six-month period ended 30 June 2021

	Before Transaction amount of the period	Changes in accounting policies	After Transaction amount of the period
Cost of sales	41,502,235,858	(185,555,857)	41,687,791,715
Selling expenses	249,744,241	(185,555,857)	64,188,384

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

IV. TAX

1. The principal kinds of taxes and related tax rates

Value-added tax	Output VAT rate of domestic sales is 13%. VAT payable is the net difference between output VAT and deductible input VAT. According to national tax regulations, the Company adopted the “Exempt, Offset, Refund” arrangements for VAT in export sales with the refund rates of 13%.
Income tax	<p>The Group’s subsidiaries, Mascometal Co.,Ltd.(“Mascometal”) and Baowu Group Masteel Rail Transit Material Technology Co., Ltd. (“Masteel Transportation Material”) are recognised as high-tech enterprises, which adopted preferential tax rate and subject to corporate income tax (“CIT”) at a rate of 15% on their taxable profits. In addition to the above two subsidiaries, the Group and other subsidiaries located in mainland China are subject to CIT at a rate of 25% on their taxable profits.</p> <p>Maanshan Iron & Steel (HK) Limited (“Ma Steel (HK)”) was established and registered in Hong Kong (China), the applicable income tax rate is 16.5%. Maanshan Iron and Steel (Australia) Proprietary Limited (“Ma Steel (Australia)”) was established and registered in Australia, the applicable income tax rate is 30%. MG Trading and Development GmbH (“MG Trading”) was established and registered in Germany, the applicable income tax rate is 30%. MG-VALDUNES S.A.S was established and registered in France, the applicable income tax rate is 25%. MASTEEL AMERICA INC (“Masteel America”) was established and registered in the United States, the applicable income tax rate is 30%. Masteel Middle East General Industrial (“Masteel Middle East”) was established and registered in Dubai, the applicable income tax rate is 0%.</p>
Land appreciation tax	Payable based on appreciation of land use right and building at a tax rate of 30%–60% as a result of the transfer of ownership.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

IV. TAX (CONTINUED)

1. The principal kinds of taxes and related tax rates (Continued)

City construction and maintenance tax	Payable based on 5% to 7% of the turnover taxes to be paid.
Education surcharge	Payable based on 3% of the turnover taxes to be paid.
Local education surcharge	Payable based on 2% of the turnover taxes to be paid.
Property tax	Payable based on a certain percentage of the cost of real estate with legal title in accordance with relevant regulations.
Environment protection tax	Payable based on the actual air pollution generated with RMB1.2 per pollution equivalent; payable based on the actual water pollution generated with RMB1.4 per water equivalent.
Other taxes	In accordance with tax laws and other relevant regulations.

2. Tax preference

Mascometal, a subsidiary of the Group, was recognised as a high-tech enterprise in 2020. The certificate number is GR202034001447, and the issuance date is 17 August 2020. According to “Measures for Administration of the Recognition of Hi-tech Enterprises” and “Law of the People’s Republic of China on Enterprise Income Tax”, 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 certificate number is GR202034003728, and the issuance date is 30 October 2020. According to “Measures for Administration of the Recognition of Hi-tech Enterprises” and “Law of the People’s Republic of China on Enterprise Income Tax”, the preferential income tax rate of 15% is applicable in three years from 2020.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	30 June 2022 Unaudited	31 December 2021 Audited
Cash on hand	2,131	43,411
Bank balances	4,959,858,393	4,208,627,033
Other monetary assets	1,365,217,933	1,520,784,615
Mandatory reserves of Masteel Finance deposited in the central bank	900,229,739	938,398,555
	7,225,308,196	6,667,853,614
Including: Restricted amount due to mortgage, pledge or freeze	1,365,217,933	1,506,393,169

As of 30 June 2022, the Group had cash and bank balances amounting to RMB515,667,339 that have been deposited outside the PRC (31 December 2021: RMB525,670,751).

Cash deposited in current accounts earns interest at floating interest rates. The terms of time deposits are from six months and one year respectively, depending on the cash flow demand of the Group. Such deposits earn interest at the respective bank deposit rates. As of 30 June 2022, the Group had time deposit balance amounting to RMB228,503,568 (As of 31 December 2021, the Group had no time deposits with terms over three months).

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Financial assets held for trading

	30 June 2022 Unaudited	31 December 2021 Audited
Financial assets at fair value through profit or loss		
Derivative financial assets – Forward contracts	27,904,504	–
Derivative financial assets – Futures contracts	32,796,150	–
Debt instrument investments	3,681,489,880	5,732,467,255
	3,742,190,534	5,732,467,255

As of 30 June 2022, the fair value of foreign exchange forward contracts held by the Group was determined on the basis of the forward foreign exchange rate on the last trading day at the end of the current period.

As of 30 June 2022, the fair value of futures contracts held by the Group was determined by the settlement price of the Dalian Commodity Exchange on the last trading date at the end of the current period.

As of 30 June 2021, the Group's debt instrument investments were mainly wealth management products, interbank deposits and asset management plan products. There was no material restriction on the realization of these investments.

3. Notes receivable

	30 June 2022 Unaudited	31 December 2021 Audited
Bank acceptance notes	2,104,554,357	466,956,969

As of 30 June 2022, the Group pledged the bank acceptance notes of RMB505,753,577 (31 December 2021: RMB32,638,447) for the short-term loan.

The undue notes endorsed or discounted are stated in Note V. 5 to the financial statements.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Trade receivables

The Group's trade receivables were interest-free with normal credit terms of 30 to 90 days.

The aging of trade receivables, based on the invoice date, is analysed below:

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

The balances of trade receivables are analysed as follows:

	30 June 2022 (Unaudited)				31 December 2021 (Audited)					
	Book value		Provision for bad debts		Book value		Provision for bad debts		Book value	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)		
Assessed bad debt provision individually	-	-	-	-	-	-	-	-	-	
Assessed bad debt provision in portfolios based on credit risk characteristics	1,389,544,582	100	(63,872,314)	5	1,325,672,268	1,163,971,309	100	(56,899,956)	5	1,107,071,353
	1,389,544,582	100	(63,872,314)	5	1,325,672,268	1,163,971,309	100	(56,899,956)	5	1,107,071,353

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Trade receivables (Continued)

Provision for bad debts of trade receivable of the Group analysed by credit risk characteristics is disclosed as follows:

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Carrying amount expected to default	Expected credit loss ratio (%)	Expected credit loss	Carrying amount expected to default	Expected credit loss ratio (%)	Expected credit loss
Within one year	1,313,886,637	1	(13,138,866)	1,098,242,556	1	(10,982,426)
One to two years	17,768,412	16	(2,842,946)	13,779,855	16	(2,204,777)
Two to three years	17,855,412	44	(7,856,381)	14,707,402	44	(6,471,257)
Over three years	40,034,121	100	(40,034,121)	37,241,496	100	(37,241,496)
	1,389,544,582		(63,872,314)	1,163,971,309		(56,899,956)

The movements of provisions for bad debts against trade receivables were as follows:

	Opening balance	Increase during the period/year	Reversal during the period/year	Write-back due to disposal of a subsidiary	Other changes	Closing balance
For the six months ended 30 June						
2022	56,899,956	8,725,805	(1,449,139)	-	(304,308)	63,872,314
2021	61,016,972	29,248,928	(25,550,461)	(6,351,633)	(1,463,850)	56,899,956

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Trade receivables (Continued)

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

30 June 2022 (Unaudited)	Relationship with the Group	Ending balance	Aging	Percentage of trade receivables	Ending balance of bad debts provision
Company 1	Third party	180,794,922	Within 1 year	13%	(1,807,949)
Company 2	Third party	110,745,385	Within 1 year	8%	(1,107,454)
Company 3	Related party	71,487,025	Within 1 year	5%	(714,870)
Company 4	Related party	60,912,620	Within 1 year	4%	(609,126)
Company 5	Related party	60,307,873	Within 1 year	4%	(603,079)
		484,247,825		34%	(4,842,478)

31 December 2021 (Audited)	Relationship with the Group	Ending balance	Aging	Percentage of trade receivables	Ending balance of bad debts provision
Company 1	Related party	80,608,529	Within 1 year	7%	(806,085)
Company 2	Third party	77,676,244	Within 1 year	7%	(776,762)
Company 3	Third party	70,605,457	Within 1 year	6%	(706,055)
Company 4	Third party	69,793,545	Within 1 year	6%	(697,935)
Company 5	Third party	68,742,395	Within 1 year	6%	(687,424)
		367,426,170		32%	(3,674,261)

As of 30 June 2022, the Group had no assets or liabilities derived from transferring trade receivables in which the Group was continuingly involved (31 December 2021: Nil).

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Financial receivables

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

The undue notes endorsed or discounted were as follows :

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

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

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

6. Prepayments

Aging analysis of the prepayments is as follows:

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Prepayments (Continued)

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.

The top five prepayments classified by debtors are as follows:

30 June 2022 (Unaudited)	Relationship with the Group	Ending balance	Aging	Percentage of prepayments
Company 1	Third party	194,034,140	Within 1 year	15%
Company 2	Third party	190,938,224	Within 1 year	14%
Company 3	Associate of the Holding	90,324,023	Within 1 year	7%
Company 4	Third party	65,919,529	Within 1 year	5%
Company 5	Associate of the Holding	65,147,434	Within 1 year	5%
		606,363,350		46%
31 December 2021 (Audited)	Relationship with the Group	Ending balance	Aging	Percentage of prepayments
Company 1	Associate of the Holding	377,892,620	Within 1 year	25%
Company 2	Third party	359,025,945	Within 1 year	23%
Company 3	Third party	91,882,550	Within 1 year	6%
Company 4	Third party	89,701,750	Within 1 year	6%
Company 5	Third party	57,242,433	Within 1 year	4%
		975,745,298		64%

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables

	30 June 2022 Unaudited	31 December 2021 Audited
Dividends receivable	84,026,911	56,527,195
Other receivables	627,037,586	253,478,286
	711,064,497	310,005,481

Dividends receivable

	30 June 2022 Unaudited	31 December 2021 Audited
Associate – Ouyeel Factoring	–	1,300,284
Associate – Henan Jinma Energy Company Limited	28,800,000	–
Associate – Ouyeel Blockchain Finance	55,226,911	55,226,911
	84,026,911	56,527,195

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

Other receivables

Aging analysis of other receivables is as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
Within one year	628,387,512	250,457,497
One to two years	1,978,862	1,472,703
Two to three years	1,835,282	2,703,480
Over three years	70,846,547	69,409,300
	703,048,203	324,042,980
Less: Provision for bad debts	76,010,617	70,564,694
	627,037,586	253,478,286

Other receivables analysed by nature were as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
Due from trading companies	82,456,606	82,610,176
Deposit for steel futures	82,258,563	138,290,419
Prepaid import tariff and VAT deposit	32,324,691	37,523,667
Tax refunds	3,922,911	9,845,911
Asset deposition	450,132,341	2,902,260
Others	51,953,091	52,870,547
	703,048,203	324,042,980
Less: Provision for bad debts	76,010,617	70,564,694
	627,037,586	253,478,286

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

Other receivables (Continued)

Changes in impairment allowance recognised for the 12-month expected credit losses and lifetime expected credit losses on other receivables are as follows:

For the six months ended 30 June 2022 (Unaudited)

	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	1,009,562	18,919,748	50,635,384	70,564,694
Accrual	4,226,080	239,575	982,601	5,448,256
Other changes	(2,333)	-	-	(2,333)
Closing balance	5,233,309	19,159,323	51,617,985	76,010,617

2021 (Audited)

	Stage I 12-month expected credit losses	Stage II Lifetime expected credit losses	Stage III Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	1,124,541	16,345,580	412,299,083	429,769,204
Accrual	219,246	2,574,168	121,027	2,914,441
Reversal	-	-	(2,379,631)	(2,379,631)
Other changes	(334,225)	-	-	(334,225)
Write-off	-	-	(359,405,095)	(359,405,095)
Closing balance	1,009,562	18,919,748	50,635,384	70,564,694

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

Other receivables (Continued)

The movement of provision for bad debts against other receivables were as follows:

	Balance at the beginning of the period/year	Provided	Turn-back	Write-off	Exchange gains and losses	Balance at the end of the period/year
For the six months ended						
30 June 2022	70,564,694	5,448,256	-	-	(2,333)	76,010,617
2021	429,769,204	2,914,441	(2,379,631)	(359,405,095)	(334,225)	70,564,694

As of 30 June 2022, the top five other receivables were as follows:

	Carrying amount	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
Company 1	281,600,000	40	Transfer of production capacity	Within one year	(2,816,000)
Company 2	168,212,000	24	Land transfer to the government	Within one year	(1,682,120)
Company 3	45,390,133	6	Due from trading companies	Over 3 years	(45,390,133)
Company 4	44,522,448	6	Deposit for steel futures	Within one year	-
Company 5	37,734,115	5	Deposit for steel futures	Within one year	-
	577,458,696	81			(49,888,253)

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

Other receivables (Continued)

As of 31 December 2021, the top five other receivables were as follows:

	Carrying amount	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
Company 1	76,234,732	24	Deposit for steel futures	Within 1 year	-
Company 2	62,053,687	19	Deposit for steel futures	Within 1 year	-
Company 3	45,390,133	14	Due from trading companies	Over 3 years	(45,390,133)
Company 4	18,000,000	6	Due from trading companies	Within 1 year	(180,000)
Company 5	17,392,518	5	Deposit	Within 1 year	(173,925)
	219,071,070	68			(45,744,058)

As of 30 June 2022, the government grants receivable were as follows:

	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 three years	Note 1
Other receivables due from Maanshan Finance Bureau	Financial reward	3,685,000	Within 1 year	Note 3

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

Other receivables (Continued)

As of 31 December 2021, the government grants receivable were as follows:

	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	<i>Note 1</i>
Other receivables due from Maanshan Finance Bureau	Industry support policy incentives to promote manufacturing upgrades in 2020	5,923,000	Within 1 year	<i>Note 2</i>
Other receivables due from Maanshan Finance Bureau	Financial reward	3,685,000	Within 1 year	<i>Note 3</i>

Note 1: The balance is the government grant received by a subsidiary named Anhui Changjiang Iron and Steel Co., Ltd. ("Anhui Chang Jiang Iron and Steel") in 2009 from the Town Government of Taibai, Dangtu in Anhui Province because of its timely and full tax payments between 2004 and 2009. This government grant was recorded as non-operating income in 2009, and the remaining amount was expected to collect by the second half year of 2022.

Note 2: The balance is the industry support policy incentives to a subsidiary named Masteel Transportation Material from Maanshan Finance Bureau and the amount was collected on 24 January 2022.

Note 3: The balance is the financial reward to a subsidiary named Masteel Transportation Material from Maanshan Finance Bureau and the amount is expected to collect in 2022.

The balances of other receivables as of 30 June 2022 and 31 December 2021 did not contain any amount derecognised due to the transfer of financial assets.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Book amount	Provision for impairment	Carrying amount	Book amount	Provision for impairment	Carrying amount
Raw materials	5,903,599,924	(549,991,104)	5,353,608,820	6,168,125,040	(562,061,442)	5,606,063,598
Work in progress	3,337,636,325	(144,952,601)	3,192,683,724	3,308,153,751	(400,889,711)	2,907,264,040
Finished goods	3,466,059,785	(139,421,925)	3,326,637,860	2,569,094,658	(276,843,115)	2,292,251,543
Spare parts	1,539,953,266	(148,143,734)	1,391,809,532	1,572,326,839	(149,611,606)	1,422,715,233
Others	234,392,143	-	234,392,143	234,710,115	-	234,710,115
	14,481,641,443	(982,509,364)	13,499,132,079	13,852,410,403	(1,389,405,874)	12,463,004,529

The movements of impairment provision against inventories were as follows:

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Provided	Decrease		Closing balance
			Reversal or write-off	Exchange gains or losses	
Raw materials	562,061,442	536,090,834	(547,896,776)	(264,396)	549,991,104
Work in progress	400,889,711	138,494,671	(394,236,344)	(195,437)	144,952,601
Finished goods	276,843,115	136,548,029	(273,851,884)	(117,335)	139,421,925
Spare parts	149,611,606	6,831,591	(8,274,438)	(25,025)	148,143,734
	1,389,405,874	817,965,125	(1,224,259,442)	(602,193)	982,509,364

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

The movements of impairment provision against inventories were as follows: (Continued)

2021 (Audited)

	Opening balance	Provided	Decrease		Closing balance
			Reversal or write-off	Exchange gains or losses	
Raw materials	73,479,440	554,545,993	(64,944,960)	(1,019,031)	562,061,442
Work in progress	19,797,548	400,313,782	(18,426,103)	(795,516)	400,889,711
Finished goods	64,728,353	293,611,874	(81,080,582)	(416,530)	276,843,115
Spare parts	134,701,194	101,040,987	(85,902,120)	(228,455)	149,611,606
	292,706,535	1,349,512,636	(250,353,765)	(2,459,532)	1,389,405,874

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.

As of 30 June 2022, the Group had no constrained inventories (31 December 2021: Nil).

9. Financial assets purchased under agreements to resell

	30 June 2022 Unaudited	31 December 2021 Audited
Bonds	3,438,103,995	784,606,000
Less: Provision for impairment	14,108	3,603
	3,438,089,887	784,602,397

Financial assets purchased under agreements to resell are bonds that are bought first and then to be sold at a fixed price by Masteel Finance according to the resale agreements. The ending balance was bonds repurchased by pledge.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Loans and advances to customers

	30 June 2022 Unaudited	31 December 2021 Audited
Loans	1,750,210,075	1,650,146,683
Discounted notes	2,114,258,855	3,212,880,800
	3,864,468,930	4,863,027,483
Less: Bad debts provision for loans and advances to customers	111,855,563	136,333,518
	3,752,613,367	4,726,693,965

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

	30 June 2022 Unaudited	31 December 2021 Audited
Unsecured loans	3,829,531,578	4,827,481,811
Pledged loans	34,937,352	35,545,672
	3,864,468,930	4,863,027,483

All customers related to loans and advances are the Holding and its subsidiaries. The Group applies the “expected credit loss (“ECL”) model” to evaluate the credit loss of loans and advances to customers. As of 30 June 2022, there was no non-performing loan in the Group’s loans and advances to customers.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Loans and advances to customers (Continued)

For the six months ended 30 June 2022, the movements of provisions for bad debts against loans and advances between January and June 2022 are as follows:

	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
Reversal	(24,477,955)	–	–	(24,477,955)
Closing balance	111,855,563	–	–	111,855,563

The movements of provisions for bad debts against loans and advances in 2021 are as follows:

	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	143,340,270	–	–	143,340,270
Reversal	(7,006,752)	–	–	(7,006,752)
Closing balance	136,333,518	–	–	136,333,518

Loans and advances to customers due from related parties as of 30 June 2022 and 31 December 2021 are stated in Note X. 6 to the financial statements.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other current assets

	30 June 2022 Unaudited	31 December 2021 Audited
Prepaid income tax	293,028,093	716,069,983
Deductible value added tax	709,057,947	882,148,142
Debt instrument investments (note)	3,015,664,200	3,071,616,700
	4,017,750,240	4,669,834,825

Note: Debt instrument investments held by the Group were mainly interbank deposits purchased by Masteel Finance.

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Book amount	Provision for impairment	Carry amount	Book amount	Provision for impairment	Carrying amount
Debt instrument investments	3,015,664,200	-	3,015,664,200	3,071,674,065	(57,365)	3,071,616,700

The movements of provisions for bad debts against debt instrument investments for the six months ended 30 June 2022 are as follows:

	Phase I			Phase II		Phase III	Total
	12-month expected credit losses			Lifetime expected credit losses		Credit-impaired financial assets (lifetime expected credit losses)	
Opening balance	57,365			-		-	57,365
Reversal	(57,365)			-		-	(57,365)
Closing balance	-			-		-	-

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other current assets (Continued)

The movements of provisions for bad debts against debt instrument investments in 2021 are as follows:

	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	709,958	-	-	709,958
Reversal	(652,593)	-	-	(652,593)
Closing balance	57,365	-	-	57,365

12. Long-term receivables

	30 June 2022 Unaudited	31 December 2021 Audited
Sales and leaseback receivables	7,681,457	11,142,621

Sales and leaseback receivables are generated from sales and leaseback business of Finance Company, a subsidiary of the Group. The Finance Company signs a contract with the counterparty, and the counterparty pays the rent according to the agreement on each rental payment date, and, pays the tent for the last installment on the expiry date of the lease term. As at that date, the Counterparty may repurchase the leased property at a nominal price of RMB100, and the lease rate is determined with reference to the loan interest rate for the same period. The purchaser and lessor, Maanshan Iron & Steel Finance Company, mainly provides financing services for the counterparty, and it has no intention to acquire and control the leased property.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

For the six months ended 30 June 2022 (Unaudited)

	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	Other additions			Accrual impairment allowance
Joint ventures											
Maanshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel")	307,367,524	-	-	52,662,835	-	300,400	(43,000,000)	-	-	317,330,759	-
Associates											
Henan JinMa Energy Co., Ltd. ("Henan JinMa Energy")	870,862,596	-	-	82,409,839	234,768	2,010,420	(28,800,000)	-	-	926,717,623	-
Shenglong Chemical Co., Ltd. ("Shenglong Chemical")	1,068,420,632	-	-	42,479,886	-	1,460,944	-	-	-	1,112,361,462	-
Xinhuang Environmental Protection	74,212,749	-	-	3,350,141	-	183,113	-	-	-	77,746,003	-
Ouyeel Commercial Factoring Co., Ltd. ("Ouyeel Factoring")	159,107,630	-	-	839,505	-	-	-	1,300,284	-	161,247,419	-
Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy" (Note 1))	773,242,851	-	(516,663,377)	90,566,204	-	(1,805,829)	-	-	-	345,339,849	-
Anhui Masteel K.Wah New Building Materials Co., Ltd. ("Masteel K. Wah") (Note 2)	117,087,596	-	(117,087,596)	-	-	-	-	-	-	-	-
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd. ("Ouyeel Blockchain Finance")	347,391,985	-	-	19,463,596	-	165,373	-	-	-	367,020,954	-
Phima Intelligence	213,619,073	-	-	5,850,699	-	-	-	-	-	219,469,772	-
OBEI	422,657,885	-	-	419,764	(163,665)	(412,526)	-	-	-	422,501,458	-
Baowu Water	655,562,950	-	-	16,283,749	-	79,301	-	-	-	671,926,000	-
Anhui Masteel Gas Technology Co., Ltd. ("Masteel Gases")	149,350,424	-	-	18,537,293	-	1,557,674	-	-	-	169,445,391	-
	5,158,883,895	-	(633,750,973)	332,863,511	71,103	3,538,870	(71,800,000)	1,300,284	-	4,791,106,690	-

* Except for Henan JinMa Energy, the above joint ventures and associates accounted for by the equity method are unlisted investments.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

2021 (Audited)

	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	Accrual impairment allowance		
Joint ventures										
BOC-Ma Steel	298,485,434	-	-	96,382,090	-	-	(87,500,000)	-	307,367,524	-
Associates										
Henan JinMa Energy	772,463,295	-	-	140,459,323	520,765	619,213	(43,200,000)	-	870,862,596	-
Shenglong Chemical	910,994,190	-	-	196,789,335	-	(971,332)	(38,391,561)	-	1,068,420,632	-
Xinchiang Environmental Protection	76,617,756	-	-	5,630,425	-	(277,992)	(7,757,440)	-	74,212,749	-
Ouyeel Factoring	158,306,896	-	-	953,768	-	1,147,250	(1,300,284)	-	159,107,630	-
Magang Chemicals & Energy	664,859,819	-	-	127,818,098	-	(236,036)	(19,199,030)	-	773,242,851	-
Masteel K. Wah	103,135,911	-	-	21,455,692	-	-	(7,504,007)	-	117,087,596	-
Ouyeel Blockchain Finance	315,521,893	-	-	81,905,521	-	1,641,429	(51,676,858)	-	347,391,985	-
Phima Intelligence	201,422,813	-	-	12,196,260	-	-	-	-	213,619,073	-
OBEI	192,364,456	247,654,596	-	1,779,600	412,526	(19,553,293)	-	-	422,657,885	-
Baowu Water	-	654,570,045	-	702,353	-	290,552	-	-	655,562,950	-
Masteel Gases	-	149,350,424	-	-	-	-	-	-	149,350,424	-
	3,694,172,463	1,051,575,065	-	686,072,465	933,291	(17,340,209)	(256,529,180)	-	5,158,883,895	-

Note 1: As at March 2022, The Company entered a capital reduction agreements with Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy"). All parties agreed that the Holding reduced the capital by RMB344.44 million in cash and the Company reduced RMB500.23 million in the form of receiving coke oven purification assets. The asset value involved in the capital reduction is determined according to the Valuation Report No. 2052 (2021) issued by Beijing Tianjian Xingye Asset Appraisal Co., Ltd. On June 30, 2022, the above assets have been delivered and the capital reduction has been completed. The Company's shareholding in Masteel Chemical Energy has decreased from 45% to 32%, and the Company can still exert a significant influence on Masteel Chemical Energy and continue to account as an associated company.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (Continued)

Note 2: In September 2021, the Company entered into an equity transfer agreement with Baowu Huanke Ma'anshan Resource Utilization Co., Ltd. (hereinafter referred to as "Baowu Huanke") to transfer 30% of the equity of Masteel K. Wah held by the Company to Baowu Huanke for RMB111.3424 million. In January 2022, the equity transfer was completed and the Group no longer held the equity of Masteel K. Wah.

14. Other equity instrument investments

For the six months ended 30 June 2022 (Unaudited)

	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend	
				Equity instruments derecognised in the period	Equity instruments held
Henan Longyu Energy Co., Ltd. ("Henan Longyu")	10,000,000	37,677,978	47,677,978	-	-
China MCC17 Group Co., Ltd. ("MCC17")	8,554,800	24,558,874	33,113,674	-	-
Beijing Zhonglian Steel Ecommerce Co., Ltd. ("Zhonglian Steel")	1,000,000	(914,483)	85,517	-	-
Anshan Huatai CDQ Engineering Technology Co., Ltd. ("Anshan Huatai")	400,000	236,051	636,051	-	-
Linhuan Coking Co., Ltd. ("Linhuan Coking")	114,500,456	172,015,880	286,516,336	-	(21,597,770)
Masteel Lihua Metal Resources Co. Ltd. ("Masteel Lihua")	3,000,000	1,184,453	4,184,453	-	-
Huabao Duding (Shanghai) Financial Leasing Co., Ltd. ("Huabao Duding")	82,951,875	(6,330,917)	76,620,958	-	(3,877,626)
Baowu Clean Energy Co., Ltd. ("Baowu Clean Energy")	155,446,360	-	155,446,360	-	-
	375,853,491	228,427,836	604,281,327	-	(25,475,396)

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Other equity instrument investments (Continued)

2021 (Audited)

	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend	
				Equity instruments derecognised in the year	Equity instruments held
Henan Longyu	10,000,000	41,823,828	51,823,828	-	-
MCC17	8,554,800	38,271,170	46,825,970	-	(3,570,000)
Zhonglian Steel	1,000,000	(754,054)	245,946	-	-
Anshan Huatai	400,000	186,688	586,688	-	(200,000)
Linhan Coking	114,500,456	180,735,164	295,235,620	-	(8,099,164)
Masteel Lihua	3,000,000	475,845	3,475,845	-	(85,740)
Huabao Duding	82,951,875	5,351,207	88,303,082	-	(2,799,000)
Baowu Clean Energy	155,446,360	-	155,446,360	-	-
	375,853,491	266,089,848	641,943,339	-	(14,753,904)

As neither the Group participates in the daily operating activities of the above investees, has intention of receiving contractual cash flows, or holding them for trading, the above mentioned investments were designated as financial assets measured at fair value through other comprehensive income.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment properties

Investment properties measured using the cost method:

For the six months ended 30 June 2022 (Unaudited)

	Plant and buildings
Cost:	
Opening balance	77,302,542
Addition	–
Closing balance	77,302,542
Accumulated depreciation:	
Opening balance	16,490,938
Provided	846,906
Closing balance	17,337,844
Net carrying amount:	
At the ending of the period	59,964,698
At the beginning of the period	60,811,604

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment properties (Continued)

Investment properties measured using the cost method: (Continued)

2021 (Audited)

	Plant and buildings
Cost:	
Opening balance	77,302,542
Addition	–
Closing balance	77,302,542
Accumulated depreciation:	
Opening balance	14,797,927
Provided	1,693,011
Closing balance	16,490,938
Net carrying amount:	
At the ending of the year	60,811,604
At the beginning of the year	62,504,615

16. Property, plant and equipment

	30 June 2022 Unaudited	31 December 2021 Audited
Property, plant and equipment	30,392,320,876	28,585,265,256
Property, plant and equipment to be disposed of	5,294,902	19,985,640
	30,397,615,778	28,605,250,896

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment (Continued)

Property, plant and equipment

For the six months ended 30 June 2022 (Unaudited)

	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land (Note 1)	Total
Cost:						
At the beginning of the period	27,665,360,092	54,589,960,027	266,963,097	401,764,886	10,143,423	82,934,191,525
Addition	112,089,374	369,598,736	122,600	994,158	-	482,804,868
Transferred from construction in progress (Note V. 17)	1,490,633,956	1,583,211,426	7,733,442	16,112,708	-	3,097,691,532
Reclassification	(3,760,589)	3,739,473	303,034	(281,918)	-	-
Disposal	(77,939,511)	(471,860,779)	(14,297,576)	-	-	(564,097,866)
Exchange realignment	(1,368,123)	(6,678,639)	(242,372)	(124,824)	(296,869)	(8,710,827)
At the end of the period	29,185,015,199	56,067,970,244	260,582,225	418,465,010	9,846,554	85,941,879,232
Accumulated depreciation:						
At the beginning of the period	14,221,559,782	39,320,604,524	196,260,273	324,145,867	-	54,062,570,446
Provided	429,068,178	1,131,429,569	10,208,174	13,211,110	-	1,583,917,031
Reclassification	(64,605)	49,272	194,882	(179,549)	-	-
Disposal	(20,231,949)	(345,605,882)	(11,559,443)	-	-	(377,397,274)
Exchange realignment	(309,653)	(2,398,692)	(169,819)	(83,547)	-	(2,961,711)
At the end of the period	14,630,021,753	40,104,078,791	194,934,067	337,093,881	-	55,266,128,492
Impairment:						
At the beginning of the period	11,439,841	272,315,398	2,268,404	332,180	-	286,355,823
Provided	-	-	-	-	-	-
Exchange realignment	(465,564)	(2,384,283)	(66,390)	(9,722)	-	(2,925,959)
At the end of the period	10,974,277	269,931,115	2,202,014	322,458	-	283,429,864
Net carrying amount:						
At the end of the period	14,544,019,169	15,693,960,338	63,446,144	81,048,671	9,846,554	30,392,320,876
At the beginning of the period	13,432,360,469	14,997,040,105	68,434,420	77,286,839	10,143,423	28,585,265,256

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment (Continued)

Property, plant and equipment (Continued)

2021 (Audited)

	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land (Note 1)	Total
Cost:						
At the beginning of the year	28,036,395,314	55,695,677,993	259,770,649	342,251,176	11,274,841	84,345,369,973
Addition	1,636,717	16,451,907	3,598,351	6,046,759	-	27,733,734
Transferred from construction in progress (Note V. 17)	952,528,847	2,035,897,434	14,679,359	27,031,716	-	3,030,137,356
Reclassification	(104,238,917)	53,376,620	21,531,059	29,331,238	-	-
Disposal	(1,218,065,835)	(3,187,895,834)	(31,594,158)	(2,375,991)	-	(4,439,931,818)
Disposal of a subsidiary	-	(2,233,197)	(92,991)	-	-	(2,326,188)
Exchange realignment	(2,896,034)	(21,314,896)	(929,172)	(520,012)	(1,131,418)	(26,791,532)
At the end of the year	27,665,360,092	54,589,960,027	266,963,097	401,764,886	10,143,423	82,934,191,525
Accumulated depreciation:						
At the beginning of the year	14,085,075,509	39,727,665,363	191,961,384	279,848,150	-	54,284,550,406
Provided	883,798,011	2,205,760,562	25,567,115	22,904,888	-	3,138,030,576
Reclassification	(45,815,588)	16,161,934	5,565,473	24,088,181	-	-
Disposal	(700,513,014)	(2,620,684,547)	(26,116,306)	(2,299,654)	-	(3,349,613,521)
Disposal of a subsidiary	-	(1,438,504)	(65,094)	-	-	(1,503,598)
Exchange realignment	(985,136)	(6,860,284)	(652,299)	(395,698)	-	(8,893,417)
At the end of the year	14,221,559,782	39,320,604,524	196,260,273	324,145,867	-	54,062,570,446
Impairment:						
At the beginning of the year	48,408,319	455,273,461	2,532,415	369,232	-	506,583,427
Disposal	(35,456,173)	(173,606,403)	(10,989)	-	-	(209,073,565)
Exchange realignment	(1,512,305)	(9,351,660)	(253,022)	(37,052)	-	(11,154,039)
At the end of the year	11,439,841	272,315,398	2,268,404	332,180	-	286,355,823
Net carrying amount:						
At the end of the year	13,432,360,469	14,997,040,105	68,434,420	77,286,839	10,143,423	28,585,265,256
At the beginning of the year	13,902,911,486	15,512,739,169	65,276,850	62,033,794	11,274,841	29,554,236,140

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)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Property, plant and equipment (Continued)

Property, plant and equipment (Continued)

As of 30 June 2022, certificates of ownership in respect of 75 buildings of the Group in Mainland China, mainly used for production and operation, with an aggregate cost of RMB1,612,638,144 (31 December 2021: RMB1,577,595,176), 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.

As of 30 June 2022, the Group had no idle property, plant and equipment (31 December 2021: Nil).

Property, plant and equipment to be disposed of

	30 June 2022 Unaudited	31 December 2021 Audited
Plant and buildings	–	6,549,943
Machinery and equipment	5,294,902	12,095,604
Motor vehicles	–	1,340,093
	5,294,902	19,985,640

17. Construction in progress

	30 June 2022 Unaudited	31 December 2021 Audited
Construction in progress	12,661,177,187	10,999,333,300

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Carrying amount	Provision for impairment	Carrying amount	Carrying amount	Provision for impairment	Carrying amount
Product quality projects	4,304,426,247	-	4,304,426,247	3,786,404,228	-	3,786,404,228
Energy-saving and environmental protection projects	4,245,956,818	-	4,245,956,818	3,820,740,766	-	3,820,740,766
Equipment advancement and other modification projects	2,136,446,442	-	2,136,446,442	1,844,663,165	-	1,844,663,165
Other projects	1,974,347,680	-	1,974,347,680	1,547,525,141	-	1,547,525,141
Total	12,661,177,187	-	12,661,177,187	10,999,333,300	-	10,999,333,300

For the six months ended 30 June 2022, the movements of significant projects were as follows:

Name of projects	Budget RMB'000	Opening balance RMB	Addition RMB	Transferred to property, plant and equipment (Note V.16) RMB	Other decrease RMB	Closing balance RMB	Source of fund	The proportion of projects investment accounted for budget (%)	Percentage of completion (%)	Capitalised interest accumulated RMB	The capitalised interest rate in current period	
											Capitalised interest in current period RMB	interest rate in current period (%)
Product quality projects	19,544,269	3,786,404,228	1,545,463,469	(1,015,452,076)	(11,989,374)	4,304,426,247	Internally financed	27%	27%	-	-	-
Energy-saving and environmental protection projects	8,741,339	3,820,740,766	1,055,930,636	(625,461,999)	(5,252,585)	4,245,956,818	Internally financed	56%	56%	-	-	-
Equipment advancement and other modification projects	5,011,521	1,844,663,165	1,636,406,435	(1,339,845,087)	(4,778,071)	2,136,446,442	Internally financed	69%	69%	-	-	-
Other projects	N/A	1,547,525,141	544,915,150	(116,932,370)	(1,160,241)	1,974,347,680	Internally financed	N/A	N/A	-	-	-
		10,999,333,300	4,782,715,690	(3,097,691,532)	(23,180,271)	12,661,177,187						
Less: impairment		-	-	-	-	-						
		10,999,333,300	4,782,715,690	(3,097,691,532)	(23,180,271)	12,661,177,187				-	-	

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

In 2021, the movements of significant projects were as follows:

Name of projects	Budget RMB'000	Opening balance RMB	Addition RMB	Transferred to property, plant and equipment (Note V.16) RMB	Closing balance RMB	Source of fund	The proportion of projects investment accounted for budget (%)	Percentage of completion (%)	Capitalised interest accumulated RMB	Capitalised interest in current year RMB	The capitalised interest rate in current year (%)
Product quality projects	18,340,417	1,846,460,111	2,759,226,374	(819,282,257)	3,786,404,228	Internally financed	25%	25%	-	-	-
Energy-saving and environmental protection projects	8,780,960	3,210,490,390	1,887,024,497	(1,276,774,121)	3,820,740,766	Internally financed	58%	58%	-	-	-
Equipment advancement and other modification projects	4,980,386	1,078,736,694	1,533,269,286	(767,342,815)	1,844,663,165	Internally financed	52%	52%	-	-	-
Other projects	N/A	844,592,764	869,670,540	(166,738,163)	1,547,525,141	Internally financed	N/A	N/A	-	-	-
Less: impairment		6,980,279,959	7,049,190,697	(3,030,137,356)	10,999,333,300						
		-	-	-	-						
		6,980,279,959	7,049,190,697	(3,030,137,356)	10,999,333,300				-	-	

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Right-of-use assets

For the six months ended 30 June 2022 (Unaudited)

	Plant and buildings	Land use rights	Total
Cost			
At the beginning of the period	645,698,484	3,629,119	649,327,603
Addition	1,262,423	321,176	1,583,599
Disposal	(262,658,925)	–	(262,658,925)
At the end of the period	384,301,982	3,950,295	388,252,277
Accumulated depreciation			
At the beginning of the period	80,065,687	342,628	80,408,315
Provided	9,459,292	49,290	9,508,582
Disposal	–	–	–
At the end of the period	89,524,979	391,918	89,916,897
Impairment			
At the beginning of the period and at the end of the period	–	–	–
Net carrying amount			
At the end of the period	294,777,003	3,558,377	298,335,380
At the beginning of the period	565,632,797	3,286,491	568,919,288

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Right-of-use assets (Continued)

2021 (Audited)

	Plant and buildings	Motor vehicles	Land use rights	Total
Cost				
At the beginning of the year	423,945,762	15,681,935	3,578,032	443,205,729
Addition	225,089,541	–	51,087	225,140,628
Disposal	(3,336,819)	(15,681,935)	–	(19,018,754)
At the end of the year	645,698,484	–	3,629,119	649,327,603
Accumulated depreciation				
At the beginning of the year	45,348,235	3,136,386	248,728	48,733,349
Provided	34,926,003	–	93,900	35,019,903
Disposal	(208,551)	(3,136,386)	–	(3,344,937)
At the end of the year	80,065,687	–	342,628	80,408,315
Impairment				
At the beginning of the year and at the end of the year	–	–	–	–
Net carrying amount				
At the end of the year	565,632,797	–	3,286,491	568,919,288
At the beginning of the year	378,597,527	12,545,549	3,329,304	394,472,380

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets

For the six months ended 30 June 2022 (Unaudited)

	Land use rights	Mining rights	Patents and others	Total
Cost				
At the beginning of the period	2,584,246,587	128,117,262	2,236,612	2,714,600,461
Addition	146,142,819	–	171,962,264	318,105,083
Disposal	(97,451,795)	–	–	(97,451,795)
Exchange realignment	–	(207,893)	(65,459)	(273,352)
At the end of the period	2,632,937,611	127,909,369	174,133,417	2,934,980,397
Accumulated Amortisation				
At the beginning of the period	857,241,924	128,117,262	1,911,451	987,270,637
Provided	27,830,734	–	869,951	28,700,685
Disposal	(26,187,219)	–	–	(26,187,219)
Exchange realignment	–	(207,893)	(57,488)	(265,381)
At the end of the period	858,885,439	127,909,369	2,723,914	989,518,722
Net carrying amount				
At the end of the period	1,774,052,172	–	171,409,503	1,945,461,675
At the beginning of the period	1,727,004,663	–	325,161	1,727,329,824

The intangible assets without the property right certificate are as follows:

	30 June 2022	31 December 2021	Reason for not completing the Property Ownership Certificate
Land use rights	9,679,426	25,048,509	The relevant materials for applying the certificate have not been obtained

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets (Continued)

2021 (Audited)

	Concession rights (Note)	Land use rights	Mining rights	Patent	Total
Cost					
At the beginning of the year	152,483,993	2,590,576,967	139,046,867	2,362,860	2,884,470,687
Addition	–	727,771	–	110,866	838,637
Disposal	–	(2,289,453)	–	–	(2,289,453)
Disposal of a subsidiary	(152,483,993)	(4,768,698)	–	–	(157,252,691)
Exchange realignment	–	–	(10,929,605)	(237,114)	(11,166,719)
At the end of the year	–	2,584,246,587	128,117,262	2,236,612	2,714,600,461
Accumulated Amortisation					
At the beginning of the year	55,353,785	807,200,366	139,046,867	1,745,263	1,003,346,281
Provided	4,841,948	52,342,518	–	360,680	57,545,146
Disposal	–	(874,542)	–	–	(874,542)
Disposal of a subsidiary	(60,195,733)	(1,426,418)	–	–	(61,622,151)
Exchange realignment	–	–	(10,929,605)	(194,492)	(11,124,097)
At the end of the year	–	857,241,924	128,117,262	1,911,451	987,270,637
Net carrying amount					
At the end of the year	–	1,727,004,663	–	325,161	1,727,329,824
At the beginning of the year	97,130,208	1,783,376,601	–	617,597	1,881,124,406

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets (Continued)

Note: The concession right is owned by a subsidiary of the Company, Maanshan Iron & Steel (Hefei) Industrial Water Supply Co., Ltd. ("Hefei Water Supply"). On 18 May 2011, Hefei Water Supply obtained a concession right by signing the "Concession Arrangement for Hefei Circle Economy Park Industrial Water Supply" (the "Arrangement") with the Administrative Committee of Hefei Circle Economic Park (the "Park") through open tender. According to the Arrangement, Hefei Water Supply has the right to receive fees from water users in the Park by providing principal services includes: industrial water supply, and designing, constructing, occupying, operating and maintaining the industrial water treatment plant, water abstraction and pipe networks. The infrastructure construction contract was applied, and no construction service revenue was recognised. According to the agreement, the payment for the project during the construction was recognised as an intangible asset. The specified concession service period is 25 years. Hefei Water Supply is obliged to transfer all infrastructures to the grantor, the Administrative Committee of Hefei Circle Economy Park, at the end of the period of the Arrangement with a smooth operation guaranteed. As of 25 August 2021, Ma Steel (Hefei) Steel Plate Co., Ltd ("Hefei Steel Plates"), Baowu Water and Hefei Water Supply entered into an equity transition agreement that Hefei Steel Plates transferred 100% equity of ownership of Hefei Water Supply to Baowu Water. The equity transition was completed on 30 September 2021, therefore the Group completed the concession rights deposition in 2021.

20. Deferred tax assets/liabilities

Deferred tax assets and deferred liabilities before being offset:

	30 June 2022		31 December 2021	
	Unaudited		Audited	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Asset impairment provision	423,721,492	106,513,822	427,889,632	107,573,448
Sales incentive	103,751,529	25,937,882	181,823,205	45,455,801
Payroll payable	14,857,823	4,180,014	16,343,408	4,565,446
Government grants	265,831,630	66,457,908	264,655,855	66,163,964
Others	239,707,816	60,604,703	188,182,457	47,707,399
	1,047,870,290	263,694,329	1,078,894,557	271,466,058

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets/liabilities (Continued)

Deferred tax assets and deferred liabilities before being offset: (Continued)

	30 June 2022 Unaudited		31 December 2021 Audited	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustments related to business combinations not under common control	60,341,444	15,085,361	65,473,416	16,368,354
Changes in fair value of financial assets held for trading	35,187,904	8,796,976	–	–
Changes in fair value of other equity instrument investments	234,758,753	58,689,688	266,230,852	66,102,861
Dividends from overseas subsidiaries	371,374,282	31,566,814	405,240,624	34,445,453
	701,662,383	114,138,839	736,944,892	116,916,668

Net amount of deferred tax assets/liabilities after being offset:

	30 June 2022 Unaudited		31 December 2021 Audited	
	Offset amount	Net amount	Offset amount	Net amount
Deferred tax assets	99,053,478	164,640,851	99,665,365	171,800,693
Deferred tax liabilities	99,053,478	15,085,361	99,665,365	17,251,303

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets/liabilities (Continued)

The Group's unrecognised deferred tax assets arising from deductible temporary differences and deductible tax losses were as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
Deductible temporary differences	3,047,183,258	3,853,803,721
Deductible tax losses	678,416,318	633,610,877
	3,725,599,576	4,487,414,598

Unrecognised deferred tax assets arising from deductible tax losses will expire in the following years:

	30 June 2022 Unaudited	31 December 2021 Audited
To expire in 2022	3,244,086	4,694,134
To expire in 2023	11,988,109	11,988,109
To expire in 2024	24,315,670	24,315,670
To expire in 2025	14,580,461	14,580,461
To expire in 2026	-	-
To expire in 2027 and subsequent years (Note)	624,287,992	578,032,503
Total	678,416,318	633,610,877

Note: As of 30 June 2022, overseas subsidiaries of the Company have deductible tax losses amounting to RMB622,962,113 (31 December 2021: RMB578,032,503) without an expiration date.

The Group considered it would be not possible to generate enough taxable profit to utilise the above tax losses and therefore did not recognise the relevant deferred tax assets.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets/liabilities (Continued)

The Group's unrecognised taxable temporary differences were as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
Taxable temporary differences (<i>Note</i>)	1,713,638,163	1,755,117,449

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 recognised any deferred tax liabilities according to the above mentioned taxable temporary differences.

21. Customer deposits

	30 June 2022 Unaudited	31 December 2021 Audited
Demand deposits	4,918,173,499	5,898,362,065
Notice deposits	1,559,942,441	1,821,877,753
Time deposits	2,974,993,691	1,532,817,473
	9,453,109,631	9,253,057,291

Details of customer deposits of Masteel Finance related to the related parties as of 30 June 2022 and 31 December 2021 are disclosed in Note X.6.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Repurchase agreements

	30 June 2022 Unaudited	31 December 2021 Audited
Notes	108,679,593	925,465,952

Repurchase agreements represent the amount arising from notes and bonds discounted by Masteel Finance to other financial institutions according to the repurchase agreements.

23. Short-term loans

	30 June 2022 Unaudited	31 December 2021 Audited
Pledged loans (<i>Note 1</i>)	505,753,577	32,638,447
Unsecured loans	7,881,476,554	8,919,570,598
	8,387,230,131	8,952,209,045

Note 1: As of 30 June 2022, the Group pledged the bank acceptance notes of RMB505,753,577 (31 December 2021: RMB32,638,447) by pledging bank acceptance notes.

As of 30 June 2022, the interest rates of the above short-term loans ranged from 0.350%-3.900% (31 December 2021: 0.350%-3.750%).

As of 30 June 2022 and 31 December 2021, the Group had no overdue short-term loans.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Financial liabilities held for trading

	30 June 2022 Unaudited	31 December 2021 Audited
Derivative financial liabilities -		
Forward foreign exchange contracts	-	31,663,498

As of 31 December 2021, the fair value of foreign exchange forward contracts held by the Group is determined based on the forward foreign exchange rate on the last trading day of the period.

25. Notes payable

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

As of 30 June 2022 and 31 December 2021, the aging of the Group's notes payable was all within six months, and there were no overdue notes.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Trade payables

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

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

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

The amounts due to related parties among the balances of trade payables as of 30 June 2022 and 31 December 2021 are stated in Note X.6 to the financial statements.

As of 30 June 2022, the material trade payables aged over one year were as follows :

	Amount due	Reason for non-settlement
Company 1	5,265,800	<i>Note</i>
Company 2	1,771,174	<i>Note</i>
Company 3	1,616,476	<i>Note</i>
Company 4	1,580,875	<i>Note</i>
Company 5	1,577,180	<i>Note</i>
	11,811,505	

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Contract liabilities

	30 June 2022 Unaudited	31 December 2021 Audited
Advances from customers	5,009,662,433	5,741,241,284

As of 30 June of 2022, contract liabilities aged over one year amounting to RMB17,376,432 (31 December 2021: RMB19,318,171), were mainly due to the contracts that were not fully executed.

28. Payroll and employee benefits payable

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term employee benefits	341,523,209	1,724,299,017	1,937,717,960	128,104,266
Post-employment benefits (defined contribution plans)	1,617,049	249,523,348	249,558,229	1,582,168
Supplementary retirement benefits due within one year (i) (Note V.37)	1,780,083	–	612,407	1,167,676
One-off termination compensation (ii)	1,840,527	67,711,712	36,601,365	32,950,874
Early retirement benefits due within one year (iii) (Note V.37)	2,763,873	1,113,898	1,834,444	2,043,327
	349,524,741	2,042,647,975	2,226,324,405	165,848,311

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Payroll and employee benefits payable (Continued)

2021 (Audited)

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term employee benefits	480,455,438	4,406,863,866	4,545,796,095	341,523,209
Post-employment benefits (defined contribution plans)	29,130,023	531,591,893	559,104,867	1,617,049
Supplementary retirement benefits due within one year (i) (Note V.37)	2,170,341	1,780,083	2,170,341	1,780,083
One-off termination compensation (ii)	18,345,621	338,969,150	355,474,244	1,840,527
Early retirement benefits due within one year (iii) (Note V.37)	19,246,713	2,763,873	19,246,713	2,763,873
	549,348,136	5,281,968,865	5,481,792,260	349,524,741

- (i) The Group's overseas subsidiary MG-VALDUNES provided employees with other post-retirement 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.19, 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 2022, there are no plan assets under the benefit plan. The defined benefit payable under the benefit plan was approximately RMB23,006,737 (31 December 2021: RMB24,277,581), accounting approximately 0.02% of the total assets of the Group only (31 December 2021: 0.03%). 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)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Payroll and employee benefits payable (Continued)

- (ii) One-off termination compensation is the termination compensation paid by the Company to its employees due to human resource optimisation.
- (iii) 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 2021, 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 2022, there were no plan assets under the said early retirement plan, and the defined benefits payable amounted to approximately RMB5,236,784 (31 December 2021: RMB8,803,883), accounting for approximately 0.01% of the Group's total assets as of 30 June 2022 only (31 December 2021: 0.01%). 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)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Payroll and employee benefits payable (Continued)

Short-term employee benefits:

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salaries, bonuses and subsidies	293,590,746	1,253,947,149	1,490,155,293	57,382,602
Welfare	11,731,175	97,001,625	86,210,044	22,522,756
Social insurance	1,670,348	109,989,941	110,057,176	1,603,113
Including: Medical insurance	1,660,386	98,912,069	98,973,847	1,598,608
Work-related injury insurance	6,438	9,738,096	9,740,629	3,905
Maternity insurance	3,524	1,339,776	1,342,700	600
Housing fund	1,200	209,126,782	209,126,782	1,200
Labor union fee and employee education fee	34,529,740	54,233,520	42,168,665	46,594,595
	341,523,209	1,724,299,017	1,937,717,960	128,104,266

2021 (Audited)

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses and subsidies	428,772,989	3,479,419,382	3,614,601,625	293,590,746
Welfare	13,894,069	201,249,118	203,412,012	11,731,175
Social insurance	7,373,818	262,169,133	267,872,603	1,670,348
Including: Medical insurance	6,885,704	239,109,283	244,334,601	1,660,386
Work-related injury insurance	352,768	15,759,613	16,105,943	6,438
Maternity insurance	135,346	7,300,237	7,432,059	3,524
Housing fund	19,902,287	347,494,298	367,395,385	1,200
Labor union fee and employee education fee	10,512,275	116,531,935	92,514,470	34,529,740
	480,455,438	4,406,863,866	4,545,796,095	341,523,209

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Payroll and employee benefits payable (Continued)

Defined contribution plans:

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Pension insurance	1,604,378	194,901,834	194,929,386	1,576,826
Unemployment insurance	4,815	5,951,065	5,955,614	266
Supplementary pension scheme	7,856	48,670,449	48,673,229	5,076
	1,617,049	249,523,348	249,558,229	1,582,168

2021 (Audited)

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	15,654,936	413,477,419	427,527,977	1,604,378
Unemployment insurance	607,724	12,571,430	13,174,339	4,815
Supplementary pension scheme	12,867,363	105,543,044	118,402,551	7,856
	29,130,023	531,591,893	559,104,867	1,617,049

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)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Payroll and employee benefits payable (Continued)

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. In 2022, the basic pension insurance premiums were paid based on 16% of the Group's employees' basic salary (2021: 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 2022, the basic pension insurance premiums payable by the Group amounted to approximately RMB194,901,834 (2021: RMB413,477,419), 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 5%. 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 2022, the total amount of the Group's corporate annuity expenses was approximately RMB48,670,449 (2021: RMB105,543,044), which was recorded as labour costs.

29. Taxes payable

	30 June 2022 Unaudited	31 December 2021 Audited
Value-added tax	66,325,901	485,389,546
Corporate income tax	127,996,122	121,010,106
Land use tax	119,113,097	130,696,672
Personal income tax	73,983,755	12,140,607
Water conservancy funds	196,149,058	171,864,296
City construction and maintenance tax	2,367,482	26,710,473
Environment protection tax	6,593,120	15,299,911
Other taxes	57,612,515	110,502,368
	650,141,050	1,073,613,979

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Taxes payable (Continued)

The basis of calculation and the applicable tax rates are disclosed in Note IV to the financial statements.

30. Other payables

	30 June 2022 Unaudited	31 December 2021 Audited
Dividends payable	2,749,189,964	6,612,733
Other payables	4,393,813,333	3,948,286,821
	7,143,003,297	3,954,899,554

Dividends payable

	30 June 2022 Unaudited	31 December 2021 Audited
Dividends paid	2,749,189,964	6,612,733

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)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables (Continued)

Other payables

	30 June 2022 Unaudited	31 December 2021 Audited
Payable for forfeiting	2,496,366,190	2,113,943,628
Special funds (<i>Note 1</i>)	845,460,781	849,625,962
Payable for construction, maintenance and inspection fees	173,190,154	170,959,064
Sales incentives	277,365,191	380,604,725
Employee settlement for productivity shutting down	152,568,484	152,568,484
Social welfare and housing fund payable	19,402,571	12,421,091
Service fees payable	205,845,230	33,882,966
Others	223,614,732	234,280,901
	4,393,813,333	3,948,286,821

Note 1: Special funds include the Renewable Energy Development Fund, Major Water Conservancy Project Construction Fund and Special Fund for Restructure. The Ministry of Finance of the People's Republic of China published the Finance and Tax [2017] No. 50: 'the announcement of cancelling special funds for industrial enterprise restructuring' and announced the cancelation of the collection of the special funds for industrial enterprise restructuring since 1 July 2017.

At of 30 June 2022, significant other payables aged over one year were as follows :

	Amount payable	Reason for non-settlement
Company 1	801,532,273	<i>Note</i>
Company 2	152,568,484	<i>Note</i>
Company 3	15,885,408	<i>Note</i>
Company 4	8,000,000	<i>Note</i>
Company 5	6,440,000	<i>Note</i>
	984,426,165	

Note: The Group's other payables aged over one year were mainly special funds and employee settlement for productivity shutting down. Since the project did not meet the terms of settlement, the payments were not settled.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Non-current liabilities due within one year

	30 June 2022 Unaudited	31 December 2021 Audited
Long-term loans due within one year (<i>Note V.34</i>)	151,428,247	1,333,790,955
Lease liabilities due within one year (<i>Note V.35</i>)	6,876,691	24,502,378
	158,304,938	1,358,293,333

32. Provision

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Pending litigation or arbitration	10,032,690	128,254	3,432,559	6,728,385
Pending onerous contract (<i>Note</i>)	23,942,730	–	700,735	23,241,995
Others	3,642,708	2,204,207	2,475,520	3,371,395
	37,618,128	2,332,461	6,608,814	33,341,775

2021 (Audited)

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pending litigation or arbitration	8,810,245	3,347,465	2,125,020	10,032,690
Pending onerous contract (<i>Note</i>)	14,820,090	9,122,640	–	23,942,730
Others	3,337,918	2,940,761	2,635,971	3,642,708
	26,968,253	15,410,866	4,760,991	37,618,128

Note: 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)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Other current liabilities

	30 June 2022 Unaudited	31 December 2021 Audited
Advances for output tax	651,256,117	746,361,366

34. Long-term loans

	30 June 2022 Unaudited	31 December 2021 Audited
Guaranteed loans (<i>Note</i>)	27,500,000	33,000,000
Unsecured loans	6,687,161,012	6,753,041,007
	6,714,661,012	6,786,041,007
Less: Long-term loans due within one year (<i>Note V.31</i>)	151,428,247	1,333,790,955
	6,563,232,765	5,452,250,052

Note: The guaranteed loans were provided by the Holding for free as disclosed in Note X.5.

As of 30 June 2022, the interest rates of the above long-term loans ranged from 1.20% to 4.75% (31 December 2021: from 1.20%-3.40%).

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

	30 June 2022 Unaudited	31 December 2021 Audited
Within one year or on demand	151,428,247	1,333,790,955
One to two years (inclusive)	3,072,532,765	1,938,095,192
Two to three years (inclusive)	3,450,000,000	3,467,954,860
Three to five years (inclusive)	27,500,000	33,000,000
Over five years	13,200,000	13,200,000
	6,714,661,012	6,786,041,007

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Lease liabilities

	30 June 2022 Unaudited	31 December 2021 Audited
Plant and buildings	316,389,998	593,137,239
Land use rights	3,536,585	3,344,736
	319,926,583	596,481,975
Less: Lease liabilities due within one year (<i>Note V.31</i>)	6,876,691	24,502,378
	313,049,892	571,979,597

36. Long-term payable

	30 June 2022 Unaudited	31 December 2021 Audited
Share incentive plan repurchase obligation	171,864,500	–

For long-term payable in relation to share incentive plan, refer to Note XI.1.

37. Long-term payroll and employee benefits payable

	30 June 2022 Unaudited	31 December 2021 Audited
1. Early retirement benefits (<i>Note 1</i>)	5,236,784	8,803,883
Less : Early retirement benefits due within one year (<i>Note V.28.</i>)	2,043,327	2,763,873
2. Supplementary retirement benefit (<i>Note 2</i>)	23,006,737	24,277,581
Less : Supplementary retirement benefit due within one year (<i>Note V.28.</i>)	1,167,676	1,780,083
	25,032,518	28,537,508

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term payroll and employee benefits payable (Continued)

Note 1: Early retirement benefits

For the six months ended 30 June 2022	Opening balance	Increase during the period	Unrecognised financing expense	Decrease during the period	Closing balance	Less: Due within one year	Closing balance
Early retirement benefits	8,803,883	328,886	47,115	3,943,100	5,236,784	2,043,327	3,193,457

Note 2: Supplementary retirement benefits

For the six months ended 30 June 2022	Opening balance	Increase during the period	Decrease during the period	Closing balance	Less: Due within one year	Closing balance
Supplementary retirement benefits	24,277,581	-	1,270,844	23,006,737	1,167,676	21,839,061

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term payroll and employee benefits payable (Continued)

Early retirement benefits expected to be paid by the Group:

	30 June 2022 Unaudited	31 December 2021 Audited
Undiscounted value		
Within one year	2,043,327	2,763,873
One to two years	1,568,956	2,339,992
Two to three years	960,801	1,804,913
Over three years	936,479	2,214,999
	5,509,563	9,123,777
Financing expense unrecognised	(272,779)	(319,894)
	5,236,784	8,803,883
Less: Due within one year	2,043,327	2,763,873
	3,193,457	6,040,010

38. Deferred revenue

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Government grants	911,424,466	19,621,300	53,994,527	877,051,239

2021 (Audited)

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Government grants	872,949,281	104,521,143	66,045,958	911,424,466

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Deferred revenue (Continued)

Liabilities related to government grants were as follows:

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Included in other income	Other movements	Closing balance	Related to assets/ income
Subsidy funds for 4# blast furnace project	149,990,651	-	(4,312,000)	-	145,678,651	assets
Technological transformation fund for Phase II silicon steel	64,241,669	-	(2,200,000)	-	62,041,669	assets
Subsidy for the hot-rolled 1580 project	28,908,750	-	(990,000)	-	27,918,750	assets
New-zone Thermal Power Plant CCGT system engineering	9,505,972	-	(2,156,000)	-	7,349,972	assets
EMU steel wheel production line project	23,974,990	-	(1,100,000)	-	22,874,990	assets
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	10,109,300	-	(283,800)	-	9,825,500	assets
Subsidy for a thin plate project	35,272,544	-	(2,364,246)	-	32,908,298	assets
Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT)	10,516,791	-	(295,240)	-	10,221,551	assets
Alloy bar production line refinement project of electric furnace plant	27,414,360	-	(741,840)	-	26,672,520	assets
Subsidy for Maanshan railway industry (Maanshan)	19,936,100	-	(1,040,145)	-	18,895,955	assets
Comprehensive utilization of gas for power generation of a thermal power plant	19,245,303	-	(545,380)	-	18,699,923	assets
Intelligent manufacturing special fund	13,879,683	-	(682,607)	-	13,197,076	assets
Subsidies for galvanization projects	9,411,814	-	(622,180)	-	8,789,634	assets
Special fund for the strong foundation project of the Ministry of Industry and Information Technology	22,580,000	-	-	-	22,580,000	assets
Coking plant 8# coke oven flue gas desulfurisation and denitration project	1,228,373	-	(28,160)	-	1,200,213	assets
Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area	4,761,667	-	(110,000)	-	4,651,667	Assets

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Deferred revenue (Continued)

Liabilities related to government grants were as follows: (Continued)

For the six months ended 30 June 2022 (Unaudited) (Continued)

	Opening balance	Increase during the period	Included in other income	Other movements	Closing balance	Related to assets/ income
Special fund for the environmental protection improvement and reconstruction project of a comprehensive stockyard	6,400,000	-	-	-	6,400,000	assets
Transformation project of dedusting facilities in a blast furnace tapping yard and ore trough of Anhui Changjiang Iron and Steel	2,651,752	-	(106,113)	-	2,545,639	assets
Desulfurisation and denitration system engineering of sintering machine in Anhui Changjiang Iron and Steel	8,005,152	-	(282,894)	-	7,722,258	assets
Ironmaking plant 1#2# sintering machine transformation project	20,800,000	-	-	-	20,800,000	assets
Liufen River dredging and landscape improvement project	48,180,000	-	-	-	48,180,000	assets
Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant	17,000,000	-	-	-	17,000,000	assets
Development and demonstration application of on-line detection and sensing technology for key parameters of special steel production	8,750,000	-	-	(7,350,000)	1,400,000	assets
Ironmaking Plant 1#2#3# Sintering Machine Raw Material System Dust Collector Upgrading Transformation	-	5,940,000	-	-	5,940,000	assets
Dust removal and transformation of the upper and lower tanks of the 2# blast furnace trough of the General IronMaking Plant	-	6,210,000	-	-	6,210,000	assets
Others	348,659,595	7,471,300	(20,150,015)	(8,633,907)	327,346,973	assets
Total	911,424,466	19,621,300	(38,010,620)	(15,983,907)	877,051,239	

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Deferred revenue (Continued)

Liabilities related to government grants were as follows: (Continued)

2021 (Audited)

	Opening balance	Increase during the year	Included in other income	Other changes	Closing balance	Related to assets/income
Subsidy funds for 4# blast furnace project	158,614,655	-	(8,624,004)	-	149,990,651	assets
Technological transformation fund for Phase II silicon steel	68,641,669	-	(4,400,000)	-	64,241,669	assets
Subsidy for the hot-rolled 1580 project	30,888,750	-	(1,980,000)	-	28,908,750	assets
New-zone Thermal Power Plant CAPP system engineering	13,817,972	-	(4,312,000)	-	9,505,972	assets
EMU steel wheel production line project	26,174,990	-	(2,200,000)	-	23,974,990	assets
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	10,676,900	-	(567,600)	-	10,109,300	assets
Subsidy for a thin plate project	40,001,037	-	(4,728,493)	-	35,272,544	assets
Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT)	11,107,275	-	(590,484)	-	10,516,791	assets
Alloy bar production line refinement project of electric furnace plant	28,898,040	-	(1,483,680)	-	27,414,360	assets
Subsidy for Maanshan railway industry (Maanshan)	22,036,100	-	(2,100,000)	-	19,936,100	assets
Comprehensive utilization of gas for power generation of a thermal power plant	20,336,063	-	(1,090,760)	-	19,245,303	assets
Intelligent manufacturing special fund	15,253,122	-	(1,373,439)	-	13,879,683	assets
Subsidies for galvanization projects	10,656,175	-	(1,244,361)	-	9,411,814	assets
Special fund for the strong foundation project of the Ministry of Industry and Information Technology	22,580,000	-	-	-	22,580,000	Assets
Coking plant 8# coke oven flue gas desulfurisation and denitration project	1,251,840	-	(23,467)	-	1,228,373	assets
Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area	4,981,667	-	(220,000)	-	4,761,667	assets
Special fund for the environmental protection improvement and reconstruction project of a comprehensive stockyard	6,400,000	-	-	-	6,400,000	assets
Transformation project of dedusting facilities in a blast furnace tapping yard and ore trough of Anhui Changjiang Iron and Steel	2,863,977	-	(212,225)	-	2,651,752	assets
Desulfurisation and denitration system engineering of sintering machine in Anhui Changjiang Iron and Steel	8,540,000	-	(534,848)	-	8,005,152	assets
Ironmaking plant 1#2# sintering machine transformation project	-	20,800,000	-	-	20,800,000	assets
Liufen River dredging and landscape improvement project	-	48,180,000	-	-	48,180,000	assets
Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant	-	17,000,000	-	-	17,000,000	assets
Development and demonstration application of on-line detection and sensing technology for key parameters of special steel production	-	8,750,000	-	-	8,750,000	assets
Others	369,229,049	9,791,143	(21,976,480)	(8,384,117)	348,659,595	assets
Total	872,949,281	104,521,143	(57,661,841)	(8,384,117)	911,424,466	

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Share capital

For the six months ended 30 June 2022 (Unaudited)

Registered, issued and fully paid	Opening balance		Increase/(decrease) during the period			Closing balance	
	Number of shares	Percentage (%)	Shares issued	Others	Sub-total	Number of shares	Percentage (%)
A. Shares with selling restrictions							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-
3. Other domestically owned shares	100	0.0	75,050,000	-	75,050,000	75,050,100	1.0
Including: Shares owned by domestic natural persons (<i>Note</i>)	100	0.0	75,050,000	-	75,050,000	75,050,100	1.0
Sub-total	100	0.0	75,050,000	-	75,050,000	75,050,100	1.0
B. Shares without selling restrictions							
1. A shares	5,967,751,086	77.5	-	-	-	5,967,751,086	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	-	-	-	7,700,681,086	99.0
C. Total shares	7,700,681,186	100.0	75,050,000	-	75,050,000	7,775,731,186	100.0

Note: 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 eligible incentive recipients. It has been verified by Ernst & Young Huaming Certified Public Accountants (Special General Partnership) and issued the capital verification report Of EY Huaming (2022) No. 60438514_L01, and has completed the registration at the Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on May 9, 2022.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Share capital (Continued)

2021 (Audited)

Registered, issued and fully paid	Opening balance		Increase/(decrease) during the year			Closing balance	
	Number of shares	Percentage (%)	Shares issued	Others	Sub-total	Number of shares	Percentage (%)
A. Shares with selling restriction							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-
3. Other domestically owned shares	-	-	-	100	100	100	0.0
Including: Shares owned by domestic natural persons	-	-	-	100	100	100	0.0
Sub-total	-	-	-	100	100	100	0.0
B. Shares without selling restriction							
1. A shares	5,967,751,186	77.5	-	(100)	(100)	5,967,751,086	77.5
2. H shares	1,732,930,000	22.5	-	-	-	1,732,930,000	22.5
Sub-total	7,700,681,186	100.0	-	(100)	(100)	7,700,681,086	100.0
C. Total shares	7,700,681,186	100.0	-	-	-	7,700,681,186	100.0

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Capital reserve

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share premium (Note 1)	8,333,840,683	96,814,500	–	8,430,655,183
Others (Note 2)	10,753,351	10,942,290	2,625,717	19,069,924
	8,344,594,034	107,756,790	2,625,717	8,449,725,107

Note 1: The share capital premium increase RMB96,814,500 is caused by the receipt of restricted stock subscription funds reserved for restricted stock incentive recipients under the A-share restricted stock incentive plan.

Note 2: The increase in capital reserve is due to share-settled share incentive plan, refer to Note XI. The decrease is due to the dilution of equity in an associate Masteel Chemical Energy.

2021 (Audited)

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	8,333,840,683	–	–	8,333,840,683
Others	27,617,220	–	16,863,869	10,753,351
	8,361,457,903	–	16,863,869	8,344,594,034

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Treasury shares

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Equity incentive plan (Note XI.1.)	–	171,864,500	–	171,864,500

42. Other comprehensive income

The accumulated balance of other comprehensive income attributable to owners of the parent in the consolidation statement of financial position:

	1 January 2021	Increase/ (decrease)	31 December 2021 Audited	Increase/ (decrease)	30 June 2022 Unaudited
Other comprehensive income that may not be reclassified to profit or loss:					
Change in fair value of other equity instrument investments	101,748,234	98,238,753	199,986,987	(30,248,839)	169,738,148
Other comprehensive income that will be reclassified to profit or loss:					
Changes in the fair value of other debt investments	–	470,700	470,700	1,942,767	2,413,467
Other comprehensive income to be reclassified to profit or loss under the equity method	(2,745,469)	933,291	(1,812,178)	71,103	(1,741,075)
Exchange differences arising from foreign currency translation	(122,154,548)	(64,219,592)	(186,374,140)	2,105,599	(184,268,541)
	(23,151,783)	35,423,152	12,271,369	(26,129,370)	(13,858,001)

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Other comprehensive income (Continued)

The amount of other comprehensive income in the consolidated income statement:

For the six months ended 30 June 2022 (Unaudited)

	Amount before tax	Less: charged to other comprehensive income before and reclassified to profit or loss in the current period	Less: charged to other comprehensive income before and reclassified to retained earnings in the current period	Less: income tax	Attributable to owners of the parent	Attributable to non- controlling interests
Other comprehensive income that may not be reclassified to profit or loss:						
Change in fair value of other equity instrument investments	(37,662,012)	-	-	(7,413,173)	(30,248,839)	-
Other comprehensive income that will be reclassified to profit or loss:						
Changes in the fair value of other debt investments	1,942,767	-	-	-	1,942,767	-
Other comprehensive income using the equity method that may be reclassified to profit or loss	71,103	-	-	-	71,103	-
Exchange differences arising from foreign currency translation	2,105,599	-	-	-	2,105,599	-
	(33,542,543)	-	-	(7,413,173)	(26,129,370)	-

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Other comprehensive income (Continued)

The amount of other comprehensive income in the consolidated income statement: (Continued)

For the six months ended 30 June 2021 (Unaudited)

	Amount before tax	Less: charged to other comprehensive income before and reclassified to profit or loss in the current period	Less: charged to other comprehensive income before and reclassified to retained earnings in the current period	Less: income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that may not be reclassified to profit or loss:						
Change in fair value of other equity instrument investments	30,899,943	-	-	7,724,986	23,174,957	-
Other comprehensive income that will be reclassified to profit or loss:						
Changes in the fair value of other debt investments	1,676,811	-	-	-	1,676,811	-
Other comprehensive income using the equity method that may be reclassified to profit or loss	520,764	-	-	-	520,764	-
Exchange differences arising from foreign currency translation	(27,620,789)	-	-	-	(27,620,789)	-
	5,476,729	-	-	7,724,986	(2,248,257)	-

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Special reserve

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safety fund	45,427,634	52,776,587	(10,319,531)	87,884,690

2021 (Audited)

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Safety fund	37,295,614	68,456,848	(60,324,828)	45,427,634

Special reserve is the safety fund accrued according to the article of [2012] No.16 “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 14 February 2012. The fees are mainly related to the industries of mining, gas, communication and transportation, metallurgy, manufacturing, and construction services.

44. Surplus reserve

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Statutory reserve (i)	3,997,663,759	–	–	3,997,663,759
Discretionary surplus reserve (ii)	529,154,989	–	–	529,154,989
Reserve fund (iii)	95,685,328	–	–	95,685,328
Enterprise expansion fund (iii)	65,510,919	–	–	65,510,919
	4,688,014,995	–	–	4,688,014,995

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Surplus reserve (Continued)

2021 (Audited)

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory reserve (i)	3,996,775,944	887,815	–	3,997,663,759
Discretionary surplus reserve (ii)	529,154,989	–	–	529,154,989
Reserve fund (iii)	95,685,328	–	–	95,685,328
Enterprise expansion fund (iii)	65,510,919	–	–	65,510,919
	4,687,127,180	887,815	–	4,688,014,995

- (i) 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. Part of the SR may be capitalised as these companies' share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of these companies.
- (ii) 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.
- (iii) 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.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

**V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)**

45. General reserve

	30 June 2022 Unaudited	31 December 2021 Audited
General reserve (<i>Note</i>)	240,955,417	300,334,506

Note: According to the relevant policy of the MOF, Masteel Finance accrues the general reserve from net profit as profit distribution. The balance of the general reserve should not be less than 1.5% of the balance of the risk assets.

46. Retained earnings

	For the six months ended 30 June 2022 Unaudited	2021 Audited
Retained earnings at beginning of the period/year	11,661,535,210	7,374,557,923
Net profit attributable to owners of the parent	1,427,570,875	5,332,253,043
Less: Transfer to surplus reserve	–	887,815
Transfer to general reserve	(59,379,089)	52,177,537
Other comprehensive income carried forward to retained earnings	–	(8,878,150)
Distribute to shareholders (<i>Note V.67</i>)	2,721,505,915	1,001,088,554
Retained earnings at the end of the period/year	10,426,979,259	11,661,535,210

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Revenue and cost of sales

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

Revenue is presented as follows:

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

Timing of revenue recognition from contracts with customers:

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Revenue and cost of sales (Continued)

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

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

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

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

Note: For the sale of products, the Group satisfies a performance obligation when the customer obtains the control of the relevant products, and for provision of services, the Group satisfies a performance obligation based on performance progress over the contract period. The maturity on contract payment of the Group is 30 to 90 days, without existence of significant financing component. The contracts between the Group and its certain customers containing sales rebate arrangements (future price reductions based on cumulative sales volumes) which give rise to a variable consideration. The Group determines the variable consideration based on the expected or the most probable value. However, the sales price including variable considerations should not exceed the amount accumulatively recognised which is not likely to be significantly reversed when the uncertainty disappears.

For disaggregated revenue information, please refer to Note XIV.2.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Taxes and surcharges

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
City construction and maintenance tax	27,857,465	86,830,165
Land usage tax	48,152,361	51,531,824
Education surcharge	20,300,087	68,452,939
Property tax	59,015,498	55,657,386
Environment protection tax	14,216,854	27,478,566
Stamp duty	42,702,031	34,929,332
Other taxes	45,316,788	38,292,043
	257,561,084	363,172,255

49. Selling expenses

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Transportation fees	15,803,978	16,866,421
Employee benefits	68,042,745	66,658,065
Insurance premium	5,216,465	6,022,282
Others	39,415,539	37,413,302
	128,478,727	126,960,070

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. General and administrative expenses

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Employee benefits	177,893,066	280,699,188
Employee termination benefits	67,409,764	142,335,903
Office expenses	117,692,911	123,123,608
Depreciation of property, plant and equipment	48,092,473	41,999,762
Amortisation of intangible assets	18,727,282	23,447,672
Maintenance expenses	19,229,977	14,301,020
Environmental greening expense	31,545,788	10,420,959
Outsourcing labor expense	40,643,443	12,047,600
Others	107,739,347	58,816,987
	628,974,051	707,192,699

51. R&D expenses

	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Material expenses	1,678,742,838	1,590,753,032
Depreciation of property, plant and equipment	184,957,726	186,016,336
Employee benefits	110,871,166	156,120,794
Testing and processing expenses	50,240,059	33,796,501
Others	39,752,030	79,400,896
	2,064,563,819	2,046,087,559

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Financial expenses

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

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

53. Other income

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Government grants related to daily operating activities	109,923,606	59,429,780
Refund of withholding personal income tax commission	1,768,563	910,173
	111,692,169	60,339,953

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Other income (Continued)

The government grants related to daily operating activities are as follows:

	For the six months ended 30 June		Related to assets/income
	2022 Unaudited	2021 Unaudited	
Advanced enterprises rising and energy-saving technology reform fund	4,203,000	4,400,530	income
Special subsidies for science and technology	335,625	311,856	income
Government incentive fund	56,686,692	–	income
Technological transformation fund for phase II silicon steel	2,200,000	2,200,000	assets
Subsidy for the hot-rolled 1580 project	990,000	990,000	assets
New-zone thermal power plant CCPP system engineering	2,156,000	2,156,000	assets
EMU steel wheel production line project	1,100,000	1,100,000	assets
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	283,800	283,800	assets
Subsidy for a thin plate project	2,364,246	2,364,247	assets
Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT)	295,240	295,244	assets
Alloy bar production line refinement project of electric furnace plant	741,840	741,840	assets
Subsidy for Maanshan railway industry (Maanshan)	1,040,145	1,050,000	assets
Comprehensive utilization of gas for power generation of a thermal power plant	545,380	545,380	assets
Subsidy funds for 4# blast furnace project	4,312,000	4,312,004	assets
Subsidies for galvanization projects	622,180	453,455	assets
Intelligent manufacturing special fund	682,607	686,719	assets

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Other income (Continued)

	For the six months ended 30 June		Related to assets/income
	2022 Unaudited	2021 Unaudited	
Coking plant 8# coke oven flue gas desulfurisation and denitration project	28,160	23,467	assets
Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area	110,000	110,000	assets
Long steel blast furnace iron yard and trough dust removal facilities renovation project	106,113	–	assets
Long steel sintering machine desulfurization and denitrification system engineering	282,894	–	assets
Other grants related to income	10,687,669	15,172,042	income
Other grants related to assets	20,150,015	22,233,196	assets
	109,923,606	59,429,780	

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Investment income

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Investment income from long-term equity investments under the equity method	315,092,323	387,184,713
Gain from dividend income of other equity investments in duration	25,475,396	8,184,904
Gain from disposal of financial assets held for trading	123,729,651	89,491,945
Loss from disposal of financial liabilities held for trading	(24,207,555)	(96,586,737)
Loss from disposal of associates	(22,176,271)	–
	417,913,544	388,274,825

55. Gain on the changes in fair value

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Financial assets held for trading	24,715,474	(1,535,283)
Including: Derivative financial instruments	35,187,904	(782,490)
Financial liabilities held for trading	31,663,498	67,414,548
	56,378,972	65,879,265

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Credit impairment losses

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Bad debt impairment	(11,753,033)	7,147,689
Debt instrument investment impairment	(57,365)	(84,454)
Provision – loan commitment	15,728	(302,319)
Impairment losses for financial assets purchased under agreement to resell	10,505	(18,164)
Impairment losses for other debt investments	939,048	–
	(10,845,117)	6,742,752

57. Asset impairment losses

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Provision for inventories	817,965,125	26,303,476

58. Gain from disposal of assets

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Gain on disposal of fixed assets	64,605,923	1,219,470
Gain on disposal of intangible assets	362,607,802	–
Loss on disposal of construction under process	(6,629,402)	–
	420,584,323	1,219,470

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

59. Non-operating income

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

60. Non-operating expenses

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Expenses classified by nature

Supplemental information for the Group's cost of sales, selling expenses, general and administrative expenses and R&D expenses is presented below by nature:

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Raw materials and consumables used	48,144,905,813	43,431,933,845
Changes in inventories of finished goods and work in progress	(2,150,707,143)	(1,209,317,491)
Employee benefits	2,041,862,963	2,542,645,672
Depreciation and amortisation	1,622,973,204	1,615,691,132
Transport and inspection fees	561,954,430	647,340,150
Repair and maintenance expenses	910,285,293	1,009,880,201
Testing and processing expenses	50,240,059	33,796,501
Outsourced research expenses	11,353,253	7,824,226
Office expenses	125,990,545	127,105,524
Others	2,718,779,736	2,139,766,241
	54,037,638,153	50,346,666,001

62. Income tax expense

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Income tax expense (Continued)

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

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

Note: The Group's income tax has been provided at the rate on the estimated taxable profits arising in the PRC during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or regions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Earnings per share

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

Basic earnings per share shall be calculated by dividing profit attributable to owners of the parent by the weighted average number of ordinary shares in issue.

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

The denominator of diluted earnings per share is equal to the sum of the following: (1) the weighted average of the issued common shares of the parent company in basic earnings per share; and (2) the weighted average of the increase in common shares assuming dilutive potential common stock conversion into common stock.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Earnings per share (Continued)

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

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

The diluted earnings per share is calculated as the following:

	For the six months ended 30 June 2022	For the six months ended 30 June 2021
	Unaudited	Unaudited
Earnings		
Profit attributable to owners of the parent		
Continuing operations	1,427,570,875	4,643,787,117
Number of shares		
Weighted average number of ordinary shares outstanding	7,700,681,186	7,700,681,186
Dilution effect – weighted average number of restricted common stock	5,255,643	–
Adjusted weighted average number of ordinary shares outstanding	7,705,936,829	7,700,681,186

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Notes to the statement of cash flows

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
(1) Cash received relating to other operating activities:		
Government grants	81,376,333	74,026,151
Interest income	28,366,201	9,195,165
Decrease in deposits of notes, letters of credit and guarantees	141,175,236	–
Others	9,727,532	76,858,907
	260,645,302	160,080,223
(2) Cash paid relating to other operating activities:		
Increase in deposits for notes, credit and guarantee	–	82,057,625
Office expenses	87,377,344	91,602,468
Safety fund	14,204,496	13,563,964
Bank charges	6,763,126	5,349,713
Travel and entertainment expenses	6,742,973	9,610,998
Insurance expenses	8,769,011	14,969,610
Environmental improvement fee	31,545,788	10,420,959
Research and development expenses	39,752,030	71,576,670
Others	117,076,055	45,046,345
	312,230,823	344,198,352
(3) Cash paid received to other investing activities:		
Receive of steel futures deposits	56,031,856	–
(4) Cash paid relating to other investing activities:		
Payment of steel futures deposits	–	46,449,040
(5) Cash received relating to other financing activities:		
Notes discounted	473,115,130	–
(6) Cash paid relating to other financing activities:		
Lease liability expenditure	22,752,073	16,934,619

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Supplements to the statement of cash flows

(1) Reconciliation of net profit to cash flows from operating activities

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Net profit	1,615,776,191	5,037,838,607
Add: Provision for bad debts	(10,845,117)	6,742,752
Provision for asset impairment losses	817,965,125	26,303,476
Depreciation of property, plant and equipment	1,583,917,031	1,573,323,920
Amortisation of right-of-use assets	9,508,582	10,557,603
Amortisation of intangible assets	28,700,685	30,945,877
Amortisation of investment properties	846,906	863,732
Amortisation of deferred revenue	(53,994,527)	(39,545,352)
Disposal gain on property, plant and equipment, intangible assets and other long-term assets	(420,584,323)	(31,840,228)
Increase in special reserve	36,292,469	31,629,094
Financial expenses	249,342,466	353,618,504
Investment income	(417,913,544)	(388,274,825)
Gain on fair value changes	(56,378,972)	(65,879,265)
Decrease/(Increase) in deferred tax assets	14,573,015	(44,393,569)
Decrease in deferred tax liabilities	(2,165,942)	(1,282,992)
Increase in inventories	(1,853,490,482)	(2,438,514,513)
Increase in receivables from operating activities	(841,672,776)	(1,543,907,098)
Increase in payables from operating activities	2,678,687,178	8,762,400,796
Net cash flows from operating activities	3,378,563,965	11,280,586,519
Endorsement of bank acceptance bills received for the sale of goods and the provision of services	10,502,464,069	12,729,533,837

Note: The Group had no significant non-cash investing and financing activities (For the six months ended 30 June 2021: nil).

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Supplements to the statement of cash flows (Continued)

(2) Cash and cash equivalents

Net changes of cash and cash equivalents:

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Ending balance of cash	4,731,356,956	5,056,237,445
Less: Opening balance of cash	4,223,061,890	3,123,596,841
Add: Ending balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase in cash and cash equivalents	508,295,066	1,932,640,604

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Cash		
Including: Cash on hand	2,131	3,375
Balances in banks without restrictions	4,731,354,825	5,056,234,070
Ending balance of cash and cash equivalents	4,731,356,956	5,056,237,445

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

66. Restricted assets

	30 June 2022 Unaudited	31 December 2021 Audited	
Cash and bank balances (<i>Note V.1</i>)	2,265,447,672	2,444,791,724	(i)
Notes receivables (<i>Note V.3</i>)	505,753,577	32,638,447	(ii)
	2,771,201,249	2,477,430,171	

(i) As of 30 June 2022, the Group's restricted cash and bank balances include cash deposits as collateral amounting to RMB1,365,217,933 (31 December 2021: RMB1,506,393,169) pledged as security for trade facilities and performance for bank acceptance notes, letters of credit and guarantees, and mandatory reserves with the central bank of RMB900,229,739 (31 December 2021: RMB938,398,555).

(ii) As of 30 June 2022, the Group pledged the bank acceptance notes of RMB505,753,577 (31 December 2021: RMB32,638,447) to obtain a short-term loan.

67. Dividends

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. Monetary items denominated in foreign currencies

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash and bank						
USD	129,181,106	6.7114	866,986,075	127,298,810	6.3757	811,619,023
EUR	12,345,073	7.0084	86,519,210	17,685,850	7.2197	127,686,531
AUD	27,025,121	4.6145	124,707,421	38,301,834	4.6220	177,031,077
HKD	4,977,474	0.8552	4,256,736	8,426,061	0.8176	6,889,147
CAD	478,315	5.2058	2,490,012	445,213	5.0046	2,228,113
AED	275,401	1.8275	503,295	366,109	1.7361	635,602
ZAR	474,324	0.4133	196,038	13,205,203	0.4004	5,287,363
GBP	177	8.1365	1,440	177	8.6064	1,523
JPY	2	0.0500	-	8	0.0554	-
			1,085,660,227			1,131,378,379
Trade receivables						
EUR	21,301,704	7.0084	149,290,862	26,771,768	7.2197	193,284,133
USD	47,628,115	6.7114	319,651,331	10,455,488	6.3757	66,661,055
AUD	3,211,833	4.6145	14,821,003	1,027,250	4.6220	4,747,950
HKD	-	0.8552	-	9,360,496	0.8176	7,653,142
			483,763,196			272,346,280
Other receivables						
EUR	4,349,681	7.0084	30,484,304	5,810,430	7.2197	41,949,561
HKD	180,443	0.8552	154,315	180,443	0.8176	147,530
AED	19,757	1.8275	36,106	-	1.7361	-
USD	-	6.7114	-	1,001	6.3757	6,382
AUD	3,936	4.6145	18,163	3,392	4.6220	15,678
			30,692,888			42,119,151

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. Monetary items denominated in foreign currencies (Continued)

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Trade payables						
EUR	29,729,895	7.0084	208,358,996	34,174,208	7.2197	246,727,529
USD	37,207,026	6.7114	249,711,234	13,570,624	6.3757	86,522,227
AUD	15,180	4.6145	70,048	–	4.6220	–
JPY	3,700,000	0.0500	185,000	724,303,080	0.0554	40,137,255
HKD	15,052,163	0.8552	12,872,610	83,950	0.8176	68,638
			471,197,888			373,455,649
Other payables						
HKD	8,757,755	0.8552	7,489,632	4,029,613	0.8176	3,294,612
EUR	1,659,366	7.0084	11,629,501	1,826,632	7.2197	13,187,735
USD	15,403,058	6.7114	103,376,083	14,393,096	6.3757	91,766,063
AED	–	1.8275	–	709	1.7361	1,231
			122,495,216			108,249,641
Short-term loan						
USD	135,599,462	6.7114	910,062,229	185,626,570	6.3757	1,183,499,322

VI. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Newly established subsidiary

For the six months ended 30 June 2022, there were no newly established subsidiaries.

2. Disposal of a subsidiary

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

3. Changes in scope of consolidation for other reasons

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

Details of the subsidiaries are as follows:

	Place of operation	Place of registration	Business nature	Paid-in capital	Percentage of equity (%)	
					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 (Guangzhou) Processing and Distribution Co., Ltd. ("Ma Steel (Guangzhou)")	Guangdong, PRC	Guangdong, PRC	Manufacturing	RMB120,000,000	74.99	-
Ma Steel (HK)	Hong Kong, PRC	Hong Kong, PRC	Trading	HKD350,000,000	100	-
Holly Industrial Co., Ltd. ("Holly Industrial")	Anhui, PRC	Anhui, PRC	Manufacturing	RMB30,000,000	71	29
Ma Steel (Jinhua) Processing and Distribution Co., Ltd. ("Ma Steel (Jinhua)")	Zhejiang, PRC	Zhejiang, PRC	Manufacturing	RMB120,000,000	75	-
MG Trading	Germany	Germany	Trading	EUR153,388	100	-
Ma Steel (Australia)	Australia	Australia	Mining	AUD21,737,900	100	-
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	Manufacturing	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)

For the six months ended 30 June 2022

Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries (Continued)

Details of the subsidiaries are as follows: (Continued)

	Place of operation	Place of registration	Business nature	Paid-in capital	Percentage of equity (%)	
					Direct	Indirect
Subsidiaries acquired by establishment or investment (Continued)						
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 America	USA	USA	Service industry	USD500,000	100	-
Ma Steel Middle East	Dubai	Dubai	Trading	AED4,000,000	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)

For the six months ended 30 June 2022

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VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries (Continued)

Details of the subsidiaries are as follows: (Continued)

	Place of operation	Place of registration	Business nature	Paid-in capital	Percentage of equity (%)	
					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	-
Subsidiary acquired under common control						
Masteel Finance	Anhui, PRC	Anhui, PRC	Financial services	RMB2,000,000,000	91	-

Note 1: The above companies incorporated in China are all limited companies.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

Subsidiaries which had material non-controlling interests are as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
The proportion of equity held by non-controlling interests:		
Anhui Chang Jiang Iron and Steel	45%	45%
Ma Steel (Hefei)	29%	29%
Masteel Finance	9%	9%

Profit or loss attributable to non-controlling interests:

	For the six months ended 30 June 2022 Unaudited	2021 Unaudited
Anhui Chang Jiang Iron and Steel	119,715,933	352,509,234
Ma Steel (Hefei)	40,183,209	6,874,407
Masteel Finance	13,397,927	13,081,632

Dividends paid to non-controlling interests:

	For the six months ended 30 June 2022 Unaudited	2021 Unaudited
Anhui Chang Jiang Iron and Steel	356,400,000	205,200,000
Ma Steel (Hefei)	-	-
Masteel Finance	99,009,313	21,084,247

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

Cumulative balances of non-controlling interests at the balance sheet date:

	30 June 2022 Unaudited	31 December 2021 Audited
Anhui Chang Jiang Iron and Steel	2,726,546,156	2,960,649,450
Ma Steel (Hefei)	923,558,086	881,631,064
Masteel Finance	221,082,235	306,518,773

The summarised financial information of the above subsidiaries is as follows. The amounts listed below are the amounts before group intra-elimination.

	Anhui Chang Jiang Iron and Steel	Ma steel (Hefei)	Masteel Finance
30 June 2022 or for the six months ended 30 June 2022 (Unaudited)			
Current assets	5,843,734,176	1,797,584,816	18,075,607,520
Non-current assets	5,484,338,484	2,407,609,119	3,062,983,377
Total assets	11,328,072,660	4,205,193,935	21,138,590,897
Current liabilities	(5,225,389,437)	(971,868,455)	(18,674,062,320)
Non-current liabilities	(43,691,765)	(48,642,423)	(8,059,296)
Total liabilities	(5,269,081,202)	(1,020,510,878)	(18,682,121,616)
Revenue	10,054,975,119	2,765,611,610	197,834,546
Net profit	266,035,406	138,562,791	148,865,853
Total comprehensive income	266,035,406	138,562,791	148,865,853
Net cash flows from operating activities	206,450,193	(96,286,044)	1,026,000,801

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

The summarised financial information of the above subsidiaries is as follows. The amounts listed below are the amounts before group intra-elimination. (Continued)

	Anhui Chang Jiang Iron and Steel	Ma Steel (Hefei)	Masteel Finance
31 December 2021 (Audited) or for the six months ended 30 June 2021 (Unaudited)			
Current assets	6,584,146,858	2,311,881,662	18,703,861,302
Non-current assets	5,220,338,385	2,546,288,650	3,127,253,978
Total assets	11,804,485,243	4,858,170,312	21,831,115,280
Current liabilities	(5,180,770,175)	(1,766,758,461)	(18,417,096,283)
Non-current liabilities	(44,494,068)	(51,304,733)	(8,254,850)
Total liabilities	(5,225,264,243)	(1,818,063,194)	(18,425,351,133)
Revenue	10,450,742,865	3,758,995,356	264,201,305
Net profit	783,353,853	23,704,851	145,351,472
Total comprehensive income	783,353,853	23,704,851	145,351,472
Net cash flows from operating activities	1,303,661,739	(131,769,731)	6,534,513,774

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates

	Place of operation	Place of registration	Business nature	Registered capital	Percentage of equity (%)		Accounting method
					Direct	Indirect	
Joint ventures							
BOC-Ma Steel	Anhui, PRC	Anhui, PRC	Manufacturing	RMB468,000,000	50	-	Equity method
Associates							
JinMa Energy	Henan, PRC	Henan, PRC	Manufacturing	RMB535,421,000	26.89	-	Equity method
Shenglong Chemical	Shandong, PRC	Shandong, PRC	Manufacturing	RMB568,800,000	31.99	-	Equity method
Xinchuang Environmental Protection (Note 1)	Anhui, PRC	Anhui, PRC	Service industry	RMB122,381,990	16.34	-	Equity method
Ouyeel Factoring (Note 2)	Shanghai, PRC	Shanghai, PRC	Service industry	RMB1,000,000,000	16.14	-	Equity method
Ouyeel Blockchain Finance (Note 3)	Anhui, PRC	Anhui, PRC	Trading	RMB1,822,694,660	9.88	-	Equity method
Magang Chemicals & Energy	Anhui, PRC	Anhui, PRC	Manufacturing	RMB696,645,933	32	-	Equity method
Phima Intelligence (Note 4)	Anhui, PRC	Anhui, PRC	Manufacturing	RMB361,093,720	-	18.19	Equity method
OBEI (Note 5)	Shanghai, PRC	Shanghai, PRC	Trading	RMB4,000,000,000	11	-	Equity method
Masteel Gases	Anhui, PRC	Anhui, PRC	Manufacturing	RMB270,000,000	49	-	Equity method
Baowu Water (Note 6)	Shanghai, PRC	Shanghai, PRC	Manufacturing	RMB2,498,524,39	19.25	-	Equity method

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

- Note 1:* As of 30 June 2022, 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 2022, the Group held 16.14% equity interests of Ouyeel Factoring. The directors believed that the Company was able to exercise significant influence over Ouyeel Factoring through one director designated by the Company in Ouyeel Factoring, although the equity interest in it was less than 20%. Thus, the equity investment in Ouyeel Factoring was accounted for as an associate.
- Note 3:* As of 30 June 2022, the Group held 9.88% equity interests of Ouyeel Blockchain Finance. The directors believed that the Company was able to exercise significant influence over Ouyeel Blockchain Finance through one director designated by the Company in Ouyeel Blockchain Finance, although the equity interest in it was less than 20%. Thus, the equity investment in Ouyeel Blockchain Finance was accounted for as an associate.
- Note 4:* As of 30 June 2022, the Group held 18.19% equity interests of Phima Intelligence. The directors believed that the Company was able to exercise significant influence over Phima Intelligence through one director designated by the Company and the director was nominated as a member of the Audit Committee in Phima Intelligence, although the equity interests in it was less than 20%. Thus, the equity investment in Phima Intelligence was accounted for as an associate.
- Note 5:* As of 30 June 2022, 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.
- Note 6:* As of 30 June 2022, the Group held 19.25% equity interests of Baowu Water. The directors believed that though the Company's shareholding in Baowu Water was less than 20%, the Company can still exert a significant influence on Baowu Water therefore accounted as an associated company.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

BOC-Ma Steel, one of the Group's material joint ventures, was accounted for using the equity method.

The financial information of BOC-Ma Steel is as follows, which has been adjusted for all the accounting policy differences and reconciled to the carrying amount of the financial statements.

	30 June 2022 or for the six months ended 30 June 2022 Unaudited	31 December 2021 or for the six months ended 30 June 2021 Unaudited
Current assets	644,022,410	615,693,833
Non-current assets	65,279,722	83,343,530
Total assets	709,302,132	699,037,363
Current liabilities	72,313,713	84,302,316
Non-current liabilities	2,326,900	–
Total liabilities	74,640,613	84,302,316
Equity attributable to owners of the parent	634,661,519	614,735,047
The Group's share of net assets	317,330,759	307,367,524
Adjustment	–	–
The carrying value of the investment	317,330,759	307,367,524
Revenue	307,702,920	321,911,113
Income tax expenses	33,081,780	35,601,844
Net profit	105,325,670	102,925,584
Other comprehensive income	–	–
Total comprehensive income	105,325,670	102,925,584
Dividends received	43,000,000	42,500,000

Notes to the Financial Statements (Continued)

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Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

Henan JinMa Energy, Shenglong Chemical, Magang Chemicals & Energy and Ouyeel Blockchain Finance are the Group's material associates and are accounted by using the equity method.

The financial information of individually material associates is as follows, which has been adjusted to all the accounting policy differences and reconciled to the carrying amount of the financial statements:

Henan JinMa Energy	30 June 2022 or for the six months ended 30 June 2022 Unaudited	31 December 2021 or for the six months ended 30 June 2021 Unaudited
Current assets	4,227,934,672	3,460,781,120
Non-current assets	6,016,320,769	4,937,905,007
Total assets	10,244,255,441	8,398,686,127
Current liabilities	3,688,589,777	2,873,585,067
Non-current liabilities	1,901,626,403	1,212,812,515
Total liabilities	5,590,216,180	4,086,397,582
Non-controlling interests	1,207,711,172	1,073,677,178
Equity attributable to owners of the parent	3,446,328,089	3,238,611,367
The Group's share of net assets	926,717,623	870,862,596
Adjustment	–	–
The carrying value of the investment	926,717,623	870,862,596
Revenue	6,639,820,415	3,035,392,000
Income tax expense	166,443,607	121,171,000
Net profit	458,788,444	342,231,000
Total comprehensive income	458,788,444	342,937,000
Dividends received	–	28,800,000

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

The financial information of individually material associates is as follows, which has been adjusted to all the accounting policy differences and reconciled to the carrying amount of the financial statements: (Continued)

Shenglong Chemical	30 June 2022 or for the six months ended 30 June 2022 Unaudited	31 December 2021 or for the six months ended 30 June 2021 Unaudited
Current assets	3,872,637,139	2,561,081,865
Non-current assets	1,996,721,924	2,074,601,845
Total assets	5,869,359,063	4,635,683,710
Current liabilities	1,829,742,362	1,249,836,790
Non-current liabilities	45,937,008	45,988,739
Total liabilities	1,875,679,370	1,295,825,529
Non-controlling interests	516,463,492	–
Equity attributable to owners of the parent	3,477,216,201	3,339,858,181
The Group's share of net assets	1,112,361,462	1,068,420,632
Adjustment	–	–
The carrying value of the investment	1,112,361,462	1,068,420,632
Revenue	2,187,548,967	1,753,434,069
Income tax expense	45,218,238	98,687,864
Net profit	132,791,142	327,422,073
Total comprehensive income	132,791,142	327,422,073
Dividends received	–	38,388,000

Notes to the Financial Statements (Continued)

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

The financial information of individually material associates is as follows, which has been adjusted to all the accounting policy differences and reconciled to the carrying amount of the financial statements: (Continued)

Magang Chemicals & Energy	30 June 2022 or for the six months ended 30 June 2022 Unaudited	31 December 2021 or for the six months ended 30 June 2021 Unaudited
Current assets	1,024,277,394	930,430,398
Non-current assets	1,086,660,026	1,431,957,373
Total assets	2,110,937,420	2,362,387,771
Current liabilities	559,856,347	175,930,942
Non-current liabilities	200,916,668	197,733,251
Total liabilities	760,773,015	373,664,193
Non-controlling interests	268,999,992	268,999,992
Equity attributable to owners of the parent	1,081,164,413	1,719,723,586
The Group's share of net assets	345,972,612	773,875,614
Adjustment	(632,763)	(632,763)
The carrying value of the investment	345,339,849	773,242,851
Revenue	1,542,397,177	1,163,537,644
Income tax expense	70,356,429	37,682,841
Net profit	201,258,231	126,488,054
Total comprehensive income	201,258,231	126,488,054
Dividends received	-	-

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

The financial information of individually material associates is as follows, which has been adjusted to all the accounting policy differences and reconciled to the carrying amount of the financial statements: (Continued)

Ouyeel Blockchain Finance	30 June 2022 or for the six months ended 30 June 2022 Unaudited	31 December 2021 or for the six months ended 30 June 2021 Unaudited
Current assets	16,654,954,705	12,811,885,482
Non-current assets	1,883,298,098	1,393,043,300
Total assets	18,538,252,803	14,204,928,782
Current liabilities	11,885,172,651	8,196,494,142
Non-current liabilities	1,096,297,811	1,055,343,976
Total liabilities	12,981,470,462	9,251,838,118
Non-controlling interests	1,905,515,269	1,500,497,364
Equity attributable to owners of the parent	3,651,267,072	3,452,593,300
The Group's share of net assets	360,745,188	341,116,219
Adjustment	6,275,766	6,275,766
The carrying value of the investment	367,020,954	347,391,985
Revenue	53,686,693,924	46,571,016,879
Income tax expense	97,713,496	109,667,874
Net profit	463,366,017	308,420,145
Total comprehensive income	463,366,017	308,420,145
Dividends received	-	-

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

The summarised financial information of the joint ventures and the associates that are not individually material to the Group are as follows:

	30 June 2022 Unaudited	31 December 2021 Unaudited
Joint ventures		
The carrying value of the Group's investments	1,722,336,043	1,791,598,307
	For the six months ended June 2022 Unaudited	2021 Unaudited
Total shown as below (calculated according to the respective equity holding percentage)		
Net profit	45,281,151	21,338,560
Other comprehensive income	-	-
Total comprehensive income	45,281,151	21,338,560

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

30 June 2022 (Unaudited)

Financial assets

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Total
	According to standard	Designated	Financial assets measured at amortised cost	According to standard	Designated	
	Cash and bank balances	-	-	7,225,308,196	-	
Financial assets held for trading	3,742,190,534	-	-	-	-	3,742,190,534
Notes receivables	-	-	2,104,554,357	-	-	2,104,554,357
Trade receivables	-	-	1,325,672,268	-	-	1,325,672,268
Financing receivables	-	-	-	2,813,267,598	-	2,813,267,598
Other receivables	-	-	699,087,742	-	-	699,087,742
Financial assets purchased under agreements to resell	-	-	3,438,089,887	-	-	3,438,089,887
Loans and advances to customers	-	-	3,752,613,367	-	-	3,752,613,367
Other current asset	-	-	-	3,015,664,200	-	3,015,664,200
Long-term receivable	-	-	7,681,457	-	-	7,681,457
Other equity instrument investments	-	-	-	-	604,281,327	604,281,327
	3,742,190,534	-	18,553,007,274	5,828,931,798	604,281,327	28,728,410,933

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Classification of financial instruments (Continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (Continued)

30 June 2022 (Unaudited)

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	Total
	According to standard	Designated		
Deposits and balances from banks and other financial institutions	–	–	9,453,109,631	9,453,109,631
Repurchase agreements	–	–	108,679,593	108,679,593
Short-term loans	–	–	8,387,230,131	8,387,230,131
Notes payable	–	–	7,155,680,843	7,155,680,843
Trade payables	–	–	12,150,630,980	12,150,630,980
Other payables	–	–	7,118,981,901	7,118,981,901
Non-current liabilities due within one year	–	–	158,304,938	158,304,938
Long-term loans	–	–	6,563,232,765	6,563,232,765
Lease liabilities	–	–	313,049,892	313,049,892
	–	–	51,408,900,674	51,408,900,674

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Classification of financial instruments (Continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (Continued)

31 December 2021 (Audited)

Financial assets

	Financial assets at fair value through profit or loss		Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income		Total
	According to standard	Designated		According to standard	Designated	
	Cash and bank balances	-		-	6,667,853,614	
Financial assets held for trading	5,732,467,255	-	-	-	-	5,732,467,255
Notes receivable	-	-	466,956,969	-	-	466,956,969
Trade receivables	-	-	1,107,071,353	-	-	1,107,071,353
Financing receivables	-	-	-	4,795,905,782	-	4,795,905,782
Other receivables	-	-	291,272,171	-	-	291,272,171
Financial assets purchased under agreements to resell	-	-	784,602,397	-	-	784,602,397
Loans and advances to customers	-	-	4,726,693,965	-	-	4,726,693,965
Other current asset	-	-	596,797,601	2,474,819,099	-	3,071,616,700
Long-term receivables	-	-	11,142,621	-	-	11,142,621
Other equity instrument investments	-	-	-	-	641,943,339	641,943,339
	5,732,467,255	-	14,652,390,691	7,270,724,881	641,943,339	28,297,526,166

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Classification of financial instruments (Continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (Continued)

31 December 2021 (Audited) (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	Total
	According to standard	Designated		
Deposits and balances from banks and other financial institutions	–	–	9,253,057,291	9,253,057,291
Repurchase agreements	–	–	925,465,952	925,465,952
Short-term loans	–	–	8,952,209,045	8,952,209,045
Financial liabilities held for trading	31,663,498	–	–	31,663,498
Notes payable	–	–	3,953,458,712	3,953,458,712
Trade payables	–	–	10,437,709,731	10,437,709,731
Other payables	–	–	3,918,800,414	3,918,800,414
Non-current liabilities due within one year	–	–	1,358,293,333	1,358,293,333
Long-term loans	–	–	5,452,250,052	5,452,250,052
Lease liabilities	–	–	571,979,597	571,979,597
	31,663,498	–	44,823,224,127	44,854,887,625

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Offsetting of financial instruments

For the six months ended 30 June 2022, there were no offsetting arrangements for account receivables (For the six months ended 30 June 2021: Nil).

3. Transfer of financial assets

Financial assets transferred but not yet fully derecognised

As of 30 June 2022, the Group endorsed (but not yet fully derecognised) bank acceptance notes to its suppliers with a carrying amount of RMB14,690,764 for settlement of trade payables (31 December 2021: RMB407,203,860), and the bank acceptance notes discounted to banks which were not derecognised amounted to RMB505,753,577 (31 December 2021: RMB32,638,447). As of 30 June 2022, their maturity period ranged from 1 to 12 months. Pursuant to the relevant provisions of "Law of Negotiable Instruments", the holders of commercial instruments shall have the right of recourse against the Group ("Continuing Involvement") if the relevant acceptance bank defaults. As the Group was of the opinion that the Group had retained substantially all their risks and rewards, including the default risk associated, the Group continued to recognise them and the accounts payable associated therewith. After the endorsement or discount, the Group no longer reserved the rights to use them, including the rights to sell, transfer or pledge to any other third party. As of 30 June 2022, the carrying amount of trade payables settled by the Group through them amounted to RMB14,690,764 (31 December 2021: RMB407,203,860). As of 30 June 2022, the Group pledged the bank acceptance notes of RMB505,753,577 (31 December 2021: RMB32,638,447).

Transferred financial assets fully derecognised but with continuing involvement

As of 30 June 2022, the Group endorsed (and fully derecognised) bank acceptance notes to its suppliers with a carrying amount of RMB10,317,714,646 (31 December 2021: RMB14,918,681,048) for settlement of trade payables, and the bank acceptance notes discounted to banks which were fully derecognised amounted to RMB379,312,744 (31 December 2021: RMB1,567,018,182). As of 30 June 2022, their maturity period ranged from 1 to 6 months. Pursuant to the relevant provisions of "Law of Negotiable Instruments", the holders of commercial instruments shall have the right of recourse against the Group ("Continuing Involvement") if the relevant acceptance bank defaults. As the Group was of the opinion that the Group had transferred substantially all their risks and rewards, the Group had derecognised them and then settled account payables associated therewith. The maximum loss and undiscounted cash flow for continuing involvement and repurchase equals its book value. The Group was of the opinion that the continued involvement in fair value is not significant.

For the six months ended 30 June 2022, no gain or loss was recognised on the date of transfer. No income or expense was recognised for the current year or on an accumulative basis as a result of the Group's Continuing Involvement in the derecognised financial assets. Endorsements were incurred basically evenly during the current period.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks

The Group faced several kinds of financial instrument risks in its daily operation, mainly including credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Group's principal financial instruments are comprised of cash and bank balances, financial assets held for trading, debt instrument investments, interest-bearing bank borrowings, trade receivables, financial receivables, notes and trade payables, etc. The Group's risk management strategies to lower such risks are outlined below.

The Board of Directors is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyse the risks it faces. These risk management policies specify specific risks, covering market risks, credit risks and liquidity risk management. The Group regularly evaluates changes in the market environment and business activities of the Group to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and evades related risks through close cooperation with other business units of the Group. The internal audit department of the Group conducts regular audits on risk management control and procedures and reports the results to the Group's Audit Committee.

The Group disperses the risk of financial instruments through appropriate diversification of investment and business portfolios, and reduces the risk of focusing on any single industry, specific region or specific counterparty by formulating corresponding risk management policies.

Credit risk

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, notes and trade receivables balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Since the trading counterparties of cash and bank balances, bank acceptance notes receivable and financial assets held for trading are banks with good reputation and high credit rank, these financial instruments face lower credit risk.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks (Continued)

Credit risk (Continued)

The Group's other financial assets comprise trade receivables debt instrument investments, other receivables, financial assets purchased under agreements to resell and loans and advances to customers, and the credit risk of these financial assets arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

The maximum credit risk exposure that the Group faces on each balance sheet date is the total amount gained from customers minus the amount of impairment provision.

Since the Group trades only with recognised and creditworthy parties, there is no requirement for collateral. Credit risk is managed according to analysis by customer, counterparty, geographical region and industry intensively. At the end of the reporting period, the Group had certain concentrations of credit risk as 13% (2021: 7%) and 34% (2021: 32%) of the Group's trade receivables were due from the Group's largest customer and five largest customers in terms of trade receivables respectively. The Group did not hold any collateral or credit enhancements for the balance of trade receivables.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

Based on the credit risk changes since the initial recognition of the financial instruments' initial recognition, the Group calculates expected credit losses in three different phases:

Phase 1: Financial instruments whose credit risk have not increased significantly will be included in phase I, and the Group measures the loss provision for those instruments at an amount equal to 12-month expected credit losses;

Phase 2: Financial instruments whose credit risk have increased significantly but without objective evidence for impairment will be included in phase II, and the Group measures the loss provision for those instruments at an amount equal to lifetime expected credit losses;

Phase 3: Financial instruments that are evidently credit-impaired at the financial position date will be included in phase III and the Group measures the loss provision of those financial instruments at an amount equal to lifetime expected credit losses.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks (Continued)

Credit risk (Continued)

Measurement of expected credit losses (Continued)

For a financial instrument, whose loss allowance had been measured at an amount equal to lifetime expected credit losses in the previous accounting period, if its credit risk does not increase significantly at the end of the current period, the Group should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Criteria for significant increase in credit risk

At each financial position date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. To make the assessment, the Group shall consider reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis of the Group's historical statistics, external credit risk rate and forecasting information. On an individual basis or a collective basis for financial instruments with shared credit risk characteristics, the Group compares the default risks of financial instruments at financial position date and the default risks at initial recognition to determine the change of default risk of financial instruments in the expected lifetime.

One or several of the following quantitative, qualitative or maximum criteria are triggered, the Group determines the credit risk of a financial instrument has increased significantly:

Quantitative criteria:

- As of the financial position date, the default risk in the rest of expected lifetime has increased over specific percentage;

Qualitative criteria:

- Material adverse change occurs in the operation or financial position of main debtors or receiving warning customer lists;

Maximum criteria:

- The overdue of debtors' contract payment (including principal and interest) has reached a specific period.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks (Continued)

Credit risk (Continued)

Definition of credit-impaired financial assets

When considering whether credit impairment has incurred, the Group will consider both quantitative and qualitative factors, which agrees with the goal of the Group's credit risk management. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired.

The credit risk level of the Group has not changed compared with last year. The quantitative information of credit risk exposure generated by trade receivables and other receivables is disclosed in Note V.4 and 7.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks (Continued)

Credit risk (Continued)

The carrying amount of financial assets by the credit risk level is disclosed as follows:

30 June 2022 (Unaudited)

	Carrying amount (unsecured)		Carrying amount (secured)	
	12-month expected credit losses	Lifetime expected credit losses	12-month expected credit losses	Lifetime expected credit losses
Loans	1,665,624,815	–	33,926,104	–
Discounted notes	2,053,062,448	–	–	–
Financial assets purchased under agreements to resell	3,438,089,887	–	–	–
Debt instrument investments	3,015,664,200	–	–	–
	10,172,441,350	–	33,926,104	–

31 December 2021 (Audited)

	Carrying amount (unsecured)		Carrying amount (secured)	
	12-month expected credit losses	Lifetime expected credit losses	12-month expected credit losses	Lifetime expected credit losses
Loans	1,614,601,011	–	35,545,672	–
Discounted notes	3,212,880,800	–	–	–
Financial assets purchased under agreements to resell	784,602,397	–	–	–
Debt instrument investments	3,071,616,700	–	–	–
	8,683,700,908	–	35,545,672	–

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks (Continued)

Liquidity risk

The Group applies a liquidity planning tool to manage liquidity risk of funding shortfalls, which takes both maturity of financial instruments and estimated operating cash flows of the Group into consideration.

The Group's aim is to balance the sustainability and flexibility of the financing through interest-bearing loans and other instruments. As of 30 June 2022, 86% of the Group's debts were due within 1 year (31 December 2021: 86%).

A liquidity analysis of the undiscounted contractual cash flows of the financial liabilities is as shown in the table belows.

30 June 2022 (Unaudited)

	Within 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total
Customer deposits	9,453,109,631	-	-	-	-	9,453,109,631
Repurchase agreements	108,679,593	-	-	-	-	108,679,593
Short-term loans	8,498,227,663	-	-	-	-	8,498,227,663
Notes payable	7,155,680,843	-	-	-	-	7,155,680,843
Trade payables	12,150,630,980	-	-	-	-	12,150,630,980
Other payables	7,118,981,901	-	-	-	-	7,118,981,901
Non-current liabilities due within one year	174,009,260	-	-	-	-	174,009,260
Long-term loans	186,043,413	3,207,870,152	3,490,953,194	27,592,583	13,200,000	6,925,659,342
Lease liabilities	-	29,697,483	28,818,005	57,636,009	327,427,219	443,578,716
Total	44,845,363,284	3,237,567,635	3,519,771,199	85,228,592	340,627,219	52,028,557,929

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks (Continued)

Liquidity risk (Continued)

A liquidity analysis of the undiscounted contractual cash flows of the financial liabilities is as shown in the table belows. (Continued)

31 December 2021 (Audited)

	Within 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total
Customer deposits	9,253,057,291	-	-	-	-	9,253,057,291
Repurchase agreements	925,465,952	-	-	-	-	925,465,952
Short-term loans	9,027,916,472	-	-	-	-	9,027,916,472
Financial liabilities held for trading	31,663,498	-	-	-	-	31,663,498
Notes payable	3,953,458,712	-	-	-	-	3,953,458,712
Trade payables	10,437,709,731	-	-	-	-	10,437,709,731
Other payables	3,918,800,414	-	-	-	-	3,918,800,414
Non-current liabilities due within one year	1,398,277,179	-	-	-	-	1,398,277,179
Long-term loans	154,945,027	2,078,947,687	3,524,706,018	33,310,200	13,200,000	5,805,108,932
Lease liabilities	-	54,548,155	54,108,416	107,337,353	626,750,541	842,744,465
Total	39,101,294,276	2,133,495,842	3,578,814,434	140,647,553	639,950,541	45,594,202,646

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks (Continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in market interest rates, with all other variables held constant, of the Group's net profit/(loss) (through the impact on floating rate borrowings).

	Increase/(decrease) in basis points	Increase/(decrease) in net profit
For the six months ended 30 June 2022 (Unaudited)		
RMB	50	(10,044,501)
USD	50	(507,539)
RMB	(50)	10,044,501
USD	(50)	507,539
For the six months ended 30 June 2021 (Unaudited)		
RMB	50	(11,555,882)
USD	50	(524,007)
RMB	(50)	11,555,882
USD	(50)	524,007

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks (Continued)

Market risk (Continued)

Exchange rate risk

The Group faces transactional foreign currency risk. This risk arises from the sales and purchases carried out by operating units which were denominated in currencies other than its functional currencies.

The business of the Group is principally located in the PRC. While most of the transactions are conducted in Renminbi, certain of its sales, purchases and borrowings are denominated in United States dollars, Euros and Australian dollars. Fluctuations of the exchange rates of Renminbi against these foreign currencies can affect the Group's results of operations.

In addition, the Group has exposure to foreign exchange risks arising from foreign currency borrowings. The Group uses foreign exchange forward contracts to reduce exchange rate exposure.

The carrying amounts and related maximum exposure to foreign currency risk of Group's cash, trade receivables, other receivables, short term loans, trade payables and other payables are stated in Note V.68 to the financial statements.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the USD, EUR, AUD and HKD with all other variables held constant, of the Group's net profit and equity (due to changes in the fair values of monetary assets and liabilities):

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) In other comprehensive income, net of tax	Increase/ (decrease) in equity
30 June 2022 (Unaudited)				
Depreciation of RMB to USD	1%	(606,258)	41,439	(564,819)
Depreciation of RMB to EUR	1%	(35,769)	2,347,899	2,312,130
Depreciation of RMB to AUD	1%	(525)	1,554,153	1,553,628
Depreciation of RMB to HKD	1%	94	3,908,859	3,908,953
Appreciation of RMB to USD	(1%)	606,258	(41,439)	564,819
Appreciation of RMB to EUR	(1%)	35,769	(2,347,899)	(2,312,130)
Appreciation of RMB to AUD	(1%)	525	(1,554,153)	(1,553,628)
Appreciation of RMB to HKD	(1%)	(94)	(3,908,859)	(3,908,953)

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Financial instrument risks (Continued)

Market risk (Continued)

Exchange rate risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the USD, EUR, AUD and HKD with all other variables held constant, of the Group's net profit and equity (due to changes in the fair values of monetary assets and liabilities): (Continued)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income, net of tax	Increase/ (decrease) in equity
30 June 2021 (Unaudited)				
Depreciation of RMB to USD	1%	(21,072,435)	60,960	(21,011,475)
Depreciation of RMB to EUR	1%	1,250,166	3,802,409	5,052,575
Depreciation of RMB to AUD	1%	–	1,617,393	1,617,393
Depreciation of RMB to HKD	1%	493,272	4,083,079	4,576,351
Appreciation of RMB to USD	(1%)	21,072,435	(60,960)	21,011,475
Appreciation of RMB to EUR	(1%)	(1,250,166)	(3,802,409)	(5,052,575)
Appreciation of RMB to AUD	(1%)	–	(1,617,393)	(1,617,393)
Appreciation of RMB to HKD	(1%)	(493,272)	(4,083,079)	(4,576,351)

5. Capital management

The main objective of the Group's capital management are 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 2022, capital management objectives, policies or procedures of the Group did not change.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

5. Capital management (Continued)

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. 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:

	30 June 2022 Unaudited	31 December 2021 Audited
Customer deposits	9,453,109,631	9,253,057,291
Repurchase agreements	108,679,593	925,465,952
Short-term loans	8,387,230,131	8,952,209,045
Financial liabilities held for trading	–	31,663,498
Notes payable	7,155,680,843	3,953,458,712
Trade payables	12,150,630,980	10,437,709,731
Payroll and employee benefits payable	165,848,311	349,524,741
Other payables	7,143,003,297	3,954,899,554
Other current liabilities	651,256,117	746,361,366
Non-current liabilities due within one year	158,304,938	1,358,293,333
Long-term loans	6,563,232,765	5,452,250,052
Lease liabilities	313,049,892	571,979,597
Long-term employee benefits payable	25,032,518	28,537,508
Less: Cash and bank balances	7,225,308,196	6,667,853,614
Net liabilities	45,049,750,820	39,347,556,766
Capital attributable to owners of the parent	31,483,568,153	32,752,858,934
Capital and net liabilities	76,533,318,973	72,100,415,700
Gearing ratio	59%	55%

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE

1. Financial assets and liabilities measured at fair value

30 June 2022 (Unaudited)

	Inputs used for fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial assets				
Recurring fair value measurement for				
financial assets held for trading	2,141,954,854	1,600,235,680	–	3,742,190,534
Financing receivables	–	2,813,267,598	–	2,813,267,598
Other debt instrument investments	3,015,664,200	–	–	3,015,664,200
Other equity instrument Investments	–	523,475,916	80,805,411	604,281,327
	5,157,619,054	4,936,979,194	80,805,411	10,175,403,659

31 December 2021 (Audited)

	Inputs used for fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial assets				
Recurring fair value measurement for				
financial assets held for trading	3,722,918,270	1,001,968,638	1,007,580,347	5,732,467,255
Financing receivables	–	4,795,905,782	–	4,795,905,782
Other debt instrument investments	2,474,819,099	–	–	2,474,819,099
Other equity instrument Investments	–	550,164,412	91,778,927	641,943,339
	6,197,737,369	6,348,038,832	1,099,359,274	13,645,135,475
Financial liabilities				
Recurring fair value measurement for				
financial liabilities held for trading	31,663,498	–	–	31,663,498

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Financial assets and liabilities measured at fair value (Continued)

The Group's level 1 fair value measurement items mainly include interbank deposits, forward foreign exchange contracts and futures contracts. The fair value of the interbank deposits was determined the settlement price of the interbank market on the last trading date of June 2022. The fair value of forward foreign exchange contracts was determined by the forward foreign exchange rate on the last trading day of June 2022. The fair value of the future contracts was determined by the settlement price of the Dalian Commodity Exchange, on the last trading date in the first half year of 2022.

The Group's level 2 fair value measurement items mainly include unlisted equity investment, debt 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 2022 and the information of the comparable listed companies in the same industry. The fair value of debt instrument investments was determined by the quoted prices for the same or similar assets in inactive markets. Financing receivables measured at fair value through other comprehensive income were discounted by the market interest rate.

The Group's level 3 fair value measurement items mainly include financial products and trust products. The fair value of financial products and trust products is determined by the discounted cash flow model, 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.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Financial assets and liabilities measured at fair value (Continued)

The significant unobservable inputs of level 3 fair value measurement items are as follows:

		Fair value at the period end	Valuation technique	Unobservable inputs	Scope/Weighted average
Debt instrument investment -trust products	30 June 2022 31 December 2021	- 205,260,823	Discounted cash flow mode	Expected Rate of return	N/A 4.50%
Debt instrument investments - financial products	30 June 2022 31 December 2021	- 802,319,524	Discounted cash flow mode	Expected Rate of return	N/A 3.02%-3.06%
Other equity instrument investments	30 June 2022 31 December 2021	80,805,411 91,778,927	Comparison method of listed companies	Liquidity discount	25% 24%

The following table presents the changes in level 3 items:

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Total gains or losses during current period		Purchase	Sale	Settle	Closing balance	Assets still held on 30 June 2022 are included in changes in unrealized gains or losses in profit and loss for 2022-changes in fair value
		Gains or losses included in the income statements	Gains or losses included in other comprehensive income					
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	-	(10,973,516)	-	-	-	80,805,411	-
	1,099,359,274	9,693,246	(10,973,516)	-	-	(1,017,273,593)	80,805,411	-

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

1. Financial assets and liabilities measured at fair value (Continued)

The following table presents the changes in level 3 items: (Continued)

2021 (Audited)

	Opening balance	Total gains or losses during current period			Purchase	Sale	Settle	Closing balance	Assets still held on 31 December 2021 are included in changes in unrealized gains or losses in profit and loss for 2021-changes in fair value
		Gains or losses included in the income statements	Gains or losses included in other comprehensive income						
Debt instrument investment – trust products	915,577,043	58,274,864	-	200,000,000	-	(968,591,084)	205,260,823	5,260,823	
Debt instrument investments – financial products	1,101,740,004	32,031,217	-	800,000,000	-	(1,131,451,697)	802,319,524	2,319,524	
Other equity instrument investments	90,347,037	-	5,662,683	-	(4,230,793)	-	91,778,927	-	
	2,107,664,084	90,306,081	5,662,683	1,000,000,000	(4,230,793)	(2,100,042,781)	1,099,359,274	7,580,347	

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Financial assets and liabilities disclosed at fair value

30 June 2022 (Unaudited)

	Inputs used for fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial liabilities				
Long-term loans		– 6,417,368,357	– 6,417,368,357	
Lease liabilities		– 313,049,892	– 313,049,892	
		– 6,730,418,249	– 6,730,418,249	

31 December 2021 (Audited)

	Inputs used for fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial liabilities				
Long-term loans		– 5,278,412,932	– 5,278,412,932	
Lease liabilities		– 571,979,597	– 571,979,597	
		– 5,850,392,529	– 5,850,392,529	

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Valuation of fair value

Fair value of financial instruments

The carrying amounts and fair values of the Group's financial instruments are as follows, excluding lease liabilities and financial instruments of which the difference between the fair values and carrying amounts is very little:

	Carrying amounts		Fair values	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	Unaudited	Audited	Unaudited	Audited
Financial liabilities				
Long-term loans	6,563,232,765	5,452,250,052	6,417,368,357	5,278,412,932

Management had assessed the fair value of cash and bank balances, trade receivables, other receivables, debt instrument investments, financial assets purchased under agreements to resell, loans and advances to customers, notes payable, trade payables, other payables, customer deposits, repurchase agreements, 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 lease liabilities and 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 2022, the default risk for the long-term loans was evaluated as not significant.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS**1. Parent company**

Name of parent	Place of registration	Business nature	Registered capital RMB	Share of equity interests (%)	Share of voting rights (%)
The Holding	Anhui, PRC	Manufacturing	6,666,280,395	45.535	45.535

The Company is ultimately controlled by China Baowu.

2. Subsidiaries

Details of the subsidiaries are stated in Note VII.1 to the financial statements.

3. Associates and joint ventures

Details of associates and joint ventures are stated in Note VII.2 to the financial statements.

4. Other related parties

Name	Relationship with the Company
Magang (Group) Investment Co., Ltd.	Controlled by the Holding
Magang (Group) Logistics Co., Ltd.	Controlled by the Holding
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	Controlled by the Holding
Magang (Group) Holding Company Limited Assets Management Company	Controlled by the Holding
Magang (Group) Holding Company Limited Cable TV Center	Controlled by the Holding
Magang (Group) Holding Company Limited Magang Press	Controlled by the Holding
Anhui Masteel Mining Resources Group Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.	Controlled by the Holding
Magang (Group) Holding Company Limited Nanshan Mining Company	Controlled by the Holding
Magang (Group) Holding Company Limited Gushan Mining Company	Controlled by the Holding

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship with the Company
Magang (Group) Holding Company Limited Taochong Mining Company	Controlled by the Holding
Magang (Group) Holding Company Limited Qiangyang Cloud Mine	Controlled by the Holding
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	Controlled by the Holding
Anhui Masteel Luo He Mining Co., Ltd.	Controlled by the Holding
Magang Group Biding and Consulting Co., Ltd.	Controlled by the Holding
Baowu Heavy Industry Co., Ltd.	Controlled by the Holding
Phima Intelligence	Controlled by the Holding
Anhui Xiangdun Information Technology Co., Ltd.	Controlled by the Holding
Anhui Xiangyun Technology Co., Ltd.	Controlled by the Holding
Shenzhen Yuexinma Information and Technology Co., Ltd.	Controlled by the Holding
Masteel Group Design and Research Institute Co., Ltd.	Controlled by the Holding
Ma'anshan Magang Mine Geotechnical Engineering Investigation United Company	Controlled by the Holding
Masteel Group Mapping Co., Ltd.	Controlled by the Holding
Masteel Heavy Machinery Manufacturing Co., Ltd.	Controlled by the Holding
Anhui Masteel Dongli Transmission Equipment Co., Ltd.	Controlled by the Holding
Masteel Transportation Equipment Manufacturing Co., Ltd.	Controlled by the Holding
Anhui Masteel Surface Technology Co., Ltd.	Controlled by the Holding
Shanghai Maanshan Iron & Steel Electrical and Mechanical Technology Co., Ltd.	Controlled by the Holding
Anhui Masteel Equipment Maintenance Co., Ltd.	Controlled by the Holding
Masteel Group Kang Tai Land Development Co., Ltd.	Controlled by the Holding
Maanshan Yu Tai Property Management Co., Ltd.	Controlled by the Holding
Masteel Group Kang Cheng Building and Installing Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	Controlled by the Holding

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship with the Company
Maanshan Bo Li Construction Supervising Co., Ltd.	Controlled by the Holding
Maanshan Jia Hua Commodity Concrete Co., Ltd.	Controlled by the Holding
Xinchuang Environmental Protection	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
Maanshan Masteel Electric Repair Co., Ltd.	Controlled by the Holding
Maanshan Used Vehicle Trading Centre Co., Ltd.	Controlled by the Holding
Ma Steel Powder Metallurgy Co., Ltd.	Controlled by the Holding
Anhui Zhonglian Shipping Co., Ltd.	Controlled by the Holding
Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	Controlled by the Holding
Anhui Vocational College of Metallurgy and Technology	Controlled by the Holding
Ma steel (Hefei) Logistics Co., Ltd.	Controlled by the Holding
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.	Controlled by the Holding
Masteel Lihua Metal Resources Co., Ltd.	Controlled by the Holding
Anhui Masteel ChangRan Energy Co., Ltd.	Controlled by the Holding
Anhui Jiangnan Iron and Steel Material Quality Monitoring and Testing Co., Ltd.	Controlled by the Holding
Shanghai Masteel International Trade and Economic Co., Ltd.	Controlled by the Holding
Shanxi Fuma Carbon Material Technology Co., Ltd.	Controlled by the Holding
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	Controlled by the Holding
Masteel Zhixin Resources Technology Co., Ltd.	Controlled by the Holding
Maanshan Chenma Hydrogen Energy Technology Co., Ltd.	Controlled by the Holding
Anhui Masteel Dangerous Goods Transportation Co., Ltd.	Controlled by the Holding
Shenzhen Yue Hai Masteel Industry Co., Ltd.	Controlled by the Holding
Anhui Masteel Xinba Environmental Co., Ltd.	Controlled by the Holding
Guizhou Xinchuan Environmental Protections Co., Ltd.	Controlled by the Holding

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship with the Company
Shanghai Masteel Engineering Technology Co., Ltd. AI Robot (Shanghai) Co., Ltd.	Controlled by the Holding Controlled by the Holding
Yangtze River Delta (Hefei) Digital Technology Co., Ltd.	Controlled by the Holding
Masteel Refractory Materials Co., Ltd.	Controlled by the Holding
Masteel Chengxing Metal Resources Co., Ltd.	Controlled by the Holding
Ouyeel (Jingjiang) Blockchain Finance and Metal Recycling Resources Co., Ltd.	Controlled by the Holding
LiaoNing Jiheyuan Renewable Resources Co., Ltd.	Controlled by the Holding
Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	Controlled by the Holding
Anhui Magang Limin Construction and Installation Co., Ltd.	Controlled by the Holding
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Mining Resources Group Building Materials Technology Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	Controlled by the Holding
Shanghai MA Steel International Trade Company Limited	Controlled by the Holding
Maanshan Jieyuan Environmental Protection 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
Maanshan Magang Limin Commerce and Trade Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Mining Resources Group Material Technology Co., Ltd.	Controlled by the Holding
Anhui BRC & Masteel Weldmesh Co., Ltd.	Joint venture of the Holding
Ruitai Masteel New Material Technology Co., Ltd.	Associate of the Holding

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship with the Company
Ma Steel Gongchang United Roller Co., Ltd.	Associate of the Holding
Maanshan Iron Construction Group Co., Ltd.	Associate of the Holding
Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.	Associate of the Holding
Anhui Keda Smart Energy Technology Co., Ltd.	Associate of the Holding
Jiangsu Gongchang Roll Joint Stock Co., Ltd.	Associate of the Holding
CRM East China Co., Ltd.	Associate of the Holding
Ma-Steel OCI Chemical Co., Ltd.	Associate of the Holding
China Baowu Steel Group Co., Ltd.	Ultimate controlling party
Baoshan Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Trading Co., Ltd.	Controlled by the ultimate controlling party
Shenyang Baosteel Northeast Trading Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Meishan Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Iron and Steel Co., Ltd.	Controlled by the ultimate controlling party
Anhui Wanbao Mining Limited Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Controlled by the ultimate controlling party
Zhejiang Zhoushan Wugang Terminal Co., Limited	Controlled by the ultimate controlling party
Zhejiang Shengsi Baojie International Shipping Agency Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Engineering & Technology Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baohua International Tendering Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Roll Science & Technology Co., Ltd.	Controlled by the ultimate controlling party
Baowu Equipment Intelligent Technology Co., Ltd.	Controlled by the ultimate controlling party

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship with the Company
Ouyeel Cloud Commerce Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Iron & Steel Exchange Co., Ltd.	Controlled by the ultimate controlling party
Eastern Steel E-Commerce Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Ouyeel Material Technology Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Steel Group Logistics Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosight Software Co., Ltd.	Controlled by the ultimate controlling party
Nanjing Meishan Steel Slag Treatment Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Magnetic Industry Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Magnetic Industry (Jiangsu) Co., Ltd.	Controlled by the ultimate controlling party
Wugang Group Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Stainless Steel 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
Chengdu Baosteel Auto Steel Parts Processing & Distribution Co., Ltd.	Controlled by the ultimate controlling party

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship with the Company
Chongqing Baosteel Auto Steel Parts 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
Shanghai Ouye Logistics Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Jinyi Inspection Technology Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Resources International Company Limited	Controlled by the ultimate controlling party
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	Controlled by the ultimate controlling party
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party
Howa Trading Co., Ltd.	Controlled by the ultimate controlling party
Guangdong Shaogang Construction Company	Controlled by the ultimate controlling party
Bsteel Online Co., Ltd.	Controlled by the ultimate controlling party
Wulongquan Mining Co., Ltd. of WISCO Resources Group	Controlled by the ultimate controlling party
Huabao Securities Co., Ltd.	Controlled by the ultimate controlling party
Guangzhou Baosteel Southern Trading Co., Ltd.	Controlled by the ultimate controlling party
Beijing Baosteel North Trade Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Special Steel Long Products Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Casting Corporation	Controlled by the ultimate controlling party

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship with the Company
Shanghai Court Roller Surface Treatment Co., Ltd.	Controlled by the ultimate controlling party
Qingdao Bao-Mit Steel Distribution Co., Ltd.	Controlled by the ultimate controlling party
WISCO MCC Industrial Technology Service Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baokang Electronic Control Engineering Co., Ltd.	Controlled by the ultimate controlling party
Taiyuan Iron & Steel (Group) Co., Ltd.	Controlled by the ultimate controlling party
Hubei Metallurgical Material Analysis and Testing Center Co., Ltd.	Controlled by the ultimate controlling party
WUHAN ENGINEERING INSTITUTE	Controlled by the ultimate controlling party
Wuhan Wugang Jiangbei Group Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Weishike Steel Processing and Distribution Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Development Co., Ltd.	Controlled by the ultimate controlling party
BAOSTEEL MIDDLE EAST FZE	Controlled by the ultimate controlling party
Baowu Huanke Nanjing Resources Utilization Co., Ltd.	Controlled by the ultimate controlling party
Chengdu (Taigang) Sales Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Metals Co., Ltd.	Controlled by the ultimate controlling party
Hefei Bao Real Estate City Development Co., Ltd.	Controlled by the ultimate controlling party
BAOSTEEL RESOURCES SINGAPORE COMPANY PTE.LTD.	Controlled by the ultimate controlling party
BAOSTEEL SINGAPORE PTE LTD.	Controlled by the ultimate controlling party

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship with the Company
Nanjing Meibao New Building Material Co., Ltd.	Controlled by the ultimate controlling party
Chengdu Baosteel Western Trading Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Special Metals Co., Ltd.	Controlled by the ultimate controlling party
Baowu Huanke Maanshan Resource Utilization Co., Ltd.	Controlled by the ultimate controlling party
Masteel (Hefei) Industrial Water Supply Co., Ltd.	Controlled by the ultimate controlling party
Anhui Baosteel Steel Distribution Co., Ltd.	Controlled by the ultimate controlling party
Baoxin Software (Nanjing) Co., Ltd.	Controlled by the ultimate controlling party
Nanjing Meishan Enterprise Development 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
Wugang (Guangzhou) Steels Processing Co., Ltd.	Controlled by the ultimate controlling party
Chongqing Baosteel Steel Processing and Distribution Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Zhanjiang Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party
Anhui Masteel K.Wah New Building Materials Co., Ltd. (Note 1)	Controlled by the ultimate controlling party
General Electric (Wuhan) Automation Co., Ltd.	Joint venture of the ultimate controlling party
Maanshan Gangchen Industrial Co., Ltd.	Associate of the ultimate controlling party
Shanxi Ax Taigang Roll Co., Ltd.	Associate of the ultimate controlling party

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Name	Relationship with the Company
Taicang Wugang Wharf Co., Ltd.	Associate of the ultimate controlling party
MCC South Engineering Technology Co., Ltd.	Associate of the ultimate controlling party
Changzhou Baoling Heavy Industry Machinery Co., Ltd.	Associate of the ultimate controlling party
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	Associate of the ultimate controlling party
Shanghai Baoneng Information Technology Co., Ltd.	Associate of the ultimate controlling party
Wuhan Weishi Engineering Supervision Co., Ltd.	Associate of the ultimate controlling party
Shanghai Baosteel Engineering Consulting Co., Ltd.	Associate of the ultimate controlling party
Qinghai Kaiyuan Metal Material Co., Ltd.	Associate of the ultimate controlling party
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	Associate of the ultimate controlling party

Note 1: Anhui Masteel K.Wah New Building Materials Co., Ltd. was no longer an associate company of the Group in February 2022, so the balance of related parties in this current period is disclosed under the company controlled by the ultimate controller. The balance of related parties at the end of the previous year is disclosed under the associate company.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties

Regarding the related party transactions under items (1) to (19) disclosed below, except for the transactions under items (14) to (17), all other transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange of Hong Kong.

(1) Purchases of ore from related parties

	Note	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited
Baosteel Resources Co., Ltd.	(i)	3,186,292,376	2,223,287,498
Baowu Raw Material Supply Co., Ltd.	(i)	2,034,367,890	1,677,947,389
Baosteel Resources Holdings (Shanghai) Co., Ltd.	(i)	1,541,714,643	609,919,225
Anhui Masteel Mining Resources Group Co., Ltd.	(i)	1,169,850,985	2,574,601,541
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	(i)	863,157,849	–
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.	(i)	146,749,379	–
Ma Steel International Trade and Economic Co., Ltd.	(i)	137,666,993	–
Baoshan Iron & Steel Co., Ltd.	(i)	118,977,360	–
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	(i)	30,209,912	124,164,949
Anhui Wanbao Mining Limited Co., Ltd.	(i)	2,111,758	1,481,623
The Holding	(i)	–	9,155,966
		9,231,099,145	7,220,558,191

- (i) The terms for the purchases of iron ore from China Baowu and its subsidiaries in the current period were determined in accordance with an agreement dated 29 September 2021 entered into between the Company and China Baowu, and the purchase are based on market prices under negotiation.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(2) Fees paid for labor, logistics and other services

	Note	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited
Magang (Group) Logistics Co., Ltd.	(ii)	352,659,469	629,477,927
Masteel Heavy Machinery Manufacturing Co., Ltd.	(ii)	301,196,617	198,752,574
Xinchuang Environmental Protection Anhui Masteel Equipment Maintenance Co., Ltd.	(ii)	291,748,308	222,562,206
Anhui Masteel Equipment Maintenance Co., Ltd.	(ii)	285,147,388	281,651,593
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	(ii)	217,841,042	169,666,163
Baowu Water Technology Co., Ltd.	(ii)	201,633,517	71,366,835
Masteel Automobile Transportation Service Co., Ltd.	(ii)	140,396,322	152,074,719
Anhui Zhonglian Shipping Co., Ltd.	(ii)	89,152,646	98,499,792
Phima Intelligence	(ii)	65,849,350	97,090,348
Shanghai Baosight Software Co., Ltd.	(ii)	29,818,585	104,508,904
Masteel Transportation Equipment Manufacturing Co., Ltd.	(ii)	25,232,852	54,879,943
Zhejiang Zhoushan Wugang Terminal Co., Limited	(ii)	22,418,903	–
The Holding	(ii)	17,662,712	1,388,370
Anhui Masteel Mining Resources Group Co., Ltd.	(ii)	15,588,766	–
Baowu Equipment Intelligent Technology Co., Ltd.	(ii)	14,142,541	46,769,197
Anhui Maanshan Iron & Steel Surface Technology Co., Ltd.	(ii)	13,319,104	4,600,432
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	(ii)	12,246,637	–
Masteel Group Design and Research Institute Co., Ltd.	(ii)	11,127,603	–

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(2) Fees paid for labor, logistics and other services (Continued)

	Note	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited
China Baowu Steel Group Co., Ltd.	(ii)	8,828,391	–
Anhui Vocational College of Metallurgy and Technology	(ii)	8,524,660	–
Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	(ii)	7,152,543	–
Baowu Heavy Industry Co., Ltd.	(ii)	5,210,541	54,066,735
Ma Steel International Trade and Economic Co., Ltd.	(ii)	2,210,232	5,963,028
Baoshan Iron & Steel Co., Ltd.	(ii)	1,125,840	17,187,009
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.	(ii)	22,618,515	20,124,569
Ma Steel Gongchang United Roller Co., Ltd.	(ii)	12,399,983	19,176,789
Ruitai Masteel New Material Technology Co., Ltd.	(ii)	–	582,308,836
Others	(ii)	140,068,127	139,795,896
		2,315,321,194	2,971,911,865

- (ii) The terms for the provision of certain services, including on-the-job training, food and sanitary services, environmental and hygiene services, maintenance of roads and landscaping services, telecommunications service, and contracts of transportation service, equipment repair and maintenance services, and engineering design services, were determined in accordance with a service agreement between the Group, the Holding and China Baowu.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(3) Agency fees paid to related parties

	Note	For the six months ended 30 June	
		2022 Unaudited	2021 Unaudited
Ouyeel Blockchain Finance	(iii)	319,989	–
Ma Steel International Trade and Economic Co., Ltd.	(iii)	3,217,071	11,359,314
		3,537,060	11,359,314

(iii) The transactions with the related parties mentioned above were conducted on terms of mutually agreed between the Group and the related parties based on the market prices.

(4) Related party leasing

As lessee

For the six months ended 30 June 2022 (Unaudited)

	Note	Types of leased assets	Rent paid	Interest expense of lease liabilities undertaken	Reduced right of use assets
The Holding	(iv)	Plant and buildings	21,365,720	7,334,332	262,658,925

For the six months ended 30 June 2021 (Unaudited)

	Note	Types of leased assets	Rent paid	Interest expense of lease liabilities undertaken	Increased right of use assets
The Holding	(iv)	Plant and buildings	15,965,774	8,937,993	–

(iv) The terms for the rental of buildings from the Holding were determined in accordance with an agreement entered into between the Group and the Holding, and the rental are based on market prices under negotiation.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(5) Purchases of fixed assets, intangible assets and construction services

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Masteel Group Design and Research Institute Co., Ltd.	(v)	351,792,320	82,201,590
Shanghai Baosight Software Co., Ltd.	(v)	346,225,439	–
Baosteel Special Metals Co., Ltd.	(v)	171,962,264	–
Baowu Heavy Industry Co., Ltd.	(v)	104,540,095	174,623,933
Shanghai Baosteel Engineering & Technology Co., Ltd.	(v)	85,294,330	26,693,906
Xinchuang Environmental Protection	(v)	60,580,935	96,461,857
Anhui Masteel Equipment Maintenance Co., Ltd.	(v)	41,220,347	5,478,963
Maanshan Iron Construction Group Co., Ltd.	(v)	24,737,500	40,015,420
Baowu Water Technology Co., Ltd.	(v)	21,414,957	–
Phima Intelligence	(v)	21,017,722	53,237,742
Maanshan Masteel Surface Engineering Technology Co., Ltd.	(v)	19,688,991	119,420,432
Masteel Group Kang Cheng Building and Installing Co., Ltd.	(v)	10,309,950	–
Maanshan Jiahua Commodity Concrete Co., Ltd.	(v)	2,203,939	23,354,185
Masteel Automobile Transportation Service Co., Ltd.	(v)	–	94,796
Others	(v)	28,608,932	29,994,306
		1,289,597,721	651,577,130

- (v) The transactions with the Holding and its subsidiaries, and transactions with China Baowu and its subsidiaries were conducted on terms mutually agreed according to market prices between the Group and the related parties.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**5. Significant transactions carried out between the Group and its related parties (Continued)****(6) Purchases of products from related parties**

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Ouyeel Blockchain Finance	(vi)	5,224,188,258	6,598,404,947
OBEI	(vi)	2,216,135,399	61,399,912
Magang Chemicals & Energy	(vi)	733,819,350	633,820,537
Shanxi Taigang Stainless Steel Co.,Ltd		554,389,639	170,712,803
Masteel Gases	(vi)	400,374,647	–
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	(vi)	177,705,573	–
Wuhan Baosteel Huazhong Trade Co., Ltd.	(vi)	144,328,698	–
		9,450,941,564	7,464,338,199

(vi) The transactions with the abovementioned related parties included: purchase of scrap steel, waster water, coke oven gas, materials and spare parts, etc. The above transactions were conducted on terms mutually agreed between the Group and the related parties according to market prices.

(7) Supply of utilities, services, disposal of intangible assets and sale other goods

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Baosteel Zhanjiang Iron & Steel Co., Ltd.	(vii)	265,660,377	–
Xinchuang Environmental Protection	(vii)	224,702,817	54,786,181
Baowu Water Technology Co., Ltd.	(vii)	91,615,509	–
Baosteel Resources Holdings (Shanghai) Co., Ltd.	(vii)	91,204,373	–
Ma Steel Powder Metallurgy Co., Ltd.	(vii)	76,543,082	116,272,911
Masteel Heavy Machinery Manufacturing Co., Ltd.	(vii)	24,125,093	27,013,324
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	(vii)	22,199,236	15,883,529

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(7) *Supply of utilities, services, disposal of intangible assets and sale other goods (Continued)*

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Ma-Steel OCI Chemical Co., Ltd.	(vii)	11,858,741	–
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.	(vii)	8,719,631	7,857,053
Maanshan Limin Metallurgical Solid Waste Comprehensive Utilization Technology Co., Ltd.	(vii)	6,031,610	–
Ruitai Masteel New Material Technology Co., Ltd.	(vii)	3,772,216	6,204,548
Baowu Huanke Nanjing Resources Utilization Co., Ltd.	(vii)	2,787,933	–
Shanghai Ouyeel Material Technology Co., Ltd.	(vii)	2,453,370	–
Maanshan Masteel Surface Engineering Technology Co., Ltd.	(vii)	2,366,649	2,843,490
Phima Intelligence	(vii)	1,835,045	2,616,213
Maanshan Jia Hua Commodity Concrete Co., Ltd.	(vii)	1,240,023	1,443,439
Anhui Masteel Equipment Maintenance Co., Ltd.	(vii)	1,142,735	882,707
Masteel Transportation Equipment Manufacturing Co., Ltd.	(vii)	1,038,976	1,033,747
Shanghai Baosteel Magnetic Industry Co., Ltd.	(vii)	–	19,401,445
The Holding	(vii)	–	7,636,765
Baowu Heavy Industry Co., Ltd	(vii)	–	2,311,574
Others	(vii)	6,696,868	25,682,484
		845,994,284	291,869,410

(vii) The transactions with the Holding and its subsidiaries, and transactions with China Baowu and its subsidiaries were conducted on terms mutually agreed according to market prices between the Group and the related parties.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(8) Sales of steel products

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Baowu Heavy Industry Co., Ltd	(viii)	468,128,597	206,842,739
Shanghai Ouyeel Material Technology Co., Ltd.	(viii)	218,661,453	–
Baoshan Iron & Steel Co., Ltd.	(viii)	39,824,093	–
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	(viii)	30,155,828	–
Shanghai Baosteel Trading Co., Ltd.	(viii)	29,556,474	91,214,254
Anhui BRC & Masteel Weldmesh Co., Ltd.	(viii)	27,201,129	20,144,081
Shenyang Baosteel Northeast Trading Co., Ltd.	(viii)	24,363,922	7,759,638
Beijing Baosteel Northern Trading Co., Ltd.	(viii)	21,293,688	–
OBEI	(viii)	16,006,130	–
Maanshan Iron Construction Group Co., Ltd.	(viii)	–	16,910,551
Others	(viii)	18,165,663	35,203,854
		893,356,977	378,075,117

(viii) The transactions with the Holding and its subsidiaries, and transactions with China Baowu and its subsidiaries were conducted on terms mutually agreed according to market prices between the Group and the related parties.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(9) Sales of goods to related parties

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Magang Chemicals & Energy	(ix)	978,678,110	826,403,674
Masteel K. Wah	(ix)	334,812,710	419,142,798
Masteel Gases	(ix)	311,532,357	–
Baowu Huanke Maanshan Resource Utilization Co., Ltd.	(ix)	100,973,936	–
Others	(ix)	4,843,209	6,492,482
		1,730,840,322	1,252,038,954

(ix) The transactions with the above mentioned related parties included sales of water slag, scrap steel raw materials and energy supply services. The above transactions were conducted on terms mutually agreed between the Group and the related parties according to market prices.

(10) Provision of leasing services to related parties

As lessor

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Anhui Magang Chemicals & Energy Technology Co., Ltd.	(x)	6,448,338	–
Anhui Masteel Surface Engineering Technology Co., Ltd.	(x)	305,922	305,922
Phima Intelligence	(x)	82,500	82,500
		6,836,760	388,422

(x) The transactions with the related parties mentioned above were conducted on terms mutually agreed between the Group and the related parties according to market price.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**5. Significant transactions carried out between the Group and its related parties (Continued)***(11) Interest paid to related parties*

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
The Holding	(xi)	11,039,686	24,315,220
Magang Chemicals & Energy	(xi)	5,465,111	3,729,569
Ouyeel Blockchain Finance	(xi)	5,221,470	2,099,105
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	(xi)	4,654,685	–
Anhui Masteel Luo He Mining Co., Ltd.	(xi)	4,408,717	2,495,178
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	(xi)	3,934,977	2,942,079
Anhui Masteel Mining Resources Group Co., Ltd.	(xi)	3,774,123	2,361,347
Maanshan Chenma Hydrogen Energy Technology Co., Ltd.	(xi)	2,708,765	–
Baowu Heavy Industry Co., Ltd	(xi)	2,247,870	3,081,790
Xinchuang Environmental Protection	(xi)	1,603,947	950,627
Magang (Group) Logistics Co., Ltd.	(xi)	1,575,248	749,771
Masteel K. Wah	(xi)	1,397,963	1,421,233

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(11) Interest paid to related parties (Continued)

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Masteel Group Kang Tai Land Development Co., Ltd.	(xi)	1,177,174	886,018
Anhui Maanshan Iron & Steel Mining Resources Group Building Materials Technology Co., Ltd.	(xi)	1,062,294	–
Masteel Heavy Machinery Manufacturing Co., Ltd.	(xi)	1,007,416	974,443
Maanshan Masteel Surface Engineering Technology Co., Ltd.	(xi)	770,853	119,465
Masteel Gases	(xi)	744,661	–
Masteel Automobile Transportation Service Co., Ltd.	(xi)	729,304	–
Masteel International Trade and Economic Co., Ltd.	(xi)	531,085	850,746
Ruitai Masteel New Material Technology Co., Ltd.	(xi)	24,046	166,990
Phima Intelligence	(xi)	13,993	487,541
Magang Group Biding and Consulting Co., Ltd.	(xi)	–	157,334
Others	(xi)	5,712,300	5,959,981
		59,805,688	53,748,437

- (xi) Masteel Finance absorbed deposits from the Holding and its subsidiaries, and paid interest to them with the interest rate ranging from 0.42% to 2.18% (for the six months ended 30 June 2021: 0.42%-2.18%).

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(12) Financial service income received from related parties

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Ouyeel Blockchain Finance	(xii)	15,729,408	33,043,999
Anhui Masteel Mining Resources Group Co., Ltd.	(xii)	8,022,559	10,733,930
Masteel Chengxing Metal Resources Co. Ltd	(xii)	5,095,826	4,691,829
The Holding	(xii)	4,916,667	29,697,656
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	(xii)	1,893,225	–
Anhui Zhonglian Shipping Co., Ltd.	(xii)	1,126,553	–
Masteel Lihua Metal Resources Co., Ltd.	(xii)	1,097,589	–
Ma Steel Powder Metallurgy Co., Ltd.	(xii)	221,174	309,298
Anhui BRC & Masteel Weldmesh Co., Ltd.	(xii)	195,545	409,847
Anhui Masteel Luo He Mining Co., Ltd.	(xii)	84,441	1,399,796
Baowu Heavy Industry Co., Ltd	(xii)	64,686	44,210
Masteel K. Wah	(xii)	5,387	14,824
Others	(xii)	3,976,830	3,774,899
		42,429,890	84,120,288

- (xii) Masteel Finance, a subsidiary of the Group, received financial service income for the financial services it rendered to the Holding and its subsidiaries, including providing loans, bank acceptance notes discounting and entrusted loan. The lending rates were not lower than the benchmark loan interest rates issued by the People's Bank of China, and the other service charge was not lower than the benchmark charge issued by the People's Bank of China.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(13) Equity transactions with related parties

In March 2022, The Company entered a capital reduction agreements with Magang Chemicals & Energy. All parties agreed that the Holding reduced the capital by RMB344.44 million in cash and the Company reduced the capital by RMB500.23 million in the form of receiving coke oven purification assets. The asset value involved in the capital reduction is determined according to the Valuation Report No. 2052 (2021) issued by Beijing Tianjian Xingye Asset Appraisal Co., Ltd. On June 30, 2022, the above assets have been delivered and the capital reduction has been completed. The Company's shareholding in Masteel Chemical Energy has decreased from 45% to 32%, and the Company can still exert a significant influence on Masteel Chemical Energy and continue to account as an associated company.

In September 2021, the Company entered into an equity transfer agreement with Baowu Huanke to transfer 30% of the equity of Masteel K. Wah held by the Company to Baowu Huanke for RMB111.3424 million. In January 2022, the equity transfer was completed and the Group no longer held the equity of Masteel K. Wah.

(14) Purchases of products and services from joint ventures and associates of the Company and the Subsidiaries of China Baowu

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Henan JinMa Energy	(xiii)	456,846,078	474,274,100
Maanshan BOC-Ma Steel Gases Company Limited	(xiii)	305,601,426	317,496,146
Shenglong Chemical	(xiii)	26,885,455	31,822,013
Maanshan Gangchen Industrial Co., Ltd.	(xiii)	15,847,387	–
MCC South Engineering Technology Co., Ltd.	(xiii)	–	80,000
		805,180,346	823,672,259

(xiii) Transactions between the Group and the above companies including the purchase of coke by-products, purchase of gas, purchase of waste oil recovery related services, purchase of engineering design and repair services, purchase of port storage management services etc., The transactions above were conducted on terms mutually agreed between the Group and the related parties based on market prices.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(15) *Sales of products and provision of services to joint ventures and associates of the Company and the Subsidiaries of China Baowu*

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Maanshan Gangchen Industrial Co., Ltd.	(xiv)	752,643,659	520,420
Maanshan BOC-Ma Steel Gases Company Limited	(xiv)	138,276,545	129,869,183
Henan JinMa Energy		753,129	–
		891,673,333	130,389,603

(xiv) Transactions between the Group and the above companies including provision of energy supply services, sales of steel and leasing services, etc., which were determined in accordance with service agreements between the Group and the Holding.

(16) *Interest paid for financial services to the joint venture and associates of the Company and subsidiaries of China Baowu*

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
BOC-Ma Steel	(xv)	3,071,165	2,237,659
Maanshan Gangchen Industrial Co., Ltd.	(xv)	62,022	93,662
		3,133,187	2,331,321

(xv) Masteel Finance absorbed deposits from the above related parties, and paid interest to them with the interest rate ranging from 0.42% to 2.18% for the six months ended 30 June 2022 (for the six months ended 30 June 2021: 0.42%-2.18%).

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(17) *Financial service income received from joint venture and associates of the Company and subsidiaries of China Baowu*

	Note	For the six months ended June	
		2022 Unaudited	2021 Unaudited
Maanshan Gangchen Industrial Co., Ltd.	(xvi)	254,890	456,127

(xvi) Masteel Finance, a subsidiary of the Group, received financial service income for the financial services it rendered to the joint ventures and associates of the Company and China Baowu subsidiaries, including providing loans, bank acceptance notes discounting and entrusted loans. The lending rates were no lower than the benchmark loan interest rates issued by the People's Bank of China, and the other service charge was no lower than the benchmark charge issued by the People's Bank of China.

(18) *Guarantee provided by a related party*

30 June 2022 (Unaudited)

	Note	Guarantee's name	Guarantee amount	Start date	End date	Has guarantee expired or not
The Holding	(xiv)	The Company	RMB27.5 million	2015.10	2025.10	Not yet as of the approval date of the report

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Significant transactions carried out between the Group and its related parties (Continued)

(18) Guarantee provided by a related party (Continued)

31 December 2021 (Audited)

	Note	Guarantee's name	Guarantee amount	Start date	End date	Has guarantee expired or not
The Holding	(xiv)	The Company	RMB33 million	2015.10	2025.10	Not yet as of the approval date of the report

(xiv) During the period, the Holding had not guaranteed additional certain bank loans of the Group (2021: nil) without attached conditions. The Holding had guaranteed part of the bank loans amounting to approximately RMB27.5 million without attached conditions as of 30 June 2022 (31 December 2021: approximately RMB33 million).

(19) According to the financial service agreement signed by Masteel Finance and the Holding on 29 September 2021, Masteel Finance provided financing services and deposit transactions 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 and other financial service charge should be no more than RMB0.25 billion.

As of 30 June 2022, the highest daily deposit balance was RMB19.708 billion (2021: RMB10.904 billion); the highest average daily deposit balance on a monthly basis was RMB18.436 billion (2021: RMB9.9 billion); the highest daily loan balance was RMB3.965 billion (2021: RMB2.875 billion); and the highest average daily loan balance on a monthly basis was RMB3.862 billion (2021: RMB2.873 billion).

Notes to the Financial Statements (Continued)

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X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from/payables due to related parties**

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivables				
The Holding and its subsidiaries				
Xinchuang Environmental Protection	71,487,025	714,870	-	-
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	53,555,493	32,832,405	46,513,779	31,483,613
Masteel Heavy Machinery Manufacturing Co., Ltd.	27,482,207	609,126	17,679,689	176,797
MaSteel Powder Metallurgy Co., Ltd.	25,635,355	256,354	9,670,153	96,702
Masteel Automobile Transportation Service Co., Ltd..	852,700	8,527	-	-
Anhui Masteel Equipment Maintenance Co., Ltd.	671,710	7,722	452,964	4,530
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	-	-	8,648,318	86,483
Others entities controlled by the Holding	8,477,978	572,305	3,422,744	265,058
	188,162,468	35,001,309	86,387,647	32,113,183

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from/payables due to related parties (Continued)**

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivables (Continued)				
The ultimate controlling party and its subsidiaries				
Baowu Huanke Maanshan Resource Utilization Co., Ltd.	29,100,548	291,005	–	–
Masteel K. Wah	11,811,335	118,113	–	–
Baosteel Special Steel Long Products Co., Ltd.	3,323,240	33,232	–	–
Baowu Huanke Nanjing Resources Utilization Co., Ltd.	2,533,362	25,334	–	–
Shanghai Baosteel Trading Co., Ltd.	1,697,759	16,978	–	–
Shanghai Ouye Purchasing Information Technology Co., Ltd.	1,056,021	10,560	–	–
Baoshan Iron & Steel Co., Ltd.	438,426	4,384	5,092,362	50,924
The other ultimate controlling party and its subsidiaries	1,584,470	15,845	1,992,839	19,928
	51,545,161	515,451	7,085,201	70,852
Associates and joint ventures of the Group				
Magang Chemicals & Energy	60,912,620	609,126	80,608,529	806,085
Masteel Gases	60,307,873	603,079	–	–
Maanshan BOC-Ma Steel Gases Company Limited	23,467,866	234,679	26,022,491	260,225
Baowu Water	20,423,638	204,236	6,400,175	64,002
OBEI	6,817,232	68,172	4,027,014	40,270
Ouyeel Blockchain Finance	2,352,416	23,524	2,716,317	1,634
	174,281,645	1,742,816	119,774,526	1,172,216

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from/payables due to related parties (Continued)**

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivables (Continued)				
Associate of the Holding				
Anhui Keda Smart Energy Technology Co., Ltd.	7,424,753	74,248	3,795,934	37,959
Ma-Steel OCI Chemical Co., Ltd.	2,319,888	23,199	1,866,772	18,668
CRM East China Co., Ltd.	23,109	231	14,113	141
Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.	520	5	513	5
	9,768,270	97,683	5,677,332	56,773
Associates of the ultimate controller of the Group				
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	3,798	38	9,356	94

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from/payables due to related parties (Continued)**

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Carrying amount	Provision	Carrying amount	Provision
Other receivables				
The parent company of the Group				
Baosteel Zhanjiang Iron & Steel Co., Ltd.	281,600,000	2,816,000	–	–
The Holding	120,000	120,000	120,000	120,000
Masteel Group Design and Research Institute Co., Ltd.	9,731	97	–	–
Anhui Masteel Equipment Maintenance Co., Ltd.	8,000	80	–	–
Xinchuang Environmental Protection	2,850	29	–	–
Masteel Automobile Transportation Service Co., Ltd.	–	–	13,832,802	138,328
Baowu Heavy Industry Co., Ltd	87,962	880	120,964	1,210
Phima Intelligence	–	–	7,439	74
	281,828,543	2,937,086	14,081,205	259,612
The Holding and its subsidiaries				
Maanshan Iron & Steel (Hefei) Industrial Water Supply Co., Ltd.	18,000,000	180,000	–	–
Shanghai Jinyi Inspection Technology Co., Ltd.	320,341	3,203	–	–
Shanghai Baosight Software Co., Ltd.	10,000	100	–	–
Shanghai Ouyeel Material Technology Co., Ltd.	8,341	83	–	–
Shanghai Ouye Purchasing Information Technology Co., Ltd.	–	–	20,558	206
	18,338,682	183,386	20,558	206

Notes to the Financial Statements (Continued)

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X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

	30 June 2022 Unaudited	31 December 2021 Audited
Dividends receivable		
Associates the Group		
Ouyeel Blockchain Finance	55,226,911	55,226,911
Henan JinMa Energy	28,800,000	–
Ouyeel Commercial Factoring Co., Ltd	–	1,300,284
	84,026,911	56,527,195
Prepayments		
The Holding and its subsidiaries		
Phima Intelligence	8,442,706	7,496,844
Shanghai MA Steel International Trade Company Limited	9,450,650	–
Masteel Group Design and Research Institute Co., Ltd.	7,508,367	7,570,780
Masteel Group Kang Cheng Building and Installing Co., Ltd.	2,589,050	–
Ma Steel International Trade and Economic Co., Ltd.	1,414,528	381,474,775
Masteel Heavy Machinery Manufacturing Co., Ltd.	848,971	2,668,532
Others entities controlled by the Holding	681,647	1,416,448
	30,935,919	400,627,379

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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	30 June 2022 Unaudited	31 December 2021 Audited
Prepayments (Continued)		
The ultimate controlling party and its subsidiaries		
Bsteel Online Co., Ltd.	90,324,023	–
Shanxi Taigang Stainless Steel Co., Ltd.	65,147,434	–
Shanghai Baosight Software Co., Ltd.	55,829,289	–
Wuhan Baosteel Huazhong Trade Co., Ltd.	55,436,302	–
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	54,679,331	15,424,284
Baowu Raw Material Supply Co., Ltd.	47,118,710	–
Shanghai Ouyeel Material Technology Co., Ltd.	1,648,727	7,775,670
Shanghai Baosteel Steel Products Trading Co., Ltd.	1,599,983	1,599,983
Others companies controlled by the ultimate controlling party	6,532,898	2,070,335
	378,316,697	26,870,272
Associates and joint ventures of the ultimate controlling party		
MCC South Engineering Technology Co., Ltd.	80,736,920	–

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Carrying amount	Provision	Carrying amount	Provision
Loans and advances to customers				
The Holding and its subsidiaries				
Masteel Chengxing Metal Resources Co., Ltd.	661,373,196	19,143,192	273,656,249	7,671,871
The Holding	300,000,000	8,683,384	300,000,000	8,410,410
Anhui Masteel Mining Resources Group Co., Ltd.	250,000,000	7,236,154	1,228,981,782	34,454,136
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	184,466,539	5,339,313	–	–
Masteel Lihua Metal Resources Co., Ltd.	100,000,000	2,894,461	20,000,000	560,694
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.	62,548,607	1,810,445	77,287,947	2,166,744
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	44,914,513	1,300,033	119,228,663	3,342,540
Anhui Zhonglian Shipping Co., Ltd.	43,405,000	1,256,341	61,755,786	1,731,305
Ma Steel International Trade and Economic Co., Ltd.	41,115,536	1,190,073	–	–
Masteel Heavy Machinery Manufacturing Co., Ltd.	18,587,713	538,014	11,905,668	333,772
Baowu Heavy Industry Co., Ltd.	2,966,712	85,870	7,603,121	213,151

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from/payables due to related parties (Continued)**

	30 June 2022 (Unaudited)		31 December 2021 (Audited)	
	Carrying amount	Provision	Carrying amount	Provision
Loans and advances to customers (Continued)				
Anhui BRC & Masteel Weldmesh Co., Ltd.	10,000,000	289,446	10,000,000	280,347
Masteel Zhixin Resources Technology Co. Ltd	–	–	101,949,056	2,858,111
Guizhou Xinchuan Environmental Protections Co., Ltd.	–	–	3,716,597	104,194
Other entities controlled by the Holding	39,000,000	1,128,840	47,397,833	1,328,785
	1,758,377,816	50,895,566	2,263,482,702	63,456,060
Associate of the Group				
Ouyeel Blockchain Finance	1,081,909,785	31,315,462	1,982,900,174	55,590,012
Associate of the ultimate controlling party of the Group				
Maanshan Gangchen Industrial Co., Ltd	18,000,000	521,003	18,000,000	504,625

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

	30 June 2022 Unaudited	31 December 2021 Audited
Trade payables		
The Holding and its subsidiaries		
Masteel Chengxing Metal Resources Co. Ltd	594,207,244	354,493,131
Anhui Masteel Mining Resources Group Co., Ltd.	458,303,977	411,810,432
Masteel Lihua Metal Resources Co., Ltd	233,763,691	–
Baowu Heavy Industry Co., Ltd. (Note)	124,946,037	172,517,579
Masteel Group Design and Research Institute Co., Ltd.	118,779,398	9,168,433
Masteel Heavy Machinery Manufacturing Co., Ltd.	96,402,157	125,638,936
Ma Steel International Trade and Economic Co., Ltd.	77,750,176	39,063,121
Anhui Masteel Equipment Maintenance Co, Ltd.	70,297,160	93,990,556
Anhui Maanshan Iron & Steel Surface Technology Co., Ltd	69,740,033	88,579,993
Magang (Group) Logistics Co., Ltd.	21,402,779	110,077,623
Masteel Automobile Transportation Service Co., Ltd.	21,204,933	9,953,550
Phima Intelligence	19,054,413	95,277,574
Anhui Zhonglian Shipping Co., Ltd.	18,210,272	38,162,679
Ruitai Masteel New Material Technology Co., Ltd.	16,877,949	167,661,507
Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	16,380,387	22,604,861
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.	12,725,901	–
Anhui Magang Limin Construction and Installation Co., Ltd.	9,868,146	–
Masteel Transportation Equipment Manufacturing Co., Ltd.	9,638,636	32,007,631
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	4,737,085	35,160,975
An Hui Masteel Zhang Zhuang Mining Co., Ltd.	–	27,613,565
The Holding	279,779	229,663
Xinchuang Environmental Protection	107,584	52,300,971
Other entities controlled by the Holding	16,007,913	145,903,098
	2,010,685,650	2,032,215,878

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from/payables due to related parties (Continued)**

	30 June 2022 Unaudited	31 December 2021 Audited
Trade payables (Continued)		
The ultimate controlling party and its subsidiaries		
Baosteel Resources Holdings (Shanghai) Co., Ltd.	532,545,230	271,870,230
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	110,187,603	–
Baosteel Resources Co., Ltd.	40,910,893	70,759,048
Shanghai Baosight Software Co., Ltd.	42,547,891	75,078,210
Shanghai Baosteel Engineering & Technology Co., Ltd.	31,754,740	–
Baowu Equipment Intelligent Technology Co., Ltd.	19,281,617	36,541,046
Baoshan Iron & Steel Co., Ltd.	980,353	7,967,250
Baowu Raw Material Supply Co., Ltd.	–	50,546,750
Other entities controlled by the ultimate controlling party	19,138,522	69,402,822
	797,346,849	582,165,356
Joint ventures and associates of the Group		
OBEI	1,097,810,208	600,529,270
Masteel Gases	103,403,214	–
Ouyeel Blockchain Finance	58,183,999	322,749,145
BOC-Ma Steel	54,614,960	58,450,420
Henan JinMa Energy	35,162,378	18,732,037
Baowu Water Technology Co., Ltd.	22,152,630	–
Shenglong Chemical	13,588,320	843
Magang Chemicals & Energy	–	3,588,597
	1,384,915,709	1,004,050,312
Associate of the Holding		
Jiangsu Gongchang Roll Joint Stock Co., Ltd.	–	10,257,130

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from/payables due to related parties (Continued)**

	30 June 2022 Unaudited	31 December 2021 Audited
Trade payables (Continued)		
Joint ventures and associates of the ultimate controlling party of the Group		
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	8,734,707	5,037,506
Qinghai Kaiyuan Metal Material Co., Ltd.	7,656,768	3,707,740
MCC South Engineering Technology Co., Ltd.	3,510,896	3,400,896
Maanshan Gangchen Industrial Co., Ltd.	188,005	217,897
Taichang Wugang Wharf Co., Ltd.	1,165	3,402,449
	20,091,541	15,766,488
Other payables		
The Holding and its subsidiaries		
Magang (Group) Logistics Co., Ltd.	500,000	24,870,518
Anhui Zhonglian Shipping Co., Ltd.	500,000	–
Baowu Heavy Industry Co., Ltd.	200,000	270,000
Xinchuang Environmental Protection	100,000	100,000
Other entities controlled by the Holding	806,800	1,202,600
	2,106,800	26,443,118
The ultimate controlling party and its subsidiaries		
Baosteel Special Metals Co., Ltd.	171,962,264	–
Shanghai Ouyeel Material Technology Co., Ltd.	200,000	–
Baosteel Engineering & Technology Co., Ltd.	50,000	50,000
Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	2,000	–
	172,214,264	50,000

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from/payables due to related parties (Continued)**

	30 June 2022 Unaudited	31 December 2021 Audited
Trade payables (Continued)		
Associates and joint ventures of the Group		
Magang Chemicals & Energy	16,007,703	16,007,703
Associates of the ultimate controller of the Group		
Qinghai Kaiyuan Metal Material Co., Ltd.	200,000	200,000
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	100,000	100,000
	300,000	300,000
Contract liabilities		
The Holding and its subsidiaries		
Baowu Heavy Industry Co., Ltd	77,691,214	103,003,843
Shanghai Baosteel Magnetic Industry Co., Ltd.	10,547,210	9,333,814
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	2,666,940	–
An Hui Masteel Zhang Zhuang Mining Co., Ltd.	2,185,715	1,897,972
Magang (Group) Logistics Co., Ltd.	2,003,282	–
Masteel Group Kang Cheng Building and Installing Co., Ltd.	1,911,227	–
Anhui BRC & Masteel Weldmesh Co., Ltd.	1,089,210	1,129,634
Maanshan Iron Construction Group Co., Ltd.	714,224	632,056
Other entities controlled by the Holding	2,987,095	4,662,986
	101,796,117	120,660,305

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

	30 June 2022 Unaudited	31 December 2021 Audited
Contract liabilities (Continued)		
The ultimate controlling party and its subsidiaries		
Shanghai Ouyeel Material Technology Co., Ltd.	23,903,715	33,904
Bsteel Online Co., Ltd.	8,298,948	37,844,288
Shanghai Iron & Steel Exchange Co., Ltd.	6,315,885	17,793,050
Shanghai Baosteel Trading Co., Ltd.	3,424,617	–
Masteel K. Wah	1,588,600	–
Ouyeel Cloud Commerce Corporation Limited	1,024,479	742,622
Anhui Baosteel Steel Distribution Co., Ltd.	5,719	–
Baosteel Metal Co., Ltd.	–	847,500
Baowu Equipment Intelligent Technology Co., Ltd.	–	379,158
Wuhan Baosteel Huazhong Trade Co., Ltd.	–	50,585
	44,561,963	57,691,107
Joint ventures and associates of the Group		
Magang Chemicals & Energy	19,429,129	–
Masteel K. Wah	–	15,785,187
Ouyeel Blockchain Finance	–	1,440,150
	19,429,129	17,225,337
Associates of the ultimate controller of the Group		
Maanshan Gangchen Industrial Co., Ltd.	72,840,605	69,797,299
Changzhou Baoling Heavy Industry Machinery Co., Ltd.	2,363	2,091
	72,842,968	69,799,390

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from/payables due to related parties (Continued)**

	30 June 2022 Unaudited	31 December 2021 Audited
Customer deposits		
The Holding and its subsidiaries		
The Holding	1,674,340,261	1,484,795,408
Anhui Masteel Mining Resources Group Co., Ltd.	1,272,691,838	1,082,991,889
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	561,115,791	290,403,074
Anhui Masteel Luo He Mining Co., Ltd.	489,344,308	800,166,333
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	314,041,050	917,103,611
Baowu Heavy Industry Co., Ltd.	276,646,775	416,335,146
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	251,315,889	71,100,043
Magang (Group) Logistics Co., Ltd.	195,878,617	136,201,489
Anhui Maanshan Iron & Steel Mining Resources Group Mining Technology Service Co., Ltd.	187,985,427	155,009,069
Anhui Maanshan Iron & Steel Mining Resources Group Building Materials Technology Co., Ltd.	178,927,478	50,000,000
Masteel Heavy Machinery Manufacturing Co., Ltd.	176,511,819	139,537,893
Masteel Group Kang Tai Land Development Co., Ltd.	139,092,501	137,000,872
Anhui Masteel Surface Technology Co., Ltd.	118,616,466	15,000,000
Masteel Automobile Transportation Service Co., Ltd.	101,853,354	119,992,689
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	93,987,155	26,606,555
Masteel Chengxing Metal Resources Co., Ltd.	50,925,997	5,811,012
Ma Steel International Trade and Economic Co., Ltd.	22,236,920	229,081,565
Masteel K. Wah	11,419,965	–
Xinchuang Environmental Protection	7,839,947	203,230,290
Other entities controlled by the Holding	447,382,334	371,496,533
	6,572,153,892	6,651,863,471

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from/payables due to related parties (Continued)

	30 June 2022 Unaudited	31 December 2021 Audited
Customer deposits (Continued)		
Joint venture and associates of the Group		
Magang Chemicals & Energy	882,446,315	644,720,694
Ouyeel Blockchain Finance	943,472,348	500,615,261
Masteel K. Wah	–	304,026,836
BOC-Ma Steel	283,149,823	264,735,963
Masteel Gases	–	101,631,711
Baowu Water Technology Co., Ltd.	–	1,355,586
	2,109,068,486	1,817,086,051
Associates of the Holding		
Ma-Steel OCI Chemical Co., Ltd.	567,626	567,271
Joint venture of the ultimate controlling party of the Group		
Maanshan Gangchen Industrial Co., Ltd.	4,905,370	8,035,886

The fee charged by Masteel Finance for the financing services and deposit transactions provided to the Holding and its subsidiaries was determined based on negotiation between the parties.

As of 30 June 2022, in current assets and current liabilities, except for the interests charged for the deposit and loans provided by Masteel Finance, all these receivables and payables had no interest, no pledge and would be paid in the future.

7. Commitment to related parties

As of 30 June 2022, the Group had no investment commitment to related parties.

Notes to the Financial Statements (Continued)

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XI. SHARE BASED PAYMENT

1. Share based payment plan of the Group

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.

2. General situation

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Total amount of various equity instruments granted (unit: shares)	75,050,000	–
	For the six months ended 30 June	
	2022	2021
	Unaudited	Unaudited
Total employee services in exchange for share based payment	10,942,290	–

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

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XI. SHARE BASED PAYMENT (CONTINUED)

2. General situation (Continued)

Equity-settled share-based payments are as follows :

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Cumulative amount of equity settled share based payment included in capital reserve	10,942,290	–
Total expenses recognised by equity-settled share-based payment	10,942,290	–

3. 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.

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

Capital commitments

	30 June 2022 Unaudited	31 December 2021 Audited
Contracted, but not provided for Capital commitments	6,423,088,542	5,880,526,676

Loan commitments

	30 June 2022 Unaudited	31 December 2021 Audited
Acceptance bill	449,590,743	539,775,018

Credit commitments of the Group are the payment commitments made by MaSteel Finance for its customers' acceptance bill.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 nine 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 year. After understanding the above information, the Company and the tax authorities issued a comprehensive communication and according to the tax authorities, the applicable corporate income tax rate in 2007 was 33%, which was adjusted from 15%. The Company had not been recovered prior year income tax differences.

Based on the comprehensive communication between the Company and the tax authorities, the directors of the Company believe that it is uncertain whether the tax authorities will recover the difference between the previous year’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.

Pending litigation

As of 30 June 2022, the Group and the Company did not have significant pending litigations.

XIII. EVENTS AFTER THE BALANCE SHEET DATE

Until the approval date of 2022 interim report, there is no significant event after the reporting period need to be disclosed by the Group or the Company.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XIV. OTHER SIGNIFICANT EVENTS

1. Leases

As lessor

The Group had leased certain of its investment properties under operating lease arrangements ranging from one to eighteen years. The periodic rental was fixed during the operating lease periods. As of 30 June 2022, the rental income recognised by the Group was RMB7,780,561. According to lease contracts, the future minimum lease receivables under non-cancellable leases are as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
Remaining lease period		
Within 1 year, inclusive	1,733,834	2,541,115
1 to 2 years, inclusive	838,028	995,562
2 to 3 years, inclusive	838,028	838,028
Over 3 years	2,793,427	2,793,427
	6,203,317	7,168,132

As lessee

The Group had adopted a simplified approach for short-term leases and leases of low-value assets and did not recognise right-of-use assets and lease liabilities. The expense on short-term leases and leases of low-value assets recognised for the period is as follows:

	For the six months ended 30 June 2022 Unaudited	2021 Unaudited
Interest expense on lease liabilities	7,812,571	9,398,645
Expenses relating to short-term leases expense accounting for applying the simplified approach	22,176,011	7,654,120
Expenses relating to leases of low-value assets accounting for applying the simplified approach (other than short-term leases)	283,147	–
Total cash flow for leases	45,211,231	24,588,739

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Operating segment information

Operating segments

The Group divides the operation services into two operating segments which are determined based on the internal organization structure, management requirements and internal reporting system:

- Production and sale of iron and steel products and related by-products: the Company and its subsidiaries except for Masteel Finance
- Financial service: Masteel Finance

The Group did not consider financial service as an individual reportable segment, as Masteel Finance mainly offers financial service to internal companies. Therefore, the Group focuses on the production and sale of iron and steel products and by-products, and it is unnecessary for the Group to disclose more detailed information.

Other information

Product and service information

External principal operating income

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Operating segment information (Continued)

Other information (Continued)

Geographical information

External principal operating income

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

Non-current assets

	30 June 2022 Unaudited	31 December 2021 Audited
	Mainland China	50,014,835,107
Overseas and Hong Kong	142,423,919	145,347,640
	50,157,259,026	47,124,019,357

The non-current assets information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

Major customer information

The Group had not placed reliance on any single external customer which accounted for 10% or more of its total revenue.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Other financial information*

	Group		Company	
	30 June 2022 Unaudited	31 December 2021 Audited	30 June 2022 Unaudited	31 December 2021 Audited
Current assets	43,956,235,086	43,258,837,008	21,440,314,118	18,535,200,091
Less: Current liabilities	51,066,889,099	46,815,116,614	35,920,842,911	30,990,272,271
Net current liabilities	(7,110,654,013)	(3,556,279,606)	(14,480,528,793)	(12,455,072,180)

	Group		Company	
	30 June 2022 Unaudited	31 December 2021 Audited	30 June 2022 Unaudited	31 December 2021 Audited
Total assets	94,890,097,747	91,207,743,018	70,567,054,524	64,927,459,707
Less: Current liabilities	51,066,889,099	46,815,116,614	35,920,842,911	30,990,272,271
Total assets less current liabilities	43,823,208,648	44,392,626,404	34,646,211,613	33,937,187,436

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS

1. Trade receivables

The Company's trade receivables were interest-free with normal credit terms of 30 to 90 days.

The aging of trade receivables, based on the invoice date, is analysed below:

	30 June 2022 Unaudited	31 December 2021 Audited
Within one year	1,638,996,961	1,948,347,100
One to two years	223,153,871	216,515,542
Two to three years	221,085,219	217,288,373
Over three years	35,818,642	33,205,538
	2,119,054,693	2,415,356,553
Less: Provisions for bad debts	49,729,015	44,605,266
	2,069,325,678	2,370,751,287

The trade receivables balances were analysed as follows :

	30 June 2022 (Unaudited)				31 December 2021 (Audited)					
	Carrying amount		Provision for bad debts		Book Value	Carrying amount		Provision for bad debts		Book Value
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Assessed bad debt provision individually	1,572,491,683	74	-	-	1,572,491,683	1,942,175,637	80	-	-	1,942,175,637
Assessed bad debt provision in portfolios based on credit risk characteristics	546,563,010	26	(49,729,015)	9	496,833,995	473,180,916	20	(44,605,266)	9	428,575,650
	2,119,054,693	100	(49,729,015)		2,069,325,678	2,415,356,553	100	(44,605,266)		2,370,751,287

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

The movements of the provision for bad debts were as follows :

	Opening balance	Increase	Reversal	Write-back	Write-off	Other changes	Ending balance
For the six months ended							
30 June 2022	44,605,266	5,123,749	-	-	-	-	49,729,015
2021	46,636,353	8,481,463	(3,828,044)	-	(6,351,633)	(332,873)	44,605,266

The provision for bad debts applying other method by the Company was as follows:

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Carrying amount expected to default	Expected credit loss percentage (%)	Expected credit loss during lifetime	Carrying amount expected to default	Expected credit loss percentage (%)	Expected credit loss during lifetime
Trade receivables to subsidiaries	1,572,491,683	-	-	1,942,175,637	-	-

The Company's provision for bad debts of trade receivables analysed by aging was as follows:

	30 June 2022 (unaudited)			31 December 2021 (audited)		
	Carrying amount expected to default	Expected credit loss ratio (%)	Expected credit loss	Carrying amount expected to default	Expected credit loss ratio (%)	Expected credit loss
Within one year	482,715,294	1	(4,827,153)	415,873,250	1	(4,158,733)
One to two years	11,605,615	16	(1,856,898)	11,655,036	16	(1,864,806)
Two to three years	16,423,459	44	(7,226,322)	12,626,612	44	(5,555,709)
Over three years	35,818,642	100	(35,818,642)	33,026,018	100	(33,026,018)
Total	546,563,010		(49,729,015)	473,180,916		(44,605,266)

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

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS
(CONTINUED)

1. Trade receivables (Continued)

The top five trade receivables classified by debtor were as follows:

30 June 2022 (Unaudited)

	Relationship with the Company	Ending balance	Aging	Percentage of trade receivables	Ending balance of provision
Company 1	Subsidiary	549,374,889	Within one year	26%	–
Company 2	Subsidiary	495,010,545	Within two years	23%	–
Company 3	Subsidiary	201,570,575	Within one year	10%	–
Company 4	Subsidiary	182,761,594	Within one year	9%	–
Company 5	Subsidiary	93,270,428	Within one year	4%	–
		1,521,988,031		72%	–

31 December 2021 (Audited)

	Relationship with the Company	Ending balance	Aging	Percentage of trade receivables	Ending balance of provision
Company 1	Subsidiary	1,244,937,016	Within one year	52%	–
Company 2	Subsidiary	409,522,266	Within three years	17%	–
Company 3	Subsidiary	159,964,961	Within one year	7%	–
Company 4	Related party	80,608,529	Within one year	3%	(806,085)
Company 5	Subsidiary	79,150,549	Within one year	3%	–
		1,974,183,321		82%	(806,085)

2. Other receivables

	30 June 2022 Unaudited	31 December 2021 Audited
Dividends receivable	323,343,807	56,527,195
Other receivables	123,609,942	204,287,564
	446,953,749	260,814,759

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

Dividends receivable

	30 June 2022 Unaudited	31 December 2021 Audited
Subsidiaries – Masteel Finance	194,847,016	–
Subsidiaries – Ma Steel (HK)	44,469,880	–
Associate – Ouyeel Blockchain Finance	55,226,911	55,226,911
Associate – Henan JinMa Energy	28,800,000	–
Associate – Ouyeel Factoring	–	1,300,284
	323,343,807	56,527,195

Other receivables

An aging analysis of the other receivables is as follows:

	30 June 2022 Unaudited	31 December 2021 Audited
Within one year	120,612,000	201,294,455
One to two years	1,454,589	902,478
Two to three years	1,822,782	2,675,690
Over three years	60,577,274	59,149,366
	184,466,645	264,021,989
Less: Provision for bad debts	60,856,703	59,734,425
	123,609,942	204,287,564

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

Other receivables classified by nature:

	30 June 2022 Unaudited	31 December 2021 Audited
Due from trading companies	53,796,402	68,393,549
Guarantee for steel futures	82,258,563	138,290,419
Prepayments of custom duties and VAT	32,324,691	37,523,667
Others	16,086,989	19,814,354
	184,466,645	264,021,989
Less: Provision for bad debts	60,856,703	59,734,425
	123,609,942	204,287,564

The movements of bad debt provision based on the 12-month expected credit losses and lifetime credit losses were as follows:

For the six months ended 30 June 2022 (Unaudited)

	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses	Stage III Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	299,819	8,799,222	50,635,384	59,734,425
Provided	80,681	58,996	982,601	1,122,278
Closing balance	380,500	8,858,218	51,617,985	60,856,703

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

The movements of bad debt provision based on the 12-month expected credit losses and lifetime credit losses were as follows: (Continued)

2021 (Audited)

	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	941,199	8,349,590	409,919,452	419,210,241
Provided	-	449,632	121,027	570,659
Reversal	(587,980)	-	-	(587,980)
Other changes	(53,400)	-	-	(53,400)
Write-off	-	-	(359,405,095)	(359,405,095)
Closing balance	299,819	8,799,222	50,635,384	59,734,425

The movements of the provision for bad debts were as follows :

	Opening balance	Increase	Reversal	Write-back	Write-off	Ending balance
For the six months ended 30						
June 2022	59,734,425	1,122,278	-	-	-	60,856,703
2021	419,210,241	570,659	(587,980)	(53,400)	(359,405,095)	59,734,425

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

Other receivables (Continued)

As of 30 June 2022, the top five largest other receivables were as follows:

	Balance	Ratio to total other receivables (%)	Nature	Aging	Balance of bad debts
Company 1	45,390,133	25	Due from trading companies	More than 3 years	(45,390,133)
Company 2	44,522,448	24	Due from trading companies	Within 1 year	–
Company 3	37,734,115	20	Guarantee for steel futures	Within 1 year	–
Company 4	20,642,518	11	Guarantee for steel futures	Within 1 year	(206,425)
Company 5	9,682,172	5	Due from trading companies	Within 1 year	(96,822)
	157,971,386	85			(45,693,380)

As of 31 December 2021, the top five other receivables were as follows:

	Balance	Ratio to total other receivables (%)	Nature	Aging	Balance of bad debts
Company 1	76,234,732	29	Guarantee for steel futures	Within 1 year	–
Company 2	62,053,687	24	Guarantee for steel futures	Within 1 year	–
Company 3	45,390,133	17	Due from trading companies	More than 3 years	(45,390,133)
Company 4	17,392,518	7	Guarantees	Within 1 year	(173,925)
Company 5	13,832,802	5	Due from trading companies	Within 1 year	(138,328)
	214,903,872	82			(45,702,386)

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

	30 June 2022 Unaudited	31 December 2021 Audited
Long-term investments under the equity method		
Joint ventures (i)	317,330,759	307,367,524
Associates (i)	4,224,375,626	4,624,595,194
Long-term investments under the cost method		
Subsidiaries (ii)	9,076,444,687	9,076,444,687
Subtotal	13,618,151,072	14,008,407,405
Less: Provision for impairment	920,575,663	761,333,226
Total	12,697,575,409	13,247,074,179

In the opinion of the directors, there was no material restriction on the realization of investments as of 30 June 2022.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(i) Investments in joint ventures and associates

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Changes during the period								Ending 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	Other additions	Provision for impairment		
Joint ventures											
BOC-Ma Steel	307,367,524	-	-	52,662,835	-	300,400	(43,000,000)	-	-	317,330,759	-
Associates											
Henan JinMa Energy	870,862,596	-	-	82,409,839	234,768	2,010,420	(28,800,000)	-	-	926,717,623	-
Shenglong Chemical	1,068,420,632	-	-	42,479,886	-	1,460,944	-	-	-	1,112,361,462	-
Xinchuang Environmental											
Protection	74,212,749	-	-	3,350,141	-	183,113	-	-	-	77,746,003	-
Ouyeel Factoring	159,107,630	-	-	839,505	-	-	-	1,300,284	-	161,247,419	-
Magang Chemicals &											
Energy	773,875,614	-	(516,663,377)	72,795,017	-	(1,805,829)	-	-	-	328,201,425	-
Masteel K.Wah	115,944,838	-	(115,944,838)	-	-	-	-	-	-	-	-
OBEI	422,657,885	-	-	419,764	(163,665)	(412,526)	-	-	-	422,501,458	-
Ouyeel Blockchain											
Finance	341,116,220	-	-	19,463,596	-	165,373	-	-	-	360,745,189	-
Baowu Water	655,562,950	-	-	16,283,749	-	79,301	-	-	-	671,926,000	-
Masteel Gases	142,834,080	-	-	18,537,293	-	1,557,674	-	-	-	162,929,047	-
	4,931,962,718	-	(632,608,215)	309,241,625	71,103	3,538,870	(71,800,000)	1,300,284	-	4,541,706,385	-

Note: Please refer to Note V.13 for details.

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(i) Investments in joint ventures and associates (Continued)

2021 (Audited)

	Opening balance	Changes during the year							Ending 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	Provision for impairment		
Joint ventures										
BOC-Ma Steel	298,485,434	-	-	96,382,090	-	-	(87,500,000)	-	307,367,524	-
Associates										
Henan JinMa Energy	772,463,295	-	-	140,459,323	520,765	619,213	(43,200,000)	-	870,862,596	-
Shenglong Chemical	910,994,190	-	-	196,789,335	-	(971,332)	(38,391,561)	-	1,068,420,632	-
Xinchuang Environmental Protection	76,617,756	-	-	5,630,425	-	(277,992)	(7,757,440)	-	74,212,749	-
Ouyeel Factoring	158,306,896	-	-	953,768	-	1,147,250	(1,300,284)	-	159,107,630	-
Magang Chemicals & Energy	665,492,582	-	-	127,818,098	-	(236,036)	(19,199,030)	-	773,875,614	-
Masteel K.Wah	101,993,153	-	-	21,455,692	-	-	(7,504,007)	-	115,944,838	-
OBEI	192,364,456	247,654,596	-	1,779,600	412,526	(19,553,293)	-	-	422,657,885	-
Ouyeel Blockchain Finance	309,246,128	-	-	81,905,521	-	1,641,429	(51,676,858)	-	341,116,220	-
Baowu Water	-	654,570,045	-	702,353	-	290,552	-	-	655,562,950	-
Masteel Gases	-	132,300,000	-	10,534,080	-	-	-	-	142,834,080	-
	3,485,963,890	1,034,524,641	-	684,410,285	933,291	(17,340,209)	(256,529,180)	-	4,931,962,718	-

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(ii) Investments in subsidiaries

For the six months ended 30 June 2022 (Unaudited)

	Opening balance	Changes during the period			Provision for impairment	Ending balance	Impairment at the end of the period	Cash dividends declared
		Increase	Disposal/ cancellation	Other equity movement				
Ma Steel (Wuhu)	8,225,885	-	-	-	-	8,225,885	-	10,262,000
Ma Steel (Cihu)	48,465,709	-	-	-	-	48,465,709	-	20,240,000
Ma Steel (Guangzhou)	93,058,200	-	-	-	-	93,058,200	-	5,999,200
Ma Steel (HK)	52,586,550	-	-	-	-	52,586,550	-	44,171,920
MG Trading	1,573,766	-	-	-	-	1,573,766	-	-
Holly Industrial	21,478,316	-	-	-	-	21,478,316	-	12,477,872
Ma Steel (Jinhua)	90,000,000	-	-	-	-	90,000,000	-	11,342,939
Ma Steel (Australia)	126,312,415	-	-	-	-	126,312,415	-	78,696,066
Ma Steel (Hefei)	1,775,000,000	-	-	-	-	1,775,000,000	-	-
Ma Steel (Hefei) Processing	85,596,489	-	-	-	-	85,596,489	-	14,740,000
Ma Steel (Yangzhou) Processing	116,462,300	-	-	-	-	116,462,300	-	-
Wuhu Technique	106,500,000	-	-	-	-	106,500,000	-	7,455,000
Chongqing Material	175,000,000	-	-	-	-	175,000,000	-	8,400,000
Anhui Chang Jiang Iron and Steel	1,234,444,444	-	-	-	-	1,234,444,444	-	435,600,000
Masteel Finance	1,843,172,609	-	-	-	-	1,843,172,609	-	1,001,094,170

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(ii) Investments in subsidiaries (Continued)

For the six months ended 30 June 2022 (Unaudited) (Continued)

	Opening balance	Changes during the year			Provision for impairment	Ending balance	Impairment at the end of the period	Cash dividends declared
		Increase	Disposal/ cancellation	Other equity movement				
Hefei Materials	140,000,000	-	-	-	-	140,000,000	-	10,500,000
MG-VALDUNES	435,273,759	-	-	-	(159,242,437)	276,031,322	(920,575,663)	-
Ma Steel Hangzhou Sales	10,000,000	-	-	-	-	10,000,000	-	10,000,000
Ma Steel Wuxi Sales	10,000,000	-	-	-	-	10,000,000	-	8,000,000
Ma Steel Nanjing Sales	10,000,000	-	-	-	-	10,000,000	-	5,000,000
Ma Steel Shanghai Sales	10,000,000	-	-	-	-	10,000,000	-	35,000,000
Ma Steel Rail Transportation	1,522,317,563	-	-	-	-	1,522,317,563	-	72,620,000
Ma Steel America Inc	3,298,375	-	-	-	-	3,298,375	-	-
Mascomental	127,368,631	-	-	-	-	127,368,631	-	-
Masteel Middle East	5,476,450	-	-	-	-	5,476,450	-	-
Ma Steel Hongfei	51,000,000	-	-	-	-	51,000,000	-	921,482
Wuhan Material	212,500,000	-	-	-	-	212,500,000	-	3,230,000
Total	8,315,111,461	-	-	-	(159,242,437)	8,155,869,024	(920,575,663)	1,795,750,649

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(ii) Investments in subsidiaries (Continued)

2021 (Audited)

	Opening balance	Changes during the year				Ending balance	Impairment at the end of the year	Cash dividends declared
		Increase	Disposal/ cancellation	Other equity movement	Provision for impairment			
Ma Steel (Wuhu)	8,225,885	-	-	-	-	8,225,885	-	1,400,000
Ma Steel (Cihu)	48,465,709	-	-	-	-	48,465,709	-	15,640,000
Ma Steel (Guangzhou)	93,058,200	-	-	-	-	93,058,200	-	2,108,277
Ma Steel (HK)	52,586,550	-	-	-	-	52,586,550	-	47,819,730
MG Trading	1,573,766	-	-	-	-	1,573,766	-	4,519,103
Holly Industrial	21,478,316	-	-	-	-	21,478,316	-	13,268,303
Ma Steel (Jinhua)	90,000,000	-	-	-	-	90,000,000	-	-
Ma Steel (Australia)	126,312,415	-	-	-	-	126,312,415	-	59,074,860
Ma Steel (Hefei)	1,775,000,000	-	-	-	-	1,775,000,000	-	-
Ma Steel (Hefei) Processing	85,596,489	-	-	-	-	85,596,489	-	10,050,000
Ma Steel (Yangzhou) Processing	116,462,300	-	-	-	-	116,462,300	-	-
Wuhu Technique	106,500,000	-	-	-	-	106,500,000	-	781,000
Chongqing Material	175,000,000	-	-	-	-	175,000,000	-	4,900,000
Anhui Chang Jiang Iron and Steel	1,234,444,444	-	-	-	-	1,234,444,444	-	250,800,000
Masteel Finance	1,843,172,609	-	-	-	-	1,843,172,609	-	213,185,167

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(ii) Investments in subsidiaries (Continued)

2021 (Audited) (Continued)

	Opening balance	Changes during the year				Ending balance	Impairment at the end of the year	Cash dividends declared
		Increase	Disposal/ cancellation	Other equity movement	Provision for impairment			
Hefei Materials	140,000,000	-	-	-	-	140,000,000	-	7,000,000
MG-VALDUNES	435,273,759	-	-	-	-	435,273,759	(761,333,226)	-
Ma Steel Hangzhou Sales	10,000,000	-	-	-	-	10,000,000	-	6,000,000
Ma Steel Wuxi Sales	10,000,000	-	-	-	-	10,000,000	-	3,000,000
Ma Steel Nanjing Sales	10,000,000	-	-	-	-	10,000,000	-	7,000,000
Ma Steel Shanghai Sales	10,000,000	-	-	-	-	10,000,000	-	14,000,000
Ma Steel Rail Transportation	1,522,317,563	-	-	-	-	1,522,317,563	-	72,948,800
Ma Steel America Inc	3,298,375	-	-	-	-	3,298,375	-	-
Ma Steel Antirust	3,060,000	-	(3,060,000)	-	-	-	-	-
Mascomental	127,368,631	-	-	-	-	127,368,631	-	-
Masteel Middle East	5,476,450	-	-	-	-	5,476,450	-	-
Changchun Sales	10,000,000	-	(10,000,000)	-	-	-	-	-
Ma Steel Hongfei	51,000,000	-	-	-	-	51,000,000	-	2,194,486
Wuhan Material	159,375,000	53,125,000	-	-	-	212,500,000	-	-
Masteel Gases	-	270,000,000	-	(270,000,000)	-	-	-	-
Total	8,275,046,461	323,125,000	(13,060,000)	(270,000,000)	-	8,315,111,461	(761,333,226)	735,689,726

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales

	For the six months ended 30 June 2022 Unaudited		For the six months ended 30 June 2021 Unaudited	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	47,111,898,468	43,970,960,601	47,754,246,972	40,836,704,961
Other operating income	1,663,396,228	1,265,659,219	980,742,280	851,086,754
	48,775,294,696	45,236,619,820	48,734,989,252	41,687,791,715

Revenue from contracts with customers:

	For the six months ended 30 June 2022 Unaudited	2021 Unaudited
Sales of products	48,766,435,236	48,732,257,694
Rental income	8,859,460	2,731,558
	48,775,294,696	48,734,989,252

Timing of revenue recognition from contracts with customers:

	For the six months ended 30 June 2022 Unaudited	2021 Unaudited
Recognise at a point in time		
Sales of steel products	45,270,873,577	46,218,335,506
Sales of other products	3,329,818,380	2,471,415,831
Recognise over time		
Sales of services	35,787,263	38,038,491
Other	129,956,016	4,467,866
	48,766,435,236	48,732,257,694

Notes to the Financial Statements (Continued)

For the six months ended 30 June 2022

Renminbi Yuan

XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost of sales (Continued)

The revenue recognised in the book value of contract liabilities at the beginning of the year is as follows:

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Sales of products	4,298,511,087	2,928,436,894

The estimated time for the total transaction price allocated to the year-end outstanding (or partially unfulfilled) performance obligations to be recognised as revenue is as follows:

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Within one year	3,668,495,382	3,530,949,409

5. Investment income

	For the six months ended 30 June	
	2022 Unaudited	2021 Unaudited
Investment income from long-term investments under the equity method	309,241,625	384,177,631
Investment income from long-term investments under the cost method	1,795,750,649	722,003,223
Loss from disposal of associates	(21,033,514)	–
Investment income from other equity instrument investments in duration	21,597,770	8,099,164
Gain from disposal of financial assets held for trading	7,422,799	37,584,196
Loss from disposal of financial liabilities held for trading	(24,207,555)	(96,586,737)
	2,088,771,774	1,055,277,477

As at the balance sheet date, there was no significant restriction imposed upon the remittance of the Company's investment income.

Supplementary Information

1. BREAKDOWN OF NON-RECURRING GAINS OR LOSSES

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.

	For the six months ended 30 June 2022 (Unaudited)
Items of non-recurring gains or losses	
Gain from disposal of non-current assets	346,150,687
Government grants recognised in current period profit or loss (excluding those having close relationship with the Company’s normal business, conforming to the national policies and regulations and enjoying ongoing fixed amount or quantity according to certain standard)	110,223,606
Employee termination compensation	(67,711,712)
Loss from disposal of associates	(22,176,271)
Except for the effective hedging business related to the ordinary business of the Company, changes in fair value of 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 and financial assets at fair value through other comprehensive income	155,901,068
Net non-operating income or expenses other than the above items	439,410
	522,826,788
Income tax effect	121,217,864
Non-controlling interests effect (net of tax)	114,880,370
Net effect of non-recurring gains or losses	286,728,554
Net profit attributable to owners of the parent excluding non-recurring gains or losses	
Net profit attributable to owners of the parent	1,427,570,875
Less: net effect of non-recurring gains or losses	286,728,554
Net profit attributable to owners of the parent excluding non-recurring gains or losses	1,140,842,321

Supplementary Information (Continued)

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE*For the six months ended 30 June 2022 (Unaudited)*

	Return on weighted average net assets (%)	Earnings per share (cent/share)	
		Basic	Diluted
Net profit attributable to owners of the parent	4.44	18.53	18.53
Net profit attributable to owners of the parent excluding non-recurring gains or losses	3.55	14.80	14.80

For the six months ended 30 June 2021 (Unaudited)

	Return on weighted average net assets (%)	Earnings per share (cent/share)	
		Basic	Diluted
Net profit attributable to owners of the parent	15.36	60.30	60.30
Net profit attributable to owners of the parent excluding non-recurring gains or losses	15.72	61.71	61.71

Return on net assets and earnings per share are calculated based on the formula stipulated in the "Regulation for the preparation of information disclosure for listed securities companies (2010) No.9 – Calculation and disclosure of return on net assets and earnings per share" (2010 revised) issued by the CSRC.

Chairman of the Board: **DingYi**

Approved and submitted by the Board on 30 August 2022



馬鞍山鋼鐵股份有限公司
Maanshan Iron & Steel Company Limited

