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

**(Stock Code: 00323)**

## **2021 INTERIM RESULTS ANNOUNCEMENT**

### **I. IMPORTANT NOTICE**

- 1.1 This interim results announcement is abstracted from the full text of the current interim report. To fully understand the business performance, financial position and future development plans of the Company, investors shall carefully read the full Interim Report published on website designated by China Securities Regulatory Commission such as the website of the Stock Exchange of Hong Kong Limited as well as the website of the Shanghai Stock Exchange.
- 1.2 The board of directors (the “Board”), the supervisory committee, the directors, the supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from this interim report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report.
- 1.3 All directors of the Company attended the board meeting.
- 1.4 The financial report for the interim report has not been audited.
- 1.5 Profit distribution plan or plan for the capitalization of capital reserve during the reporting period proposed by the Board:

None

## II. BASIC INFORMATION OF THE COMPANY

### 2.1 Company Profile

Type of shares	Stock Exchange for Listing of Shares	Stock abbreviation	Stock code
A Shares	The Shanghai Stock Exchange	Magang Stock	600808
H Shares	The Stock Exchange of Hong Kong Limited	Maanshan Iron & Steel	00323
<b>Contact person and methods</b>	<b>Secretary of the board of directors, joint company secretary</b>	<b>Joint Company Secretary</b>	
Name	He Hongyun	Rebecca Chiu	
Telephone	86-555-2888158/2875252	(852) 2155 2649	
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### 2.2 Major Financial Data of the Company

	At the end of the reporting period	At the end of the previous year	Unit: RMB
			Increase/decrease at the end of the reporting period compared to the end of last year (%)
Total assets	92,935,115,395	80,711,141,782	15.15
Net assets attributable to owners of the parent	32,064,229,646	28,386,124,992	12.96

	Reporting period (January to June)	Corresponding period of the previous year	Increase/decrease at the reporting period compared to the same period of last year (%)
Net cash flows from operating activities	11,280,586,519	945,746,996	1,092.77
Revenue	56,863,615,397	37,429,035,554	51.92
Net profit attributable to owners of the parent	4,643,787,117	812,342,511	471.65
Net profit excluding non-recurring gains or losses attributable to owners of the parent	4,751,908,439	565,970,393	739.60
Return on net assets (weighted average)(%)	15.36	2.97	Increased by 12.39 percentage points
Basic earnings per share (RMB/share)	0.6030	0.1055	471.56
Diluted earnings per share (RMB/share)	0.6030	0.1055	471.56

## 2.3 Shareholding of the top ten shareholders

Unit: Share

Shareholding of the top ten shareholders							
Name of Shareholder (Full Name)	Increase/ Decrease During the Reporting Period	No. of Shares Held at the End of the Period	Percentage (%)	No. of Shares under Restricted Condition for Sales	Pledged, Marked or Frozen Situations		
					Share Status	Shareholder Number	Shareholder Nature
Magang (Group) Holding Co., Limited	-	3,506,467,456	45.535	-	None	-	State-owned shareholder
Hong Kong Securities Clearing Company (Nominees) Limited	564,750	1,717,665,800	22.305	-	Unknown	Unknown	Unknown
Hong Kong Securities Clearing Company Ltd.	161,364,164	267,213,293	3.470	-	Unknown	Unknown	Unknown
Magang Group Investment Co., Ltd.	-	158,282,159	2.055	-	None	-	State-owned shareholder
Central Huijin Investment Ltd.	-	142,155,000	1.846	-	Unknown	Unknown	State-owned shareholder

**Shareholding of the top ten shareholders**

Name of Shareholder (Full Name)	Increase/ Decrease During the Reporting Period	No. of Shares Held at the End of the Period	Percentage (%)	No. of Shares under Restricted Condition for Sales	Pledged, Marked or Frozen Situations		
					Share Status	Shareholder Number	Shareholder Nature
China Merchants Bank Ltd. – SSE Dividend Index ETF	47,848,122	127,011,726	1.649	–	Unknown	Unknown	Unknown
Zhang Wu	5,200,000	30,000,000	0.390	–	Unknown	Unknown	Unknown
Industrial and Commercial Bank of China Limited – Fullgoal CSI Dividend Enhanced Securities Investment Fund	Unknown	19,361,500	0.251	–	Unknown	Unknown	Unknown
Huatai Securities Co., Limited	Unknown	18,286,322	0.237	–	Unknown	Unknown	Unknown
Huang Xubin	Unknown	17,593,900	0.228	–	Unknown	Unknown	Unknown

Notes on the above shareholders' affiliated relation or concerted action

As at the end of the reporting period, Magang (Group) Holding Co., Limited is the controlling shareholder of Magang Group Investment Co., Limited, and they are persons acting in concerted action. Magang (Group) Holding Co., Limited has no affiliated relation with any of the other foregoing shareholders, nor is a person acting in concerted action. However, it is not in the knowledge of the Company whether there is any affiliated relation among other foregoing shareholders and whether they are persons acting in concerted action.

*Note :* At the end of the reporting period, Hong Kong Securities Clearing Company (Nominees) Limited held 1,717,665,800 H Shares of the Company, which were held on behalf of its customers, including 883,293,958 H Shares of the Company held on behalf of Baosteel Hong Kong Investment Co., Limited. As of the date of this report, Baosteel Hong Kong Investment Co., Limited held 846,390,000 H shares of the Company.

**2.4 During the reporting period, there was no change of controlling shareholder or actual controller of the Company.**

**2.5 During the reporting period, the Company does not have any undue or overdue corporate bonds.**

### III. DISCUSSION AND ANALYSIS ON OPERATION

#### 3.1 Operating results and measures on main tasks

##### 1. *Operating results*

In the first half of 2021, the Company focused on lean and high efficiency, gathered efforts to strive for the first place, fully implemented various work arrangements of China Baowu and the Company, formed a strong atmosphere of courageous competition and refreshing indicators, and reached a new high in its operating results, making it stand firmly in the top position among Baowu series.

During the reporting period, the Group produced 9.41 million tons of pig iron, 11.21 million tons of crude steel, and 10.75 million tons of steel, representing increases of 1.62%, 9.90%, and 11.05% respectively year-on-year (of which the Company produced 7.47 million tons of pig iron, 8.88 million tons of crude steel, and 8.3 million tons of steel, representing increases of 2.75%, 11.41% and 13.70% respectively). Calculated in accordance with Chinese Accounting Standards for Business Enterprises, the Group's revenue for the reporting period amounted to RMB56,864 million, representing a year-on-year increase of 51.92%; net profit attributable to shareholders of the listed company amounted to RMB4,644 million, representing a year-on-year increase of 471.65%; basic earnings per share amounted to RMB0.603, representing a year-on-year increase of 471.56%. As at the end of the reporting period, the Group's total assets amounted to RMB92,935 million, representing a year-on-year increase of 15.15%; net assets attributable to shareholders of the listed company amounted to RMB32,064 million, representing a year-on-year increase of 12.96%.

##### 2. *Main tasks and results*

- (1) Effective pandemic prevention and control in an orderly manner. In the face of the severe situation of repeated pandemic, the Company has always adhered to the prevention and control strategy of "guarding against imported cases and rebound in indigenous cases", kept the prevention and control mindset unrelaxed, the prevention and control standard undiminished, and the prevention and control strength undiminished, and implemented all the pandemic prevention and control measures in details and in full, and strictly prevented the rebound of the pandemic. The Company has continued to strengthen the implementation of responsibility and normalize prevention and control management, implement source blocking and full control,

block all loopholes that may lead to the rebound of the pandemic, minimize the risk of the pandemic, and lay a solid foundation for promoting stable production and improving efficiency.

- (2) Comprehensive implementation of overall benchmarking to identify areas for improvement. The Company has always followed the spirit of “surpassing ourselves, outperforming the market and pursuing excellence”, continued to improve the comprehensive benchmarking system to identify areas for improvement by taking the improvement of the benchmarking index system as the core, the layered implementation as the path, the special benchmarking as the breakthrough, the improvement of projects as the grasp, and the process control to establish closed loop, and carried out the benchmarking activities against the leading enterprises in the industry, the average level of the industry and the best historical level of our own in all aspects. In 2021, 231 benchmarking indicators are set up in the benchmarking index system. In the first half of the year, 184 indicators made significant progress compared with the actual performance in 2020, with an improvement rate of 79.65%; 135 indicators achieved the benchmarking target, with an achievement rate of 58.44%; 69 benchmarking improvement projects are set, realizing benefit of RMB549 million and an annualized benefit achievement rate of 135.19%. The main technical and economic indicators continued to improve, and the indicators such as blast furnace utilization coefficient and iron to steel ratio improved significantly, comprehensively performing better than the best level of the previous year.
- (3) Rapid advancement of the integration. Through the collaborative support of 15 quick-win projects, the Company has fully integrated into the management system of China Baowu in manufacturing management, energy and environmental management, equipment management and efficient financial management, and has improved its sustainable and comprehensive competitiveness. With the successful launch of the integration and information projects, the Company has made a major breakthrough in the coverage of the operation and sharing system, which has laid a solid foundation for the Company’s smart manufacturing and digital transformation.
- (4) Continuous improvement in operation efficiency. Procurement side: The Company has continuously tracked market resources and strengthened the linkage between procurement, production and supply; taken various measures to promote structural cost reduction, and continued to promote lean procurement through the combination of futures and spot to reduce the spot procurement

cost of imported ores. Sales side: The Company has strengthened market research and judgment, locked in costs and profits through futures hedging to prevent market risks; continuously adjusted product structure, ensured the full-loaded production of high-margin production lines, and improved the utilization of production line capacity. The manufacturing system has promoted lean manufacturing in four dimensions: production capacity realization, production line efficiency, quality stability and cost improvement, so as to further release equipment capacity and steadily improve contract fulfillment rate. The Company adjusted the annual maintenance strategy of equipment system and optimized the inspection and repaired arrangement of related production lines to maximize the utilization value of production lines.

- (5) Strong green and low-carbon actions. The Company has adhered to China Baowu's green development concept of "two better and one integration" and "three treatments and four transformations", and made every effort to build a green city steel plant through a series of environmental improvement and renovation, realizing significant social and environmental benefits. During the reporting period, the Company's SO<sub>2</sub>, NO<sub>x</sub> and COD emissions decreased by 52%, 48% and 42%, respectively year-on-year, and the comprehensive energy consumption per ton of steel was 540.94kgce/t, decreased by 13.43kgce/t. The Company launched the open day activity to receive the public's monitoring on its plant environmental, enhanced the transparency of the Company, accepted the supervision of the public, and established a positive interaction mechanism between the Company's development and public concern.
- (6) Breakthrough in quantity and efficiency of new product development. The Company has developed a total of more than 680,000 tons of various new products, creating a total gross profit of more than RMB520 million, which reached the best level in the history of new product development of the Company; six new products including 430MPa extreme specification heavy-duty hot-rolled H-beam steel have debut in China. Steel sales for energy entered the first echelon of the domestic market, with a new breakthrough of 98,700 tons of steel sales for wind power. The effect of structural adjustment of silicon steel varieties was remarkable, and the sales of new silicon steel products with high grade of W400 above reached 58,700 tons in the reporting period. Aluminum-silicon coated home appliances plates accounted for more than 40% of the domestic market share.

- (7) Striving for excellence and gathering strength. In order to encourage advance, boost morale, and gather efforts, the Company has set up the “Strive for Excellence Award” to continue to stimulate the enthusiasm of all units to “compare, learn, catch up, help and exceed”, form and gradually internalize it into a good habit, promote the majority of workers to compete for every minute and second, work very hard, practice the spirit of “the blossoming city in Jiangnan” in the new era and contribute to the creation of a strong and new Magang with high spirit.

### **3.2 Financial position and exchange risks**

As of 30 June 2021, the total loans of the Group were equivalent to RMB17.909 billion, including short-term loans of RMB11.515 billion and long-term loans of RMB6.394 billion (including RMB2.95 billion of long-term loans due within one year). The loans included foreign currency loans of USD200 million (of which USD69 million are import bills), and the rest were Renminbi denominated loans. Among the Renminbi denominated loans of the Group, loans amounting to RMB10.878 billion carried fixed interest rates and loans amounting to RMB5.731 billion carried floating interest rates. Among loans denominated in foreign currencies, loans amounting to USD139 million carried fix interest rates and loans amounting to USD61 million carried floating interest rates.

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, the Group’s asset liability ratio was 60.78%, representing an increase of 1.18 percentage points as compared with the end of 2020; current ratio was 0.92, representing an increase of 5.75% as compared with 0.87 at the end of 2020; quick ratio was 0.67, representing an increase of 8.06% as compared with 0.62 at the end of 2020.

At present, the Company finances its construction projects mainly with its own funds. At the end of the reporting period, banking facilities available to the Company amounted to approximately RMB53 billion, of which the unutilised facilities amounted to approximately RMB27.3 billion.

As of 30 June 2021, the monetary capital of the Group was equivalent to RMB7.362 billion, the financing receivables was RMB8.61 billion, and most of the monetary funds and bank acceptance bills derived from receipt of sales payment. There was not failure of withdrawal of expired deposit of the Group.



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, for the US dollars to be paid for the imported raw materials, the forward settlement and sales of foreign exchange shall be handled in accordance with the needs, and the US dollar exchange rate shall be locked; the amount of equipment purchased from Europe and Japan is small, and the purchase payment is relatively insignificant as affected by exchange rate fluctuation.

### **3.3 Internal control and risk management**

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

The Audit Committee reviewed the 2020 internal audit work report of the Company on 18 January 2021, agreeing to the internal audit work arrangements for 2020 and submitted it to the Board for consideration. The Audit Committee heard the 2020 anti-fraud work report on 25 March 2021.

The Board reviewed and approved the 2020 Comprehensive Risk Management and Internal Control Work Report on 25 March 2021. 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 2020 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 “2020 Risk Supervision and Evaluation Report” by the Board of Directors was made on 25 March 2021, confirming that the Company would take appropriate control measures for strategic risks, financial risks, market risks, operational risks, legal risks and environmental risks, etc. in 2020 and the risks were under control. During the reporting period, the Company evaluated the risks, formulated the measures for identified risks, and carried out key prevention and control to ensure that the risks were under control.

### 3.4 Operating results

*Unit: RMB*

<b>Accounts</b>	<b>Amount of the current period</b>	<b>Amount of the same period of last year</b>	<b>Change (%)</b>
Revenue	<b>56,863,615,397</b>	37,429,035,554	<b>51.92</b>
Cost of sales	<b>47,042,273,786</b>	34,203,030,172	<b>37.54</b>
Taxes and surcharges	<b>363,172,255</b>	266,001,123	<b>36.53</b>
Selling expenses	<b>551,111,957</b>	530,439,865	<b>3.90</b>
General and administrative expenses	<b>707,192,699</b>	692,664,296	<b>2.10</b>
R&D expenses	<b>2,046,087,559</b>	636,396,202	<b>221.51</b>
Financial expenses	<b>383,493,033</b>	290,762,915	<b>31.89</b>
Other income	<b>60,339,953</b>	41,630,457	<b>44.94</b>
Investment income	<b>388,274,825</b>	231,959,570	<b>67.39</b>
Gain on changes in fair value	<b>65,879,265</b>	29,311,320	<b>124.76</b>
Asset impairment losses	<b>-26,303,476</b>	-73,128,980	<b>-</b>
Gain/(loss) from disposal of assets	<b>1,219,470</b>	-62,159,618	<b>-</b>
Operating profit	<b>6,252,951,393</b>	969,323,629	<b>545.08</b>
Non-operating income	<b>60,126,166</b>	254,176,550	<b>-76.34</b>
Non-operating expense	<b>29,469,788</b>	2,909,067	<b>913.03</b>
Profit before tax	<b>6,283,607,771</b>	1,220,591,112	<b>414.80</b>
Income tax expense	<b>1,245,769,164</b>	222,966,726	<b>458.72</b>
Net profit	<b>5,037,838,607</b>	997,624,386	<b>404.98</b>
Net profit attributable to owners of the parent	<b>4,643,787,117</b>	812,342,511	<b>471.65</b>
Net profit attributable to non-controlling interests	<b>394,051,490</b>	185,281,875	<b>112.68</b>
Net cash flows from operating activities	<b><u>11,280,586,519</u></b>	<u>945,746,996</u>	<b><u>1,092.77</u></b>
Net cash flows used in investing activities	<b><u>-7,965,903,886</u></b>	<u>-518,825,820</u>	<b><u>-</u></b>
Net cash flows (used in)/generated from financing activities	<b><u>-1,358,524,522</u></b>	<u>722,208,572</u>	<b><u>-288.11</u></b>

Revenue increase by 51.92% as compared with the same period of last year, mainly due to the increase in steel prices and the increase in steel sales volume during the current period as compared with the same period of last year.

Cost of sales increased by 37.54% as compared with the same period of last year, mainly due to the increase in steel sales volume and the increase in the price of bulk raw materials during the current period as compared with the same period of last year.

Taxes and surcharges increased by 36.53% as compared with the same period of last year, mainly due to the corresponding increase in surcharges provision arising from the increase in value-added tax with the increase in steel prices and sales volume during the current period.

R&D expenses increased by 221.51% as compared with the same period of last year, mainly due to increased investment in scientific research by the Company and more new products developed in the current period, which resulted in the increase in relevant expenses as compared with the same period of last year.

Financial expenses increased by 31.89% as compared with the same period of last year, mainly due to the losses of foreign currency debt exchange of the Company, the bill discount interest increased significantly as compared with the previous year, and the interest income decreased year-on-year during the current period.

Other income increased by 44.94% as compared with the same period of last year, mainly due to the increase in government grants that were related to the normal operation during the current period as compared with the same period of last year.

Investment income increased by 67.39% as compared with the same period of last year, mainly due to the increase in profit of associates and joint ventures during the current period as compared with the same period of last year.

Gain on the changes in fair value increased by 124.76% as compared with the same period of last year, mainly due to the relatively large gains from changes in fair value of forward foreign exchange contracts held by the Company during the current period.

Asset impairment losses amounted to RMB26 million as compared with the same period of last year of RMB73 million, mainly due to the decrease in the Company's inventory impairment during the current period as compared with the same period of last year.

Gain from disposal of assets amounted to RMB1 million, as compared with the same period of last year of RMB62 million, mainly due to the decrease in losses of demolition and disposal of assets for construction of new projects during the period as compared with the same period of last year.

Non-operating income decreased 76.34% as compared with the same period of last year, mainly due to the decrease in government grants for de-capacity received by the Company and its subsidiaries during the current period as compared with the same period of last year.

Non-operating expenses increased by 913.03% as compared with the same period of last year, mainly due to the increase in loss arising from scrapped fixed assets during the current period as compared with the same period of last year.

Income tax expense increased by 458.72% as compared with the same period of last year, mainly due to the increase in the total profit of the Company and the increase in income tax withdrawn from enterprises during the current period.

Operating profit, profit before tax, net profit and net profit attributable to owners of the parent increased by 545.08%, 414.80%, 404.98% and 471.65%, respectively as compared with the same period of last year, mainly due to the increase in gross profit of steel products of the Company during the current period as compared with the same period of last year.

Net profit attributable to non-controlling interests increased by 112.68% as compared with the same period of last year, mainly due to the increase in the profitability of certain non-wholly owned subsidiaries from the same period of last year.

Net cash inflow from operating activities increased by 1,092.77% compared with the same period of last year, mainly due to the increase in cash receipts from the sales of goods and the rendering of services.

Net cash outflow from investing activities amounted to RMB7.966 billion, as compared with a net outflow of RMB519 million in the same period last year, representing an increase of RMB7.447 billion as compared with the same period of last year, mainly due to the increase in financial assets held for trading and the outflow of cash for debt investments.

Net cash outflows from financing activities amounted to RMB1.359 billion, as compared with net inflows of RMB722 million in the same period of last year, the year-on-year change was mainly due to the increase in cash repayment of loans by the Company during the current period.

### 3.5 The environment for production and operation and coping strategies

In the second half of this year, the COVID-19 epidemic is expected to keep on spreading and profoundly affect the global economy. The international environment will become more complex and severe, and uncertainties affecting the global economy have been increasing, causing a far-reaching impact on iron ore supply, steel export and the downstream industry chain of steel. On the whole, the epidemic in China will be effectively controlled. However, the epidemic situation is uncertain in some regions. Although the domestic economic recovery is still unstable and uneven, the cycle of supply and demand is smooth with confidence in market and increased domestic demand. China's economy is expected to maintain a sustained and stable recovery. The iron and steel industry is still facing tremendous pressure from the national policy and market level, such as the implementation of the new Measures for the Implementation of Capacity Replacement in the Iron and Steel Industry, the national promotion of crude steel production reduction, and the implementation of "dual-carbon" requirements. At the same time, the situation under high price of iron ore and the shortage of coal and coke resources still exist.

The Company will actively adapt to the new situation, new objectives and new requirements with a firm focus on the theme of high-quality development; unswervingly implement the new development concept with "chess game" idea established to correctly handle the relationship between the whole and part, development and emission reduction, short-term and medium-to-long-term; adhere to the combination of efficient operation of production line, index progress, structural adjustment and cost optimization to advance comprehensive lean and high efficiency, and encourage all staff to strive for the first place and achieve the goal for the whole year. The main tasks are as follows:

**Firstly, the Company will seize the market structural opportunities in the second half of the year and strengthen the efficiency of steel market and raw material market.** Under the condition of resolutely implementing the national requirements for reducing crude steel production, the Company will make effort in tracking, studying and responding to changes in market trends while strengthening the systematic linkage with optimization of procurement and marketing strategies; not only take the benefits back from the market, but also adhere to low inventory operation for better management and control of "two reserves" and effective prevention of market operation risks.

**Secondly, the Company will firmly establish the idea of "chess game" in internal production to ensure the maximization of overall benefits.** The Company will adhere to the benefit orientation and optimize the resource allocation in combination with the benefits of the production line

to ensure the full load production of the high gross profit production line, and maximize the value of limited resources. To prevent lax thinking, under the background of reducing crude steel production, the Company will maintain high production efficiency and fast pace of work, always adhere to the requirements of simplicity, extreme, high efficiency, low cost and high quality, shore up weakness and strengthen weaknesses to ensure a stable daily pre-ironmaking production level of 42,000 tons. While optimizing the post-steel making economic operation mode, the Company will coordinate the reasonable arrangement of production plan and strengthen the cross-system communication and linkage of manufacturing, equipment, public and auxiliary, and flexibly adopt the ways of orders sorting, concentrated batch production, off-peak season production, so as to create favorable conditions for optimizing technical and economic indicators. When formulating the production schedule, the Company will take into account the safety and economic requirements of the production organization. The Company will continue to improve equipment support capacity, stay focus on process-oriented and equipment initiative, adapt to the needs of efficient production, as well as strengthen equipment basic management, spot inspection and maintenance, and optimize equipment secure mode to resolutely reduce the frequency of equipment failures that affect the efficiency of the whole system. The Company will organize project planning and maintenance project arrangement, conduct scientific evaluation with reasonable adjustment and promote the acceleration of implementing the filling of liquid iron supply gaps in the northern area, and the product and production line planning of the southern area.

**Thirdly, the Company will vigorously promote the progress of economic and technological indicators to enhance the overall lean and high-efficient ability.** Lean and high efficiency is not only limited to stable and high yield, but also covers all aspects, all processes and all elements. The Company will pay close attention to the quality and cost indicators such as iron and steel material consumption, comprehensive finished product rate, product waste reduction; focus on comprehensive benchmarking to identify areas for improvement, concentrate our efforts and work together to tackle key problems and expand the space for index efficiency to advance index promotion, quality improvement and cost reduction. The trail operation of new 1# coking furnace, new CCPP generator set, 2250 heating furnace automatic steel burning and other projects and the implementation of long products intelligent combustion project and other technical renovation projects will bring more favorable conditions and large potential for the Company's energy conservation and consumption reduction and index improvement. The Company will take this opportunity to further promote the progress of indicators.

Fourthly, **the Company will optimize the variety structure and improve the profitability of products.** Combining the market demand with the improvement of our own ability, aiming at the low profitability of some products such as pickling, H-section steel and special steel, the Company will catch up and narrow the gap through benchmarking analysis. The Company will accelerate the certification of Dongfeng Nissan, Dongfeng Honda and other series products.

Fifthly, **the Company will enhance intrinsic safety and firmly hold the safety bottom line.** Safety is an important foundation and premise of lean and efficient production. The Company will uphold the concept of safety development and always adhere to safety rules and earnestly implement the principle of “three managements and three musts”, as well as strictly implement the safety production responsibility system, the safety performance list of managers at all levels and the safety accident accountability system; continue to carry out the lean on-site day activity of “three inspections, three promotions and three reflections” and earnestly undertake safety production with heart and efforts and with acknowledgement and performance of responsibility. The Company will strictly implement the policy of reward and punishment against the incentive and restraint of safety production.

Sixthly, **the Company will renovate the plant appearance, aiming at changing “bonsai” into “landscape”.** Focusing on changing “bonsai” into “landscape”, the Company will accelerate the intelligent manufacturing and plant renovation projects in the southern district, put into effect the main body’s responsibilities, enhance regular adjustments, supervision and inspection, so as to achieve intense yet orderly work and ensure safety. The Company will strengthen the management of access control in the plant area and the special treatment of road traffic and transportation, while paying close attention to the improvement of the surrounding environment of the pipe network and the plant gate to ensure the overall environmental effect. Changing “bonsai” into “landscape” fully demonstrates the new changes and good image of “the blossoming city in Jiangnan” of Magang in the new era.

Seventhly, **the Company will uphold the requirements of “dual-carbon” to further promote green and low-carbon development.** The Company will accelerate the implementation of the “three treatment” project to ensure that zero discharge of wastewater, ultra-low discharge of waste gas and no delivery of solid waste will be basically achieved this year with a continuous improvement of green development index in Baowu series. On this basis, the Company will actively declare class A enterprise with ultra-low emission. While focusing on formulating and implementing the action plan for carbon peak emission, the Company will lock the target with concentrated efforts and collaborative innovation to achieve new production modes such as

process substitution, product substitution, energy substitution and raw material substitution, and make substantive breakthroughs in the application of green and low-carbon new technologies and new projects.

**Eighthly, the Company will continue to push forward the construction of the whole process intelligent steel plant and give full play to the function of the information system.** The Company will accelerate the construction of intelligent control center projects of long products, Changjiang Steel and Hefei Company, and strive to launch as soon as possible within the year; ensure that the Company's intelligent manufacturing index is ranked and upgraded in Baowu series at the end of the year through making efforts on the follow-up production line access work of first phase intelligent manufacturing projects as much as possible and as quickly as we can. While achieving the successful launch of the information system to smooth operation, the Company will strive to build a demonstration model for the information construction of China Baowu and even the iron and steel industry with special personnel assigned to follow up, timely solve various problems found in the operation of the system. Through practical application, the Company will continuously optimize and improve the system functions, and give full play to the strong supporting role of informatization in production line division of labor, management reform and organizational performance improvement.

**Ninthly, the Company will promote post hierarchical management to improve governance system and governance ability.** The full coverage of the hierarchical management system broadens the post sequence and builds the career development path of the three teams of management, technology and operation. The Company will add a group of technical executives, chief principals and senior managers for better switching of posts and salary system to stimulate employees' initiative and enthusiasm for self-driving and self-promotion, and enable employees to change their behavior from "want me to do" to "I want to do". The comprehensive implementation of tenure system and contractual management of the operation and management team strengthens the unity of responsibilities and rights. The Company will improve the "three possesses" happiness index of employees and the market-oriented incentive distribution mechanism with remuneration based on position and merit, and the cross sequence is not allowed in bonus distribution. While the benefit of the enterprise increases, the income of employees will increase significantly to enhance the sense of gain. The Company will also fully implement the paid leave system and accelerate the construction of regional shared service center to improve the environment and conditions of "four rooms, two halls and one institute", and continuously optimize the working and living environment of employees.



#### **IV. RELEVANT MATTERS INVOLVING FINANCIAL REPORT**

- 4.1 There is no change in accounting policies, accounting estimates and accounting methods of the Company as compared with the previous period.**
- 4.2 During the reporting period, the Company does not have significant accounting errors that need to be retrospectively restated.**
- 4.3 There is no change in the scope of consolidation of the financial statements as compared to the last year's financial statements.**

#### **V. OTHER EVENTS**

##### **5.1 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 2021 financial report for the interim report.

##### **5.2 Events after the Balance Sheet Date**

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

##### **5.3 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.

##### **5.4 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 new shares.

##### **5.5 Code on Corporate Governance Practices**

During the reporting period, the Company has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No deviation behavior from the code was found.

## **5.6 Model Code for Securities Transactions by Directors of Listed Issuers**

During the reporting period, the Company had complied with the requirements stipulated by the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No deviation behavior from the code was found.

## **5.7 Shareholders' Rights**

Any shareholder who holds shares carrying 10% or more of the voting rights in the Company, either individually or jointly, has the right to demand an extraordinary general meeting or a class general meeting according to Article 88 of the Articles of Association. When the Company convenes Annual General Meeting, any shareholder who meets the conditions specified in Article 60 of the Articles of Association is entitled to file a new bill with the Company in writing. Shareholders may send inquiries or comments to the Board by mail to the Company (No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC).

## CONSOLIDATED AND COMPANY'S STATEMENTS OF FINANCIAL POSITION

*As at 30 June 2021*

*Renminbi Yuan*

ASSETS	<i>Notes</i>	30 June 2021 Group Unaudited	31 December 2020 Group Audited	30 June 2021 Company Unaudited	31 December 2020 Company Audited
<b>CURRENT ASSETS</b>					
Cash and bank balances		7,362,106,504	5,346,108,774	4,559,448,958	2,296,089,258
Financial assets held for trading		4,602,807,676	2,028,957,057	2,581,140	11,640,010
Trade receivables	4	1,260,377,317	1,043,606,041	2,772,282,362	2,355,816,934
Financing receivables	5	8,609,643,488	7,072,160,166	6,407,150,155	4,959,472,316
Prepayments	6	1,204,418,576	755,340,403	715,715,141	349,980,035
Other receivables		281,852,617	426,386,362	250,695,452	371,032,767
Inventories		13,313,594,564	10,900,294,231	8,857,972,786	7,272,793,836
Financial assets purchased under agreements to resell		–	1,346,725,440	–	–
Loans and advances to customers		5,254,576,220	4,636,066,439	–	–
Other current assets		5,912,335,916	3,981,226,262	–	359,808,604
<b>Total current assets</b>		<b>47,801,712,878</b>	<b>37,536,871,175</b>	<b>23,565,845,994</b>	<b>17,976,633,760</b>
<b>NON-CURRENT ASSETS</b>					
Other debt investments		104,202,399	–	–	–
Long-term equity investments		4,217,065,499	3,694,172,463	12,550,896,305	11,761,010,351
Other equity instrument investments		421,698,174	390,798,231	335,581,928	304,681,987
Investment properties		61,640,883	62,504,615	61,640,883	62,504,615
Property, plant and equipment		28,739,533,966	29,564,588,450	21,798,614,312	22,530,651,256
Construction in progress		9,140,195,717	6,980,279,959	7,262,991,568	5,554,453,327
Right-of-use assets		355,072,414	394,472,380	338,950,131	348,919,252
Intangible assets		1,850,927,159	1,881,124,406	1,104,839,957	1,123,273,009
Deferred tax assets		239,557,378	202,888,795	67,570,800	104,388,391
Other non-current assets		3,508,928	3,441,308	–	–
<b>Total non-current assets</b>		<b>45,133,402,517</b>	<b>43,174,270,607</b>	<b>43,521,085,884</b>	<b>41,789,882,188</b>
<b>TOTAL ASSETS</b>		<b>92,935,115,395</b>	<b>80,711,141,782</b>	<b>67,086,931,878</b>	<b>59,766,515,948</b>

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

As at 30 June 2021

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	30 June 2021 Group Unaudited	31 December 2020 Group Audited	30 June 2021 Company Unaudited	31 December 2020 Company Audited
<b>CURRENT LIABILITIES</b>					
Customer deposits		9,553,338,251	6,620,132,197	-	-
Repurchase agreements		555,263,406	198,480,944	-	-
Short-term loans		11,515,102,110	12,584,935,187	12,032,103,002	12,518,307,366
Financial liabilities held for trading		28,554,392	95,968,940	28,554,392	95,968,940
Notes payable	7	3,996,531,173	3,297,446,207	1,114,709,685	692,285,784
Trade payables	8	9,178,536,613	7,612,476,174	8,190,956,607	7,591,202,079
Contract liabilities		5,589,750,054	4,377,105,559	3,530,949,409	2,953,248,445
Payroll and employee benefits payable		527,139,397	549,348,136	408,826,001	325,256,459
Taxes payable		1,437,780,513	569,759,727	963,323,328	285,290,128
Other payables		5,610,915,235	4,123,490,248	5,428,466,365	3,726,054,061
Non-current liabilities due within one year		2,961,828,197	2,572,092,845	2,960,981,083	2,849,362,390
Provision		24,724,168	26,968,253	-	-
Other current liabilities		726,667,506	569,023,723	459,023,423	383,922,298
<b>Total current liabilities</b>		<b>51,706,131,015</b>	43,197,228,140	<b>35,117,893,295</b>	31,420,897,950
<b>NON-CURRENT LIABILITIES</b>					
Long-term loans		3,444,301,912	3,536,364,338	3,444,301,912	3,536,364,338
Lease liabilities		359,674,399	394,983,673	343,506,977	350,464,514
Long-term employee benefits payable		71,146,548	79,496,046	46,435,615	52,563,465
Deferred revenue		887,545,652	872,949,281	740,978,812	720,633,372
Deferred tax liabilities		17,651,347	18,934,339	-	-
<b>Total non-current liabilities</b>		<b>4,780,319,858</b>	4,902,727,677	<b>4,575,223,316</b>	4,660,025,689
<b>Total liabilities</b>		<b>56,486,450,873</b>	48,099,955,817	<b>39,693,116,611</b>	36,080,923,639

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

*As at 30 June 2021*

*Renminbi Yuan*

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Notes</i>	30 June 2021 Group Unaudited	31 December 2020 Group Audited	30 June 2021 Company Unaudited	31 December 2020 Company Audited
<b>SHAREHOLDERS' EQUITY</b>					
Share capital		7,700,681,186	7,700,681,186	7,700,681,186	7,700,681,186
Capital reserve		8,362,605,153	8,361,457,903	8,367,122,869	8,365,975,619
Other comprehensive income		(25,400,040)	(23,151,783)	122,575,210	98,879,489
Special reserve		73,802,712	37,295,614	44,905,447	15,187,813
Surplus reserve		4,687,127,180	4,687,127,180	3,850,340,593	3,850,340,593
General reserve		248,156,969	248,156,969	-	-
Retained earnings		<u>11,017,256,486</u>	<u>7,374,557,923</u>	<u>7,308,189,962</u>	<u>3,654,527,609</u>
<b>Equity attributable to owners of the parent</b>		<u><b>32,064,229,646</b></u>	<u>28,386,124,992</u>		
<b>Non-controlling interests</b>		<u><b>4,384,434,876</b></u>	<u>4,225,060,973</u>		
<b>Total shareholders' equity</b>		<u><b>36,448,664,522</b></u>	<u>32,611,185,965</u>	<u><b>27,393,815,267</b></u>	<u>23,685,592,309</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<u><b>92,935,115,395</b></u>	<u>80,711,141,782</u>	<u><b>67,086,931,878</b></u>	<u>59,766,515,948</u>

## CONSOLIDATED AND COMPANY'S INCOME STATEMENT

*For the six months ended 30 June 2021*

*Renminbi Yuan*

	<i>Notes</i>	<b>2021</b> <b>Group</b> <b>Unaudited</b>	2020 Group Unaudited	<b>2021</b> <b>Company</b> <b>Unaudited</b>	2020 Company Unaudited
<b>Revenue</b>	10	<b>56,863,615,397</b>	37,429,035,554	<b>48,734,989,252</b>	31,014,552,959
Less: Cost of sales	10	<b>47,042,273,786</b>	34,203,030,172	<b>41,502,235,858</b>	29,249,524,299
Taxes and surcharges		<b>363,172,255</b>	266,001,123	<b>264,124,709</b>	201,787,501
Selling expenses		<b>551,111,957</b>	530,439,865	<b>249,744,241</b>	201,264,104
General and administrative expenses		<b>707,192,699</b>	692,664,296	<b>497,746,664</b>	449,822,150
R&D expenses		<b>2,046,087,559</b>	636,396,202	<b>1,578,945,775</b>	500,142,055
Financial expenses	11	<b>383,493,033</b>	290,762,915	<b>354,589,912</b>	325,013,474
including: interest expense		<b>352,060,365</b>	335,172,239	<b>325,078,941</b>	346,073,726
interest income		<b>9,195,165</b>	26,639,917	<b>6,211,643</b>	27,818,360
Add: Other income		<b>60,339,953</b>	41,630,457	<b>41,469,740</b>	24,732,855
Investment income		<b>388,274,825</b>	231,959,570	<b>1,055,277,477</b>	688,950,161
including: share of profits of associates and joint ventures		<b>387,184,713</b>	163,604,830	<b>384,177,630</b>	161,374,556
gain from derecognition of financial assets measured at amortised cost		-	33,748,637	-	-
Gain on the changes in fair value		<b>65,879,265</b>	29,311,320	<b>66,632,058</b>	398,849
Credit impairment (losses)/gains		<b>(6,742,752)</b>	(8,030,101)	<b>4,837,299</b>	(3,643,894)
Asset Impairment losses		<b>(26,303,476)</b>	(73,128,980)	<b>(32,096,255)</b>	(56,423,169)
Gain/(loss) from disposal of assets	12	<b>1,219,470</b>	(62,159,618)	<b>70,289,895</b>	(39,955,791)
Operating profit		<b>6,252,951,393</b>	969,323,629	<b>5,494,012,307</b>	701,058,387
Add: Non-operating income	13	<b>60,126,166</b>	254,176,550	<b>57,611,312</b>	250,176,058
Less: Non-operating expense	14	<b>29,469,788</b>	2,909,067	<b>6,957,195</b>	1,791,075
Profit before tax		<b>6,283,607,771</b>	1,220,591,112	<b>5,544,666,424</b>	949,443,370
Less: Income tax expense	15	<b>1,245,769,164</b>	222,966,726	<b>889,915,517</b>	23,380,560
Net profit		<b>5,037,838,607</b>	997,624,386	<b>4,654,750,907</b>	926,062,810
<b>Categorised by operation continuity</b>					
Net profit from continuing operations		<b>5,037,838,607</b>	997,624,386	<b>4,654,750,907</b>	926,062,810

**CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)***For the six months ended 30 June 2021**Renminbi Yuan*

	<i>Notes</i>	<b>2021 Group Unaudited</b>	2020 Group Unaudited	<b>2021 Company Unaudited</b>	2020 Company Unaudited
<b>Categorised by ownership</b>					
Net profit attributable to owners of the parent		<b><u>4,643,787,117</u></b>	<u>812,342,511</u>		
Net profit attributable to non-controlling interests		<b><u>394,051,490</u></b>	<u>185,281,875</u>		
Other comprehensive income, net of tax		<b>(2,248,257)</b>	9,910,422	<b>23,695,721</b>	(1,275,411)
Other comprehensive income attributable to owners of the parent, net of tax		<b>(2,248,257)</b>	9,910,422		
Other comprehensive income that will not be reclassified to profit or loss: Changes in fair value of other equity instrument investments		<b>23,174,957</b>	(1,269,965)	<b>23,174,957</b>	(1,275,411)
		<b>23,174,957</b>	(1,269,965)	<b>23,174,957</b>	(1,275,411)
Other comprehensive income that may be reclassified to profit or loss:		<b>(25,423,214)</b>	11,180,387	<b>520,764</b>	–
Other comprehensive income using the equity method that may be reclassified to profit or loss		<b>520,764</b>	–	<b>520,764</b>	–
Exchange differences on translation of foreign operations		<b>(27,620,789)</b>	11,180,387	–	–
Changes in fair value of other debt investments		<b>1,676,811</b>	–	–	–
Other comprehensive income attributable to non-controlling interests, net of tax		–	–		
<b>Total comprehensive income</b>		<b><u>5,035,590,350</u></b>	<u>1,007,534,808</u>	<b><u>4,678,446,628</u></b>	<u>924,787,399</u>
Attributable to:					
Owners of the parent		<b><u>4,641,538,860</u></b>	<u>822,252,933</u>		
Non-controlling interests		<b><u>394,051,490</u></b>	<u>185,281,875</u>		
<b>EARNINGS PER SHARE:</b>					
Basic earnings per share (cent/share)	16	<b><u>60.30</u></b>	<u>10.55</u>		
Diluted earnings per share (cent/share)	16	<b><u>60.30</u></b>	<u>10.55</u>		

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 June 2021*

*Renminbi Yuan*

For the six months ended 30 June 2021  
(Unaudited)

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



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

*For the six months ended 30 June 2021*  
*Renminbi Yuan*

	Attributable to owners of the parent							Total shareholders' equity		
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings		Sub-total	Non-controlling interests
1. Balance at the beginning of the period	7,700,681,186	8,353,499,761	(99,760,804)	35,484,176	4,651,252,494	325,786,322	5,966,218,930	26,933,162,065	3,907,589,762	30,840,751,827
2. Increase/(decrease) during the period										
1) Total comprehensive income	-	-	9,910,422	-	-	-	812,342,511	822,252,933	185,281,875	1,007,534,808
2) Shareholders' contributions and reduction in capital										
(i) Capital contributions by shareholders	-	-	-	-	-	-	-	-	13,125,000	13,125,000
3) Profits appropriation										
(i) Distribution to shareholders	-	-	-	-	-	-	(616,054,495)	(616,054,495)	(285,955,218)	(902,009,713)
4) Special reserve										
(i) Additions	-	-	-	36,257,044	-	-	-	36,257,044	7,066,994	43,324,038
(ii) Utilisation	-	-	-	(26,155,858)	-	-	-	(26,155,858)	(8,572,010)	(34,727,868)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	6,847,021	-	-	-	6,847,021	-	6,847,021
3. Balance at the end of the period	7,700,681,186	8,353,499,761	(89,850,382)	52,432,383	4,651,252,494	325,786,322	6,162,506,946	27,156,308,710	3,818,536,403	30,974,845,113

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

Renminbi Yuan

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
<b>1. Cash flows from operating activities</b>		
Cash received from sale of goods and rendering of services	56,703,182,393	42,521,239,846
Tax refunds received	937,173	507,600
Net increase in repurchase agreements	356,782,462	–
Net decrease in financial assets purchased under agreements to resell	1,346,743,604	1,579,976,436
Net increase in customer deposits and balances from banks and other financial institutions	2,933,206,054	–
Net decrease in loans and advances to customers	–	110,135,314
Cash received for interest charges, fees and commissions	210,780,490	167,331,978
Cash received relating to other operating activities	160,080,223	633,974,979
<b>Sub-total of cash inflows</b>	<b>61,711,712,399</b>	<b>45,013,166,153</b>
Cash paid for purchases of goods and services	(45,077,268,193)	(36,140,092,608)
Net increase in deposits in the central bank	(99,173,001)	(335,930,540)
Net decrease in repurchase agreements	–	(1,287,511,698)
Net decrease in customer deposits and balances from banks and other financial institutions	–	(2,701,559,796)
Net increase in loans and advances to customers	(616,828,480)	–
Cash paid to or on behalf of employees	(2,545,095,520)	(2,266,071,870)
Taxes and surcharges paid	(1,664,109,422)	(994,813,398)
Cash paid for interest charges, fees and commissions	(84,452,912)	(78,834,835)
Cash paid relating to other operating activities	(344,198,352)	(262,604,412)
<b>Sub-total of cash outflows</b>	<b>(50,431,125,880)</b>	<b>(44,067,419,157)</b>
<b>Net cash flows from operating activities</b>	<b>11,280,586,519</b>	<b>945,746,996</b>
<b>2. Cash flows from investing activities</b>		
Cash received from disposal of investments	13,008,836,113	12,326,891,853
Cash received from investment income	98,680,140	100,295,318
Cash received from disposal of items of property, plant and equipment, intangible assets, and other non-current assets	33,221,561	84,791,996
<b>Sub-total of cash inflows</b>	<b>13,140,737,814</b>	<b>12,511,979,167</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2021

Renminbi Yuan

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
<b>2. Cash flows from investing activities (continued)</b>		
Purchases of property, plant and equipment, intangible assets and other non-current assets	(2,846,413,330)	(2,864,306,125)
Cash paid for investments	(18,213,779,330)	(10,111,867,800)
Cash paid relating to other investing activities	(46,449,040)	(54,631,062)
<b>Sub-total of cash outflows</b>	<b>(21,106,641,700)</b>	<b>(13,030,804,987)</b>
<b>Net cash flows used in investing activities</b>	<b>(7,965,903,886)</b>	<b>(518,825,820)</b>
<b>3. Cash flows from financing activities</b>		
Cash received from borrowings	7,896,208,250	6,604,241,946
Cash received from investors	–	13,125,000
Including: capital injection from a subsidiary's non-controlling interests	–	13,125,000
Cash received relating to other financing activities	–	102,230,000
<b>Sub-total of cash inflows</b>	<b>7,896,208,250</b>	<b>6,719,596,946</b>
Repayment of borrowings	(8,658,473,101)	(5,342,610,627)
Cash paid for distribution of dividends or profits and for interest expenses	(579,325,052)	(635,840,386)
Including: dividends or profits paid to non-controlling interests by subsidiaries	(236,624,809)	(277,635,590)
Cash paid relating to other financing activities	(16,934,619)	(18,937,361)
<b>Sub-total of cash outflows</b>	<b>(9,254,732,772)</b>	<b>(5,997,388,374)</b>
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(1,358,524,522)</b>	<b>722,208,572</b>
<b>4 Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b>(23,517,507)</b>	<b>29,334,217</b>
<b>5. Net increase in cash and cash equivalents</b>	<b>1,932,640,604</b>	<b>1,178,463,965</b>
Add: cash and cash equivalents at the beginning of the period	3,123,596,841	7,239,650,634
<b>6 Cash and cash equivalents at the end of the period</b>	<b>5,056,237,445</b>	<b>8,418,114,599</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

*As at 30 June 2021*

*Renminbi Yuan*

### **1. SIGNIFICANT ACCOUNTING POLICIES**

#### **1.1 Basis of preparation**

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

The financial statements are prepared on a going concern basis.

As of 30 June 2021, the net current liabilities of the Group amounted to RMB3,904,418,137. The directors of the Company have considered the availability of funding sources, including but not limited to unutilised banking facilities of RMB27.3 billion as at 30 June 2021 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 the reporting period. Therefore, the Board of Directors of the Company continues to prepare the Group’s financial statements for the period ended 30 June 2021 on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. Assets classified as held for sale are disclosed at the lower of carrying amount and fair value less costs to disposal on the date of classification. Provision for asset impairment is made in accordance with related regulations.

#### **1.2 Statement of compliance with the CAS**

The financial statements have been prepared in accordance with the CAS, and present truly and completely the financial position of the Company and the Group as of 30 June 2021, and the results of their operations and cash flows for the period ended 30 June 2021.

### **2. SCOPE OF CONSOLIDATION**

#### **2.1 Newly established subsidiary**

For the period ended 30 June 2021, there was no newly established subsidiary.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 2.2 Disposal of a subsidiary

For the period ended 30 June 2021, there was no disposal of a subsidiary.

### 2.3 Changes in scope of consolidation for other reasons

For the period ended 30 June 2021, there were no changes in scope of consolidation for other reasons.

## 3. OPERATING SEGMENT INFORMATION

### Operating segments

The Group divides the operation services into two operating segments which are determined based on the internal organisation 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	
	2021	2020
	Unaudited	Unaudited
Sale of steel products	51,747,958,799	34,133,876,189
Sale of steel billets and pig iron	2,177,617,139	1,217,189,948
Sale of coke by-products	80,768,722	36,036,055
Others	1,818,519,536	1,393,302,202
	<b>55,824,864,196</b>	<b>36,780,404,394</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 3. OPERATING SEGMENT INFORMATION (CONTINUED)

#### Other information (continued)

##### *Geographical information*

External principal operating income	For the six months ended 30 June	
	2021 Unaudited	2020 Unaudited
Mainland China	53,242,811,253	34,924,802,538
Overseas and Hong Kong	2,582,052,943	1,855,601,856
	<b>55,824,864,196</b>	<b>36,780,404,394</b>

  

Non-current assets	30 June	31 December
	2021 Unaudited	2020 Audited
Mainland China	44,222,305,937	42,348,121,435
Overseas and Hong Kong	145,638,629	232,462,146
	<b>44,367,944,566</b>	<b>42,580,583,581</b>

The non-current asset 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 and no sales to a single customer accounted for 10% or more of its total revenue.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 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:

	<b>30 June 2021 Unaudited</b>	31 December 2020 Audited
Within one year	<b>1,243,475,199</b>	1,029,732,092
One to two years	<b>23,425,806</b>	22,158,556
Two to three years	<b>18,575,371</b>	10,688,621
Over three years	<b>44,728,292</b>	42,043,744
	<b>1,330,204,668</b>	1,104,623,013
Less: Provisions for bad debts	<b>69,827,351</b>	61,016,972
	<b><u>1,260,377,317</u></b>	<b><u>1,043,606,041</u></b>

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-off during the period/year	Other changes	Closing balance
2021	61,016,972	25,132,159	(15,602,874)	-	(718,906)	69,827,351
2020	52,406,346	24,617,062	(16,615,257)	-	608,821	61,016,972

As of 30 June 2021 and 31 December 2020, there were no trade receivables that were derecognised due to the transfer of financial assets.

As of 30 June 2021, the Group had no assets or liabilities derived from transferring trade receivables in which the Group was continually involved (31 December 2020:Nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 5. FINANCING RECEIVABLES

	<b>30 June 2021 Unaudited</b>	31 December 2020 Audited
Bank acceptance notes	<b><u>8,609,643,488</u></b>	<u>7,072,160,166</u>

As of 30 June 2021, there were no bank acceptance notes pledged (31 December 2020: RMB108,365,962) to obtain a short-term loan, and there were no bank acceptance notes pledged (31 December 2020: Nil) to issue notes payable.

The undue notes endorsed or discounted were as follows :

	<b>30 June 2021 (Unaudited)</b>		31 December 2020 (Audited)	
	<b>Derecognised</b>	<b>Not derecognised</b>	Derecognised	Not derecognised
Bank acceptance notes	<b><u>12,941,841,849</u></b>	<b><u>121,826,452</u></b>	<u>8,889,821,875</u>	<u>157,975,562</u>

As of 30 June 2021 and 31 December 2020, 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 RMB3,039,706,963 (2020: RMB1,589,777,784), and recognised discount expense amounting to RMB31,989,141 (2020: RMB20,100,719).

### 6. PREPAYMENTS

Aging analysis of the prepayments is as follows:

	<b>30 June 2021 (Unaudited)</b>		31 December 2020 (Audited)	
	<b>Book value</b>	<b>Ratio (%)</b>	Book value	Ratio (%)
Within one year	<b>1,180,789,898</b>	<b>98</b>	737,480,610	98
One to two years	<b>22,869,870</b>	<b>2</b>	17,859,793	2
Two to three years	<b>758,808</b>	<b>–</b>	–	–
	<b><u>1,204,418,576</u></b>	<b><u>100</u></b>	<u>755,340,403</u>	<u>100</u>

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 7. NOTES PAYABLE

	<b>30 June 2021 Unaudited</b>	31 December 2020 Audited
Bank acceptance notes	<b><u>3,996,531,173</u></b>	<b><u>3,297,446,207</u></b>

As of 30 June 2021 and 31 December 2020, the aging of the Group's notes payable was all within six months, and there were no overdue notes.

### 8. TRADE PAYABLES

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

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

	<b>30 June 2021 Unaudited</b>	31 December 2020 Audited
Within one year	<b>9,139,853,365</b>	7,561,813,731
One to two years	<b>27,974,660</b>	29,631,818
Two to three years	<b>4,753,874</b>	10,103,644
Over three years	<b><u>5,954,714</u></b>	<u>10,926,981</u>
	<b><u>9,178,536,613</u></b>	<b><u>7,612,476,174</u></b>

### 9. DIVIDENDS

According to the "2020 Annual Profit Distribution Plan" approved by the Group's 2020 Annual General Meeting on 29 June 2021, the Group would distribute dividends to all shareholders at RMB0.13 per share (tax included) (2020: RMB0.08 per share), for 7,700,681,186 shares amounting to RMB1,001,088,554 (2020: RMB616,054,495). The dividends had not been paid by 30 June 2021.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 10. REVENUE AND COST OF SALES

	For the six months ended 30 June			
	2021		2020	
	(Unaudited)		(Unaudited)	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	55,824,864,196	46,224,301,710	36,780,404,394	33,632,240,893
Other operating income	1,038,751,201	817,972,076	648,631,160	570,789,279
	<u>56,863,615,397</u>	<u>47,042,273,786</u>	<u>37,429,035,554</u>	<u>34,203,030,172</u>

Revenue is presented as follows:

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Revenue from contracts with customers	56,650,103,349	37,257,186,422
Rental income	2,731,558	4,517,154
Interest income	210,780,490	167,331,978
	<u>56,863,615,397</u>	<u>37,429,035,554</u>

Timing of revenue recognition from contracts with customers:

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
At a point in time		
Sale of steel products	53,925,575,938	35,351,066,137
Sale of other products	2,552,459,319	1,792,501,354
Over time		
Processing	42,834,353	38,120,343
Packaging services	46,654,941	31,433,082
Others	82,578,798	44,065,506
	<u>56,650,103,349</u>	<u>37,257,186,422</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 10. 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	
	2021	2020
	Unaudited	Unaudited
Revenue from contracts with customers	<u>4,329,736,982</u>	<u>3,723,552,719</u>

The amounts 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	
	2021	2020
	Unaudited	Unaudited
Within one year	<u>5,589,750,054</u>	<u>3,903,969,212</u>

*Note:* For the sales 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 11. FINANCIAL EXPENSES

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Interest expense ( <i>Note</i> )	352,060,365	335,172,239
Less: Interest income	9,195,165	26,639,917
Less: Capitalised interest	–	–
Exchange gain/(loss)	35,274,931	(28,788,425)
Others	5,352,902	11,019,018
	<u>383,493,033</u>	<u>290,762,915</u>

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

### 12. GAIN/(LOSS) FROM DISPOSAL OF ASSETS

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Gain/(loss) from disposal of property, plant and equipment	<u>1,219,470</u>	<u>(62,159,618)</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 13. NON-OPERATING INCOME

	For the six months ended 30 June		Included in 2021 non-recurring gains and losses Unaudited
	2021 Unaudited	2020 Unaudited	
Government grants not related to the ordinary course of business	–	251,011,204	–
Scrap gains of property, plant and equipment	47,629,832	–	47,629,832
Others	12,496,334	3,165,346	12,496,334
	<u>60,126,166</u>	<u>254,176,550</u>	<u>60,126,166</u>

### 14. NON-OPERATING EXPENSES

	For the six months ended 30 June		Included in 2021 non-recurring gains and losses Unaudited
	2021 Unaudited	2020 Unaudited	
Scrap losses of property, plant and equipment	17,009,074	–	17,009,074
Penalty expenditure	3,782,462	1,958,373	3,782,462
Charity donation	230,000	337,249	230,000
Others	8,448,252	613,445	8,448,252
	<u>29,469,788</u>	<u>2,909,067</u>	<u>29,469,788</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 15. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Mainland China current income tax expense	1,275,768,356	194,310,119
Hong Kong current income tax expense	–	3,868,481
Overseas current income tax expense	15,677,369	548,207
Deferred tax expense	(45,676,561)	24,239,919
	<u>1,245,769,164</u>	<u>222,966,726</u>

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

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Profit before tax	6,283,607,771	1,220,591,112
Tax at the applicable tax rate of 25% (Note)	1,570,901,943	305,147,778
Effect of different tax rates of subsidiaries	(757,275)	(3,997,314)
Non-deductible expenses	29,443,434	21,636,437
Adjustments in respect of current income tax of previous periods	100,427,621	(12,046,686)
Other tax preference	(208,629,174)	(77,592,438)
Income not subject to tax	(18,765,654)	(9,266,505)
Unrecognised deductible temporary difference and tax losses	66,184,821	114,923,641
Utilised previous years' tax losses	(196,240,374)	(73,277,589)
Share of profit or loss of joint ventures and associates	(96,796,178)	(42,560,598)
Tax charge at the Group's effective rate	<u>1,245,769,164</u>	<u>222,966,726</u>
The Group's effective rate	19.83%	18.27%

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

As at 30 June 2021

Renminbi Yuan

### 16. EARNINGS PER SHARE

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
	cent/share	cent/share
Basic earnings per share		
Continuing operations	<u>60.30</u>	<u>10.55</u>
Diluted earnings per share		
Continuing operations	<u>60.30</u>	<u>10.55</u>

Basic earnings per share shall be calculated by dividing profit attributable to owners of the parent (the numerator) by the weighted average number of ordinary shares in issue (the denominator). During the six months ended 30 June 2021 and 2020, the Company did not have any dilutive items that should adjust the basic earnings per share.

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

	For the six months ended 30 June	
	2021	2020
	Unaudited	Unaudited
Earnings		
Profit attributable to owners of the parent		
Continuing operations	<u>4,643,787,117</u>	<u>812,342,511</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period	<u>7,700,681,186</u>	<u>7,700,681,186</u>

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

*As at 30 June 2021*

*Renminbi Yuan*

### **17. CONTINGENCIES**

#### **Difference of corporate income tax**

The State Administration of Taxation issued “The notice of income tax collection and management on Shanghai Petrochemical Company Limited and other eight companies listed overseas corporation” (Guo Shui Han [2007] No. 664) in June 2007, with stated 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 the original 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 2021, the Group and the Company did not have significant pending litigations.



## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

*As at 30 June 2021*

*Renminbi Yuan*

### **18. EVENTS AFTER THE BALANCE SHEET DATE**

Until the approval date of 2021 interim report, there is no significant event after the reporting period need to be disclosed by the Group or the Company.

By order of the Board  
**Maanshan Iron & Steel Company Limited**  
**Ding Yi**  
*Chairman*

25 August 2021

Maanshan City, Anhui Province, the PRC

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