

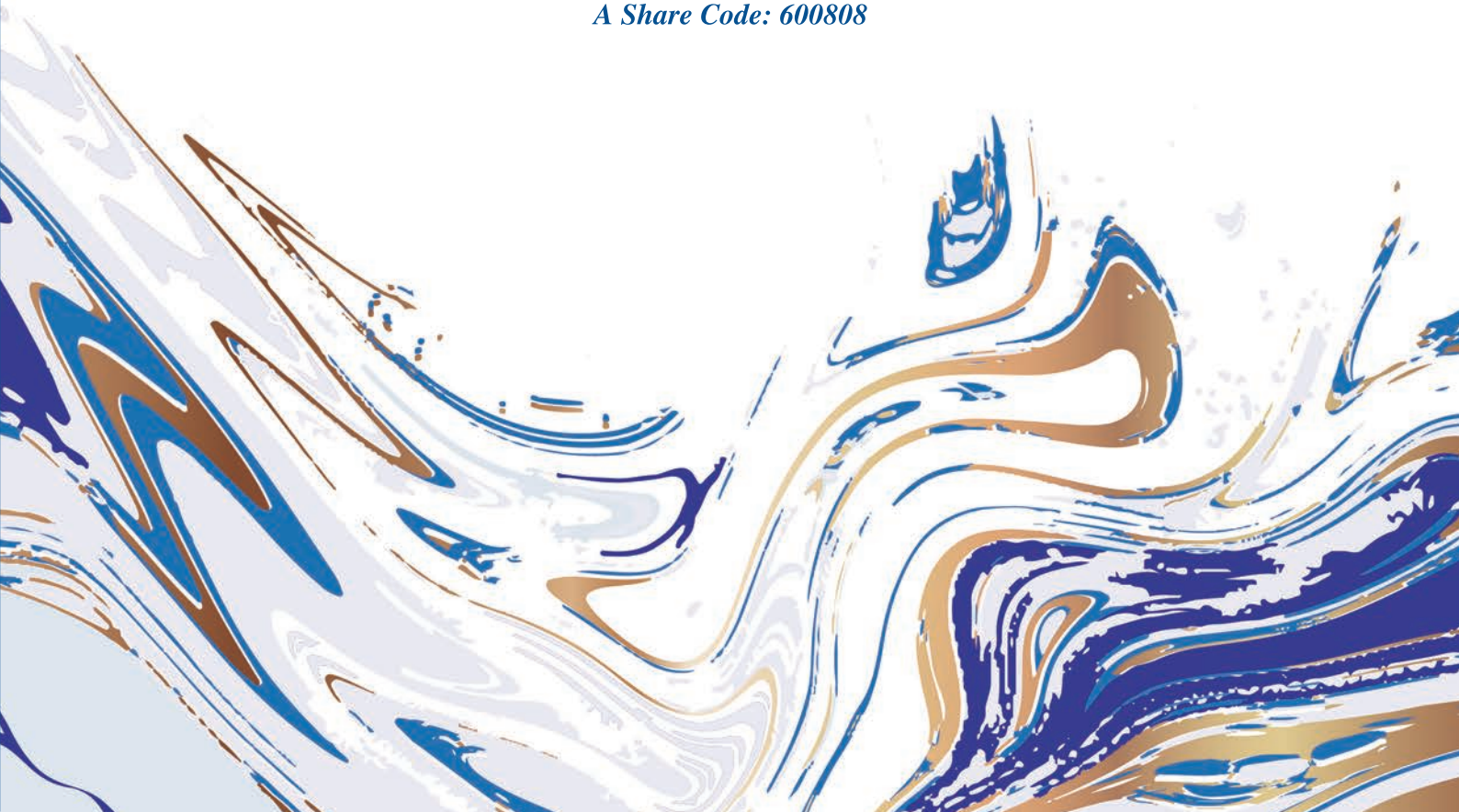
# 2021 Annual Report



**MAANSHAN IRON & STEEL COMPANY LIMITED**

*H Share Code: 323*

*A Share Code: 600808*



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Documents available for inspection	Financial statements signed and sealed by the Company's legal representative, chief accountant and head of Accounting Department. Original copy of the audit report, sealed by Ernst & Young Hua Ming LLP and signed and sealed by Ms. Guo Jing and Mr. Gong Wei, certified public accountants in the PRC. Original copies of all documents and announcements of the Company disclosed in Shanghai Securities. Annual report announced on the website of the Hong Kong Stock Exchange. The Articles of Association of the Company.
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## IMPORTANT NOTICE

- I. 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 annual report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this annual report.
- II. All directors attended the board meeting.
- III. Ernst & Young Hua Ming LLP issued a standard unqualified audit opinion on the annual financial statements of the Company.
- IV. Mr. Ding Yi, representative of the Company, Mr. Mao Zhanhong, person overseeing the accounting operations, and Mr. Xing Qunli, head of Accounting Department, made representations in respect of the truthfulness, accuracy and completeness of the financial statements contained in the annual report.
- V. Profit distribution plan or plan for the capitalisation of capital reserve during the Reporting Period proposed by the Board  
The Board suggests 2021 final dividend of RMB0.35 per share (tax included) shall be distributed and retained earnings will be carried forward to the year of 2022. No capital reserve shall be transferred to share capital. The distribution plan is going to be submitted to the Annual General Meeting for approval.
- VI. Risk relating to forward-looking statements  
The report analyses major risks faced by the Company. Please refer to "(5) Potential risks" of "VII. Discussion and Analysis on the Future Development of the Company" of "Report of the Board" in Section III for details. Forward-looking statements such as development strategy, future business plans contained in this report do not constitute any substantive commitments to investors by the Company. Investors should be aware of the relevant risks.
- VII. 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
- VIII. During the Reporting Period, there is no violation of regulations, decisions or procedures in relation to provisions of external guarantees
- IX. During the Reporting Period, the majority of the Directors cannot warrant the authenticity, accuracy and completeness of the information contained in the annual report does not exist.
- X. Significant risk warning  
The Company has no significant risk that needs to draw special attention of investors.
- XI. Other  
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.

# Section I Definitions

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

## DEFINITIONS OF COMMON TERMS

“Company” or “the Company” or “Magang Stock”	means	Maanshan Iron & Steel Company Limited
The Group	means	the Company and its subsidiaries
China Baowu or Baowu	means	China Baowu Steel Group Corporation Limited, the controlling shareholder of the Holding
Baosteel Hong Kong Investment	means	Baosteel Hong Kong Investment Company Limited, a wholly-owned subsidiary of China Baowu
The Holding	means	Magang (Group) Holding Co., Limited and the direct controlling shareholder of the Company
The 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	the 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

## Section I Definitions (Continued)

RMB	means	Renminbi Yuan
CSRC	means	the 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
Magang Finance	means	Magang Group Finance Co. Ltd., a controlling subsidiary of the Company
Magang Transportation Material	means	Baowu Group Magang 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
Environmental Protection Company	means	Anhui Magang Chemical & Energy Technology Co., Ltd., a controlling subsidiary of Baowu Water Technology Co., Ltd.
Ouyeel Blockchain Finance	means	Formerly known as Maanshan Magang Scrap Steel Co., Ltd., renamed as Ouyeel Blockchain Finance and Metal Recycling Resources Co., Ltd. in 2020, a controlling subsidiary of the Holding
Magang K. Wah	means	Anhui Magang K. Wah New Building Materials Co. Ltd., a controlling subsidiary of the Holding
Magang Chemicals & Energy	means	Anhui Magang Chemical & Energy Technology Co., Ltd., a controlling subsidiary of the Holding
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 2021 to 31 December 2021

# Section II Company Introduction and Major Financial Indicators

## 1. COMPANY PROFILE

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

## 2. CONTACT PERSON

Secretary of the board of directors, joint company secretary		Joint company secretary
Name	He Hongyun	Rebecca Chiu
Office address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC	Room 1204-06, 12/F, The Hong Kong Chinese Bank Building, 61 Des Voeux Road Central, Central, Hong Kong, PRC
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, the PRC
Historical changes of the Company's registered address	January 1993 to June 2009, No. 8 Hong Qi Zhong Road, Maanshan City, Anhui Province; June 2009 to now, No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province
Office address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC
Postal code of the registered address	243003
The Company's website	www.magang.com.cn (A Share); www.magang.com.hk (H Share)
Email address	mggf@baowugroup.com

## 4. INFORMATION DISCLOSURE AND LOCATION FOR INSPECTION

Name of newspaper and website designated for annual report disclosure	Shanghai Securities News
Stock exchange website designated by CSRC for annual report disclosure	www.sse.com.cn; www.hkex.com.hk
Location for inspection of annual report of the Company	The secretariat office of the Board of Maanshan Iron & Steel Company Limited

## Section II Company Introduction and Major Financial Indicators (Continued)

### 5. BRIEF INFORMATION ON THE SHARES OF THE COMPANY

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	Ma Anshan 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. THE RELATED INFORMATION

Accounting firm engaged by the Company	Name	Ernst & Young Hua Ming LLP
	Office address	Level 16, Ernst Young Tower, Oriental Plaza, No.1 East Chang An Avenue, Beijing, China
	Names of the auditors who signed the report	Guo Jing, Gong Wei

### 7. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS FOR THE PAST THREE YEARS

#### (1) Major accounting data

Unit: RMB

Major accounting data	2021	2020	Increase/decrease compared to previous year (%)	2019
Revenue	<b>113,851,189,379</b>	81,614,151,183	39.50	78,262,846,004
Net profit attributable to owners of the parent	<b>5,332,253,043</b>	1,982,638,821	168.95	1,128,148,980
Net profit excluding non-recurring gains or losses attributable to owners of the parent	<b>5,413,289,720</b>	1,485,651,232	264.37	1,635,501,579
Net cash flows from operating activities	<b>16,774,476,432</b>	2,770,514,645	505.46	7,865,957,124

## Section II Company Introduction and Major Financial Indicators (Continued)

	As at the end of 2021	As at the end of 2020	Increase/ decrease compared to the end of the previous year (%)	As at the end of 2019
Net assets attributable to owners of the parent	<b>32,752,858,934</b>	28,386,124,992	15.38	26,933,162,065
Total assets	<b>91,207,743,018</b>	80,711,141,782	13.01	86,322,043,538
Total share capital	<b>7,700,681,186</b>	7,700,681,186	–	7,700,681,186

### (2) Major financial indicators

Major financial data	2021	2020	Increase/ decrease compared to the previous year (%)	2019
Basic earnings per share (RMB/share)	<b>0.692</b>	0.258	168.22	0.147
Diluted earnings per share (RMB/share)	<b>0.692</b>	0.258	168.22	0.147
Basic earnings per share excluding non-recurring gains or losses (RMB/share)	<b>0.703</b>	0.193	264.25	0.212
Return on net assets (weighted average) (%)	<b>17.44</b>	7.17	Increased by 10.27 percentage points	4.09
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	<b>17.71</b>	5.37	Increased by 12.34 percentage points	5.94

## 8. MAJOR FINANCIAL DATA BY QUARTER IN 2021

Unit: million RMB

	1st Quarter (Jan-Mar)	2nd Quarter (Apr-Jun)	3rd Quarter (Jul-Sep)	4th Quarter (Oct-Dec)
Revenue	23,885	32,978	28,952	28,036
Net profit attributable to owners of the parent	1,511	3,133	1,883	-1,195
Net profit excluding non-recurring gains or losses attributable to owners of the parent	1,436	3,316	1,936	-1,275
Net cash flows from operating activities	2,194	9,087	-248	5,741

## Section II Company Introduction and Major Financial Indicators (Continued)

### 9. NON-RECURRING ITEMS AND AMOUNTS

Unit: RMB

Non-recurring items	2021	2020	2019
(Loss)/gain from disposal of non-current assets	<b>-143,399,924</b>	417,244,264	-77,058,351
Government grants recognized 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)	<b>139,217,796</b>	468,081,747	579,015,240
Employee termination compensation	<b>-338,969,150</b>	-177,756,341	-1,163,531,268
Except for the effective hedging business related to 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	<b>121,324,686</b>	27,841,061	249,161,379
Gain from disposal of subsidiaries	<b>24,143,097</b>	–	–
Gain from changing cost method to equity method in disposal of subsidiaries	<b>83,779,998</b>	–	–
Gain from disposal of an associate	–	19,108,539	-16,052
Net non-operating income or expenses other than the above items	<b>483,635</b>	4,141,163	3,444,379
Less: Income tax effect	<b>33,448,560</b>	-89,575,900	-74,456,680
Non-controlling interests effect (after tax)	<b>-1,065,375</b>	-172,096,944	-23,911,246
<b>Total</b>	<b>-81,036,677</b>	496,987,589	-507,352,599



## Section II Company Introduction and Major Financial Indicators (Continued)

### 10. ITEMS 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 current period profit
Financial assets held for trading	2,028,957,057	<b>5,732,467,255</b>	3,703,510,198	154,183,700
Financial liabilities held for trading	95,968,940	<b>31,663,498</b>	-64,305,442	-47,612,918
Financing receivables	7,072,160,166	<b>4,795,905,782</b>	-2,276,254,384	-
Other current assets	-	<b>2,474,819,099</b>	2,474,819,099	-
Other equity instruments investments	390,798,231	<b>641,943,339</b>	251,145,108	14,753,904
<b>Total</b>	<b>9,587,884,394</b>	<b>13,676,798,973</b>	<b>4,088,914,579</b>	<b>121,324,686</b>

### 11. OTHERS

The group's major accounting data and financial indicators for five recent years (Unit: million RMB)

Accounting data (indicators)	2021	2020	2019	2018	2017
Revenue	<b>113,851</b>	81,614	78,263	81,952	73,228
Profit before tax	<b>7,016</b>	3,081	2,298	8,239	5,809
Net profit	<b>5,994</b>	2,578	1,714	7,058	5,072
Basic earnings per share (RMB)	<b>0.692</b>	0.258	0.147	0.772	0.536
Diluted earnings per share (RMB)	<b>0.692</b>	0.258	0.147	0.772	0.536

# Section III Report of the Board

## 1. DISCUSSION AND ANALYSIS OF OPERATION

In 2021, in the face of the complex and severe situation at home and abroad and various risks and challenges, China coordinated pandemic prevention and control and economic and social development, and achieved a good start to the 14th Five-Year Plan, with GDP growth of 8.1%. In the face of the the rapidly changing in the steel industry, the Company pursued the business strategy of “two fast, two don’ts, three reductions, one increase and one secure” to realize lean and efficient operations and strive to take the lead. The focus of production organization began to shift from creating the ultimate capacity efficiency to focusing on product structure optimization, economic operation and progress of key indicators in the second half of the year, and the production and operation performance was better. The Company has made new breakthroughs in the following six aspects:

**First, new breakthroughs were achieved in strategic transformation.** In accordance with strategic positioning and planning requirements, the Company focused on its primary responsibilities and core businesses, with key projects launched hierarchically and accelerated across the board. The Company planned and implemented a group of gap-filling projects in the northern area, represented by the overhaul of blast furnace A, and a group of product and production line planning projects in the southern area, represented by the new special steel project. The projects such as new CAPP generation set, 2E silo, belt roaster, the coke oven in the southern area and the overhaul of blast furnace A were completed and put into production. The construction of the new special steel project officially started and the section steel transformation project was carried out in an orderly manner.

**Second, new breakthroughs were achieved in lean operations.** By adhering to the goal of “simplicity, extreme, high efficiency, low cost and high quality” and using the “Strive for Excellence Award” incentive mechanism as a driving force, the efficiency of production lines was significantly improved by optimizing the dynamic balance of internal resources and purchasing extra billet for rolling. The daily production record of production lines was broken 172 times and the monthly production record was broken 53 times throughout the year. Significant higher efficiency was achieved by operating in both markets. The Company ensured a safe and stable supply of resources. The market share of key products steadily increased. The annual sales of unique, strategic and leading products amounted to 3.77 million tonnes, representing a year-on-year increase of 32%. 800,000 tonnes of steel were exported, representing a year-on-year increase of 38%. The automobile plates passed the global certification by a Japanese joint venture brand for the first time. A substantial breakthrough was made in the application of the domestically-produced wheels on hi-speed rail, and the domestically-produced D2 wheels for the 350km Fuxing bullet trains were used in 2 trains with 128 pieces in batches. The equipment system and public auxiliary systems provided effective support. The precision management function of 17 production lines achieved the improvement rate of 82%. The Company deepened economical operation of energy systems, and significantly improved the energy utilization efficiency.

## Section III Report of the Board (Continued)

**Third, new breakthroughs were achieved in the empowerment of green development and smart manufacturing.** The Company adhered to the philosophy that green development and smart manufacturing are the core competitiveness, firmly followed the principle that lucid waters and lush mountains are invaluable assets as well as the Yangtze River protection strategy, the Company vigorously promoted the implementation of the “two better and one integration” as well as “ultra-low emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanliness, greening, beautifying and culture”, actively promoted the building of a new factory appearance in the southern area, by accelerating the improvement of the factory appearance and the special improvement of logistics and vehicles. By implementing the closed management of Santai West Road, the number of vehicles passing through the area was reduced by 5,764 vehicles. Wisdom park, ecological park and Happiness Avenue have become beautiful cards of Magang. Magang was awarded the Peak Carbon Dioxide Emissions and Carbon Neutrality Research Award of Anhui Province. The Company built the information integration system and successfully launched it, and continued to build the demonstration base for smart manufacturing. The “ALL IN ONE” Smart Factory of the Cold Rolling Plant was recognized as a “smart factory” in Anhui Province.

**Fourth, new breakthroughs were achieved in scientific and technological research.** Greater efforts were devoted to make innovations in technologies. Nine company-level projects under the principle of “selecting the best candidates to undertake key research projects” were carried out and the construction of Magang R&D Center started. The Company’s R&D investment rate reached 3.96%, representing a year-on-year increase of 1.74 percentage points. The Company developed new products, reaching the best level ever. One achievement won the second prize of the National Scientific and Technological Progress Award and 12 achievements won the metallurgical and provincial scientific and technological progress awards. The Company had 456 new granted patents. The building of a well-trained workforce has been accelerated. Two people were selected as Baowu Scientists and one person was included in the eighth batch of Academic and Technological Pacesetters of Anhui Province. The Company engaged 77 chief principals and 16 skilled technicians.

**Fifth, new breakthroughs were achieved in reform and management.** Systematic steps were adopted to advance the professional integration. The management on the procurement of manufactured products, water treatment, smart operation and maintenance, and gas business were outsourced, and the integration of the “management, use, maintenance and repair” businesses was completed for bridge cranes, roll shops and railway lines. The Company actively explored the mode of “one headquarters with multiple bases”. A substantial breakthrough was made in the integrated control of Changjiang Steel. Human resources management was continuously optimised. The per capita steel production reached 1,213 tonnes, and the proportion of management posts decreased from 10.4% to 6.4%. The three-year action plan for the collaborative management change was rapidly advanced, and the number of collaborative suppliers decreased by 14%. The capacity of the system was significantly improved. The Company has been exploring ways to establish an inter-departmental multi-disciplinary working group, and vigorously pursuing the centralized consistent system and horizontal collaboration in order to solve problems quickly and efficiently. The Company has established and improved the incentive mechanism of the “Strive for Excellence Award”. The tenure system and contractual management of the operation and management team was implemented. The Company accelerated the promotion of restricted share incentive to stimulate the enterprising spirit. The Company actively responded to the severe workplace safety situation, pursued the “three managements and three necessities”, strengthened the safety management concept of “violation of rules is a crime”, and consolidated the workplace safety responsibilities of all staff. Special rectification was launched to intensify the efforts to identify and solve potential safety hazards, and continuously enhance the capacity of the safety management system.

## Section III Report of the Board (Continued)

### **Sixth, new breakthroughs were achieved in common development and shared growth.**

The Company adheres to the principle of sharing the fruits of corporate development with all stakeholders, actively fulfilling its social responsibilities and achieving a win-win situation with all parties. Inheriting the advanced corporate culture from Baowu, the Company carried forward the spirit of “the blossoming city in Jiangnan” in the new era to promote overall improvement in respect of manufacturing standards, environmental quality, staff quality, mental outlook, solidarity and industry-city integration, and expanded the penetration, influence and radiation of Baowu culture in the Anhui region. 235 labor competitions were carried out in seven categories, including the activity of “creating the first class with lean and efficient operations, improving the indicators and creating benefits”, and the “Lean-On-Site Day” activity was promoted on a regular basis. The Company received more than 100,000 entries made in the activity “I offer a plan for the enterprise” on the Magang Jingyitong platform. The Company participated in the 25th National Invention Exhibition and the Appraisal and Selection of China Baowu Excellent Post Innovation Achievement, and won gold and silver awards for many times. The empowerment of its workforce was actively promoted. The Company published lean case studies on a regular basis, steadily advanced the training for all front-line staff, and implemented the management capability systematic improvement project for foremen. In the case of economic benefits growth, the per capita income of employees on the job increased significantly, and the sense of gain was significantly enhanced.

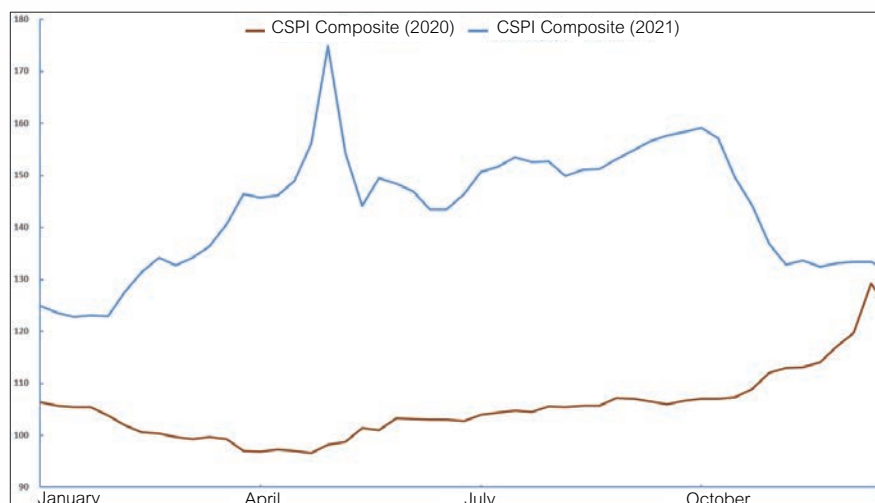
## **2. STEEL INDUSTRY DURING THE REPORTING PERIOD**

In 2021, the continued recovery of the national economy in China created a favorable environment for the development of the steel industry. A great number of measures has been advanced in the steel industry in respect of the supply-side structural reform, staggered production during the heating season, the guarantee of iron ore resource supply, operation monitoring and the guarantee of supply and price stability, steel industry regulation and management, the integrated development of industrial Internet and smart manufacturing, thus laying a solid foundation for the sound development of the industry. Amid the adverse effects brought about by drastic fluctuations in the prices of iron ore, coke and other raw materials and fuels, as well as the sharp rise in environmental protection costs, steel enterprises took proactive steps to meet the changes in market, firmly implemented the national industrial policies, and actively maintained the balance between supply and demand. In general, better performance has been achieved in the steel industry.

1. Wide gyration in steel prices. The average value of the composite steel price index for the Chinese domestic market in 2021 was 143.1 points, with a year-on-year increase of 37.8 points or 35.9%. The price index ranged from a low of 122.2 points to a high of 174.8 points, with an annual price index volatility of 36.7%, the highest in the last five years. Steel prices showed a wide range of fluctuations. The annual average price indexes for long products and plates were at 146.9 and 142.7 points, respectively, representing a year-on-year increase of 37.4 and 39.3 percentage points, or 34.1% and 38.0% respectively.

## Section III Report of the Board (Continued)

**Figure 1 Composite steel price index in China**



2. Generally stable operation in the industry with a dynamic equilibrium of supply and demand. In 2021, China produced 869 million tonnes of pig iron, representing a year-on-year decrease of 4.30%; 1.033 billion tonnes of crude steel, representing a year-on-year decrease of 3.0%; and 1.337 billion tonnes of steel, representing a year-on-year increase of 0.60%. Steel inventories reached a high in early March and then gradually declined, ending the year at the same level as the corresponding period of last year.
3. Import and export mix was optimized with export tax rebate adjusted by the state. Pulled by demand in the international market, China's steel exports rose rapidly in March and April. With the adjustment of the national policy on the import and export of steel products, the export volume of steel decreased month by month since July. During the year, China exported a cumulative total of 66.895 million tonnes of steel, representing a year-on-year increase of 13.223 million tonnes or 24.6%, and imported a cumulative total of 14.268 million tonnes of steel, representing a year-on-year decrease of 5.963 million tonnes or 29.5%. Since August, steel export prices had been higher than import prices for four consecutive months, indicating that China's steel import and export mix continues to be optimized.
4. Significant fluctuations in raw material prices. In 2021, the price of imported iron ore fluctuated drastically, peaking at USD233.1 per tonne, and the average customs import price for the year was USD164.3 per tonne, representing a year-on-year increase of 49.3%; the prices of raw materials and fuels such as coking coal, metallurgical coke and steel scrap also rose sharply.

## Section III Report of the Board (Continued)

Figure 2 Iron ore price index in China



At the same time, the development of China's steel industry has entered a new stage, from incremental development to the optimization of existing capacity, with an obvious increase in strategic reorganization and tactical alliances between enterprises. Faced with the fundamental task of raising the basic capabilities of the industry and upgrading the industrial chain across the board, the steel industry needs to take green development and smart manufacturing as the main themes, and focus on eliminating the three major pain points, i.e. controlling capacity expansion, promoting industrial concentration and ensuring resource security, so as to achieve the transformation of the drivers of growth with structural adjustment, green and low-carbon, and digital empowerment.

### 3. INTRODUCTION OF THE COMPANY'S BUSINESS DURING THE REPORTING PERIOD

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.

## Section III Report of the Board (Continued)

**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. In 2021, the sales volume of excellent special steel is nearly 1 million tons.

**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.

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

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

### 4. THE COMPANY'S CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD

#### (1) Synergy advantage

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

#### (2) Location advantage

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

#### (3) Product structure advantage

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

#### (4) Variety matching advantage

The 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

As of 31 December 2021, the Group had owned 2,186 domestic and foreign valid patents, including 5 foreign patents and 908 invention patents; owned 4,422 technical know-hows (non-patented technologies).

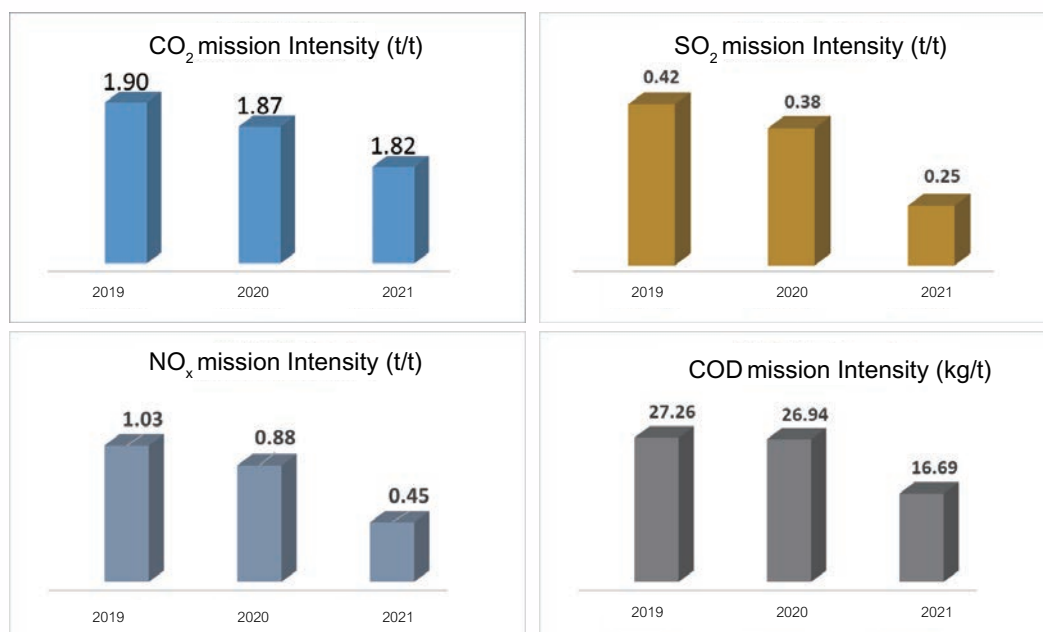


## Section III Report of the Board (Continued)

### 5. HIGHLIGHTS OF THE PRODUCTION AND OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

- (1) Both production and operating income of steel reached a record high. According to the guiding ideology of "stability, order and overall optimization", the Company adhered to the flexible production and system operation, and strictly implemented the industrial policies. Under the condition of the overhaul of a 4,000 m<sup>3</sup> blast furnace and the decline of molten iron, the crude steel output was flat year-on-year, the steel output increased by 2.97% year-on-year, and the operating revenue increased by 39.50% year-on-year.
- (2) The level of green development has increased rapidly. The Company thoroughly implemented green and low-carbon development and completed 62 "Treatment of Three Wastes" projects. The green power generation increased by 287% year-on-year. The Liufenhe advanced treatment project passed the acceptance, and the total emission of major pollutants decreased significantly; accelerated the renovation of plant capacity, built or transformed 316,000 square meters of green space, turning "bonsai" into "landscape" and "landscape" into "scenic spot", and wisdom park, ecological park and Happiness Avenue have become the beautiful business cards of Magang.
- (3) The smart manufacturing index increased rapidly. The Company continued to accelerate the pace of intelligent upgrading. The information integration project was successfully launched in only 15 months, creating a record of the widest production line and the fastest construction speed of enterprises of the same scale in the industry. The intelligent factory construction achievement was rated as the best intelligent manufacturing solution in the iron and steel industry, the smart stockyard project won the First Prize of the 3th "Blossom Cup" 5G Application Contest, and the "ALL IN ONE" smart factory of the general cold rolling plant was rated as the "intelligent factory" of Anhui Province.

**Figure 3 Significant decrease in Pollutant Emission Intensity**



## Section III Report of the Board (Continued)

- (4) The main technical and economic indicators have improved significantly. Taking value creation as the key link and striving as the foundation, the Company continued to carry out comprehensive benchmarking and difference finding work. The progress rate of 227 key benchmarking indicators reached 90.32% and the compliance rate was 74.19%. Among them, the comprehensive hot charging and hot delivery rate, torpedo tank turnover rate and other key indicators hit the best level in history.
- (5) New product development has reached the best level in history. The Company solidly promoted self-reliance and self-improvement in science and technology, increased efforts to tackle the "bottleneck" problems, developed 1.4 million tons of new products, wheels were incorporated the single champion products of China Baowu "specialized, sophisticated, new and unique", and launched 10 new products in China first, such as high-strength and high toughness wheels for alpine areas and 2100MPa automobile suspension spring steel. Q420 super large-size H-beam and other products broke the foreign monopoly and completed the batch supply of Hawaii port project in the United States and LNG project in Canada.

**Figure 4 Heavy H beam steel**



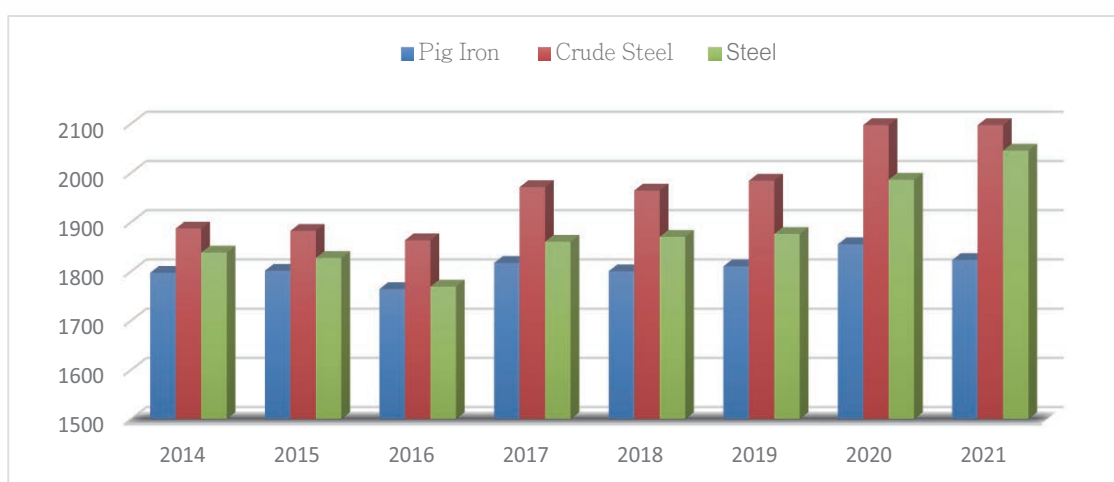
## Section III Report of the Board (Continued)

### 6. MAIN OPERATING CONDITIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Group produced 18.23 million tons of pig iron, a year-on-year decrease of 1.70%, mainly due to the overhaul of a 4,000 m<sup>3</sup> blast furnace of the Company from 15 September to 9 December 2021; 20.97 million tons of crude steel, flat year-on-year, including 1.33 million tons of electric furnace steel, accounting for 6.3% of crude steel output; 20.45 million tons of steel, an increase of 3.04% year-on-year, a record high for the Group, mainly due to the Company's adjustment of billet and rolling stock and improvement of the utilization rate of rolling line capacity.

**Figure 5 Output of pig iron, crude steel and steel of the Group**

*Unit: 0'000 tonnes*



According to the PRC Accounting Standards for Business Enterprises, the Group achieved operating income of RMB113.851 billion and net profit attributable to shareholders of the parent company of RMB5.332 billion, with a year-on-year increase of 39.50% and 168.95%, respectively. The basic earnings per share was RMB0.692, with a year-on-year increase of 168.22%. At the end of the Reporting Period, the total assets of the Group were RMB91.208 billion, a year-on-year increase of 13.01%; the net assets attributable to shareholders of listed companies were RMB32.753 billion, with a year-on-year increase of 15.38%.

## Section III Report of the Board (Continued)

### (1) ANALYSIS OF PRINCIPAL OPERATION

#### 1. Analysis of the change in accounts of the income statement and statement of cash flows

Unit: RMB

Accounts	Amount of the current year	Amount of the same period of last year	Change (%)
Revenue	<b>113,851,189,379</b>	81,614,151,183	39.50
Cost of sales	<b>98,929,683,370</b>	74,382,338,196	33.00
Selling expenses	<b>300,098,085</b>	262,916,411	14.14
General and administrative expenses	<b>1,388,782,842</b>	1,516,627,132	-8.43
Financial expenses	<b>631,748,011</b>	553,576,584	14.12
R&D expenses	<b>4,506,577,893</b>	1,813,176,837	148.55
Assets impairment losses	<b>1,337,467,241</b>	770,780,451	73.52
Credit impairment losses	<b>-3,489,661</b>	48,276,000	-107.23
Gain/(loss) on changes in fair value	<b>84,773,531</b>	-72,693,896	N/A
Investment income	<b>834,975,866</b>	533,664,650	56.46
Gain from disposal of assets	<b>223,736,352</b>	589,074,956	-62.02
Operating profit	<b>7,367,922,604</b>	2,866,954,813	156.99
Non-operating income	<b>38,728,760</b>	402,577,021	-90.38
Non-operating expenses	<b>390,322,193</b>	188,665,317	106.89
Profit before tax	<b>7,016,329,171</b>	3,080,866,517	127.74
Income tax	<b>1,022,354,526</b>	502,887,410	103.30
Net profit	<b>5,993,974,645</b>	2,577,979,107	132.51
Net profit attributable to owners of the parent	<b>5,332,253,043</b>	1,982,638,821	168.95
Net cash flows from operating activities	<b>16,774,476,432</b>	2,770,514,645	505.46
Net cash flows from investing activities	<b>-10,721,689,492</b>	-6,081,913,170	N/A
Net cash flows from financing activities	<b>-4,900,326,529</b>	-708,738,972	N/A

Revenue increased by 39.50% compared with the previous year, mainly due to the year-on-year increase in steel prices, higher gross profit and higher sales volume of steel products.

Cost of sales increased by 33.00% compared with the previous year, mainly due to the rising prices of raw materials such as iron ore, coal and coke as well as the year-on-year increase in the sales volume of steel.

## Section III Report of the Board (Continued)

R&D expenses increased by 148.55% compared with the previous year, mainly due to the Company's further increased investment in scientific research, expanded product development categories and accelerated product upgrading in order to enhance its overall R&D capability and enhance its competitiveness in the high-end product market for the current year.

Asset impairment losses increased by 73.52% compared with the previous year, mainly due to the year-on-year increase in the provision for decline in value of inventories after the Company's calculation based on steel market prices for the current year.

Credit impairment losses were a gain of RMB3 million compared to a loss of RMB48 million in the previous year, mainly due to the reversal of impairment loss on accounts receivable by subsidiaries in the current year compared to the provision in the previous year.

Gain on changes in fair value for the current year was RMB85 million compared with loss on changes in fair value of RMB73 million last year, mainly due to the gain resulting from the change in fair value of forward foreign exchange contracts held by the Company this year.

Investment income increased by 56.46% compared with the previous year, mainly due to the year-on-year increase in profit of associates and joint ventures this year.

Gain on disposal of assets decreased by 62.02% compared with the previous year, mainly due to the completion of the disposal of relevant assets of Hefei Steel in the previous year and the receipt of government compensation for the related land resumption.

Operating profit, profit before tax, net profit and net profit attributable to owners of the parent increased by 156.99%, 127.74%, 132.51% and 168.95%, respectively, as compared with last year, mainly due to the increase in gross profit of steel products of the Company during the year as compared with last year.

Non-operating income decreased by 90.38% compared with the previous year, mainly due to the receipt of two employee relocation grants by the Company in the previous year.

Non-operating expenses increased by 106.89% compared with the previous year, mainly due to the increase in the number of old assets scrapped during the year as compared to the previous year due to the Company's production and operation needs.

Income tax expense increased by 103.30% compared with the previous year, mainly due to the increase in the total profit of the Group and the increase in enterprise income tax provision for the current year.

## Section III Report of the Board (Continued)

The change in net cash flow from operating activities was mainly due to the increase in inflow of deposits received by the Finance Company in the current year as compared to the previous year and the increase in cash received from the sale of steel products due to the increase in volume and price of steel products as compared to the previous year.

The change in net cash flow from investing activities was mainly due to the increase in the purchase of financial products such as interbank certificates of deposit, financial management and trusts by the Finance Company in the current year as compared to the previous year.

The change in net cash flow from financing activities was mainly due to the planned reduction in the scale of interest-bearing liabilities and the reduction in gearing ratio in accordance with the Company's business strategy.

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

### 2. Analysis of Revenue and Cost of Sales

#### (1) Analysis of Principal Operation by Industry, Products, Regions and Sales Pattern

Unit: million RMB

Industry	Revenue	Cost of sales	Gross margin (%)	Principal operation by industry		
				Increase/ (decrease) of revenue compared with last year (%)	Increase/ (decrease) of cost of sales compared with last year (%)	Increase/ (decrease) of gross margin compared with last year (%)
Iron and Steel	104,308	90,923	12.83	39.32	32.47	Increased by 4.5 percentage points

## Section III Report of the Board (Continued)

Products	Revenue	Cost of sales	Gross margin (%)	Principal operation by products		
				Increase/ (decrease) of revenue compared with last year (%)	Increase/ (decrease) of cost of sales compared with last year (%)	Increase/ (decrease) of gross margin compared with last year (%)
Long products	46,604	42,555	8.69	36.81	35.13	Increased by 1.41 percentage points
Steel plates	52,260	43,589	16.59	45.41	33.58	Increased by 7.39 percentage points
Wheel and axles	2,155	1,819	15.60	4.83	5.41	Decreased by 0.46 percentage points

Regions	Revenue	Cost of sales	Gross margin (%)	Principal operation by regions		
				Increase/ (decrease) of revenue compared with last year (%)	Increase/ (decrease) of cost of sales compared with last year (%)	Increase/ (decrease) of gross margin compared with last year (%)
Anhui	46,977	40,771	13.21	24.0	18.7	Increased by 3.90 percentage points
Shanghai	21,548	18,520	14.05	73.0	63.5	Increased by 5.02 percentage points
Jiangsu	18,680	16,184	13.36	51.5	43.8	Increased by 4.63 percentage points
Zhejiang	8,687	7,645	11.99	71.7	65.3	Increased by 3.40 percentage points
Hubei	4,077	3,597	11.77	42.0	37.1	Increased by 3.15 percentage points
Guangdong	2,770	2,401	13.32	34.5	27.3	Increased by 4.87 percentage points
Other regions in China	7,034	6,204	11.80	24.0	18.9	Increased by 3.81 percentage points
Overseas and Hong Kong	4,078	3,608	11.53	23.8	16.3	Increased by 5.64 percentage points

## Section III Report of the Board (Continued)

Principal operation by sales pattern						
Sales pattern	Revenue	Cost of sales	Gross margin (%)	Increase/ (decrease) of revenue compared with last year (%)	Increase/ (decrease) of cost of sales compared with last year (%)	Increase/ (decrease) of gross margin compared with last year (%)
				Direct supply	64,676	55,622
Distributors	36,343	32,341	11.01	3.51	0.09	Increased by 3.04 percentage points

During the Reporting Period, the Group's revenue from principal operation was RMB111,050 million, of which the iron & steel revenue was RMB104,308 million, accounting for 94% of the principal operation revenue with no significant change in the proportion.

### (2) Analysis of Production and Sales Volumes

Key products	Unit	Production volume	Sales volume	Inventory volume	Year-on-year increase/ (decrease) of production volume (%)	Year-on-year increase/ (decrease) of sales volume (%)	Year-on-year increase/ (decrease) of inventory volume (%)
					Long products	ten thousand tonnes	1,011.9
Steel plates	ten thousand tonnes	1,012.2	1,013.6	4.1	8.70	8.92	-25.45
Wheel and axles	ten thousand tonnes	21.0	21.0	1.7	-1.87	1.45	-

During the Reporting Period, the Group continued to maintain a balance between production and sales, promoted the reduction of "Accounts Receivable and Inventory", maintaining a low product inventory.

### (3) Performance of major purchase contracts and major sales contracts

Applicable  Not Applicable



## Section III Report of the Board (Continued)

### (4) Analysis of Costs

Unit: million RMB

Cost components	Amount in 2021	Percentage of total costs in 2021 (%)	Amounts in 2020	Percentage of total costs in 2020 (%)	Change in amount in 2021 against amount in 2020 (%)
Raw materials and fuels	83,303	84.20	59,520	80.02	39.96
Salary	4,020	4.06	3,436	4.62	17.00
Depreciation and amortization	2,527	2.56	2,813	3.78	-10.17
Fuels and power	4,913	4.97	3,796	5.10	29.43
Others	4,167	4.21	4,817	6.48	-13.49

During the Reporting Period, the amount of raw materials and fuels, fuels and power increased significantly year-on-year, mainly due to the rise in the price of bulk raw materials and fuels such as iron ore, coke and coal for the Company's production in this period.

- (5) There was no change in the scope of consolidation caused by changes in the equity of major subsidiaries during the Reporting Period.
- (6) There was no significant change or adjustment in the Company's business, products or services during the Reporting Period.
- (7) Analysis of Major Customers and Major Suppliers

#### A. Major customers of the Company

During the Reporting Period, the largest customer was Chemicals & Energy with sales of RMB1,758 million, accounting for 1.54% of total annual sales. Sales to the top five customers amounted to RMB6,478 million, accounting for 5.69% of total annual sales, less than 30%; among the sales to the top five customers, sales to related party amounted to RMB1,758 million, accounting for 1.54% of total annual sales.

During the Reporting Period, there was no case that the proportion of sales to a single customer exceeded 50% of the total, there were new customers among the top five customers, or the Company was heavily dependent on a few customers.

## Section III Report of the Board (Continued)

### B. Major suppliers of the Company

The largest supplier was Ouyeel Blockchain Finance, with purchases of RMB9,557 million, accounting for 10.06% of the total annual purchases. The purchases by the top five suppliers amounted to RMB33,419 million, accounting for 35.20% of the total annual purchases; among the purchases by the top five suppliers, purchases by related parties amounted to RMB21.5 billion, accounting for 22.64% of the total annual purchases.

During the Reporting Period, there was no case that the proportion of procurement from a single supplier exceeded 50% of the total, there were new suppliers among the top five suppliers, or the Company was heavily dependent on a few suppliers.

Among the major customers, Magang is the controlling shareholder of Chemical Energy Company. Among the major suppliers, Baosteel Resources International Company Limited and Ouyeel Blockchain Finance are controlling subsidiaries of Baowu Group and Anhui Masteel Mining Resources Co., Ltd. is a controlling subsidiary of Magang. Saved as the above, there was no directors or supervisors or their connected persons or any shareholders (to the best knowledge of the board of directors, holding 5% or above of the shares in the Company) having any beneficial interests in the top five suppliers or customers of the Group in 2021.

### 3. Expenses

During the Reporting Period, the Group's selling expense increased by 14.14% year on year, administrative expenses decreased by 8.43% year on year, and finance costs increased by 14.12% year on year. The changes are insignificant. R&D expenses increased by 148.55% year on year. For the main reasons, please refer to the section headed "Analysis of the change in accounts of the income statement and statement of cash flows" in the above.

### 4. Research and Development (R&D) Expenses

#### (1) R&D expenses details

*Unit: RMB100 million*

Spent R&D expenses in 2021	45.07
Capitalized R&D expenses in 2021	–
Total R&D expenses	45.07
Total R&D expenses as a portion of revenue (%)	3.96
Percentage of capitalized R&D expenses (%)	–

## Section III Report of the Board (Continued)

(2) R&D personnel details

Number of R&D personnel of the Company	2,244
Proportion of R&D personnel in the total number of the Company (%)	11.52

### Education structure of R&D personnel

Category	Number
Doctor	30
Master	427
Undergraduate	1,127
College	259
High school and below	401

### Age structure of R&D personnel

Category	Number
Below 30 (exclusive) years old	276
30 (inclusive) to 40 (exclusive)	646
40 (inclusive) to 50 (exclusive)	749
50 (inclusive) to 60 (exclusive)	573

(3) Explanation

In 2021, the Company practiced the concept of green development, adhered to technology guidance, strengthened the construction of technological innovation system, built a smart manufacturing system, and accelerated the breakthrough of key core technologies and the transformation of achievements. The Company undertook one industrial foundation strengthening project (implementation plan of high-performance gear carburizing project) of the Ministry of Industry and Information Technology, participated in 6 national key R&D plans (research on composition segregation and inclusion analysis method of large-scale high-speed railway wheel blank, demonstration and application research of special steel for typical components of high-end equipment, etc.), and undertook 4 major scientific and technological projects in Anhui Province (key technology research and product research and development of 2100-2300MPa ultra-high strength and toughness elastic spring steel, R&D and industrialization of wheel sets for 30,000 tons and above heavy haul trains, etc.); focused on the difficulties and pain points restricting production, organized and implemented 207 various company-level scientific and technological innovation projects, including 101 in process technology, 8 in green and low-carbon, 13 in smart manufacturing, 6 in energy conservation and emission reduction, and 79 in product quality improvement; according to the development trend of the industry and market needs, 174 new product development projects were organized and implemented, and more than 200 new brands were developed, A572Gr(60) super size H1109 × 461 high-strength hot-rolled H beam steel, Q390GJC high-performance thick gauge hot-rolled H beam steel, T-material high-strength and high toughness wheel for high cold area, high strength and toughness steel Q125V for welded oil casing and other products have been launched in China first; Strengthening the standard guidance. The Company presided over the formulation and revision of 13 national industrial standard projects throughout the year (including 2 national standards and 11 industrial standards), including 2 energy consumption standards such as energy consumption quota per unit product of cold rolled steel strip and 2 green product design standards such as technical specification for evaluation of green design products hot rolled H beam.

## Section III Report of the Board (Continued)

In the process of various scientific research projects and new product development, researchers applied for 592 patents after concise summary of technological innovation, of which invention patents accounted for 63.4%. The Company won 14 high-level scientific and technological progress awards throughout the year, specifically one National Science and Technology Award ("Development and Application of Oxidation Behavior Control Technology in Steel Hot Rolling Process" won the second prize of National Science and Technology Progress Award), 6 Metallurgical Science and Technology Awards ("Innovation and Practice of Research and Development of New Materials and Efficient Repair Technology of CDQ Coke Oven Body", "Research and Application of Optimization and Quality Improvement Technology of Large Sintering Machine", "Development and Application of High-speed and Heavy-duty Axle Products Based on Independent Engineering Integration", etc.), 7 Anhui provincial Science and Technology Awards (among which "Research and Industrialization of Key Technologies of Ultra-high Strength and High Toughness Hot Forming Steel" won the second prize of provincial scientific and technological progress). The Company timely summarized and refined the knowledge formed in the process of production, operation, scientific research and development, completed 52,425 knowledge uploads (48,077 internal knowledge) and 94 knowledge cases throughout the year, established 104 knowledge communities and uploaded 1,951 shared documents, effectively improved the Company's ability of knowledge accumulation, knowledge inheritance and knowledge sharing, and realized the quantitative accumulation and qualitative leap of the Company in knowledge management.

- (4) Reasons for major changes in the composition of R&D personnel and the impact on the future development of the Company

Applicable       Not Applicable

### 5. *Cash flow*

During the Reporting Period, the net increase in cash and cash equivalents of the Group was RMB1.099 billion, compared with RMB-4.116 billion in the previous year. Among them, the net cash inflow from operating activities was RMB16.774 billion, compared with RMB2.77 billion in the previous year, with a year-on-year increase of RMB14.004 billion, mainly due to the increase in cash received from the sale of goods and the provision of labor services. The net cash outflow from investment activities was RMB10.722 billion, compared with RMB6.082 billion in the previous year, with a year-on-year increase of RMB4.64 billion, mainly due to the increase of cash outflow from trading financial assets and creditor's rights investment. The net cash outflow from financing activities was RMB4.9 billion, compared with the net outflow of RMB709 million in the previous year, with a year-on-year increase of RMB4.191 billion. The change was mainly due to the increase in cash paid by the Company for debt repayment and profit distribution this year.

## Section III Report of the Board (Continued)

Excluding the influence of Finance Company, the net increase of cash and cash equivalents was RMB348 million. The details were as follows: the net cash inflow from operating activities was RMB12.524 billion, with a year-on-year increase of RMB4.209 billion, mainly due to the increase of cash received from the sale of goods and the provision of labor services. The net cash outflow from investment activities was RMB7.222 billion, a year-on-year increase of RMB1.052 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.

### 6. *Financial position and exchange risk*

As of 31 December 2021, the total loans of the Group were equivalent to RMB15.738 billion, including short-term loans of RMB8.952 billion and long-term loans of RMB6.786 billion (including RMB1.334 billion of long-term loans due within one year). The loans included foreign currency loans of USD186 million, and the rest were Renminbi denominated loans. Among the Renminbi denominated loans of the Group, loans amounting to RMB8.411 billion carried fixed interest rates and loans amounting to RMB6.141 billion carried floating interest rates. Among loans denominated in foreign currencies, loans amounting to USD125 million carried fix interest rates and loans amounting to USD61 million carried floating interest rates. At the end of the Reporting Period, the asset liability ratio of the Group was 58.98%, a decrease of 0.61 percentage point compared with the end of 2020.

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 RMB58.594billion, of which the unutilised facilities amounted to approximately RMB33.561 billion.

The Group's imports of raw materials are mainly settled in US dollars, 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.

### (2) EXPLANATION ON SIGNIFICANT CHANGES IN PROFITS CAUSED BY NON-MAIN BUSINESS

Applicable       Not Applicable

## Section III Report of the Board (Continued)

### (3) ANALYSIS OF ASSETS AND LIABILITIES

#### 1. Assets and Liabilities

*Unit: RMB*

Project Name	Closing balance of 2021	Percentage of closing balance of 2021 in total assets (%)	Closing balance of 2020	Percentage of closing balance of 2020 in total assets (%)	Year-on-year change (%)
Cash and bank balances	6,667,853,614	7.31	5,346,108,774	6.62	24.72
Notes receivables	466,956,969	0.51	-	-	N/A
Financial assets held for trading	5,732,467,255	6.29	2,028,957,057	2.51	182.53
Financing receivables	4,795,905,782	5.26	7,072,160,166	8.76	-32.19
Prepayments	1,534,440,838	1.68	755,340,403	0.94	103.15
Inventories	12,463,004,529	13.66	10,900,294,231	13.51	14.34
Financial assets purchased under resale agreements	784,602,397	0.86	1,346,725,440	1.67	-41.74
Long term equity investments	5,158,883,895	5.66	3,694,172,463	4.58	39.65
Property, plant and equipment	28,605,250,896	31.36	29,564,588,450	36.63	-3.24
Construction in progress	10,999,333,300	12.06	6,980,279,959	8.65	57.58
Customer deposits	9,253,057,291	10.15	6,620,132,197	8.20	39.77
Repurchase agreements	925,465,952	1.01	198,480,944	0.25	366.27
Short-term loans	8,952,209,045	9.82	12,584,935,187	15.59	-28.87
Trade payables	10,437,709,731	11.44	7,612,476,174	9.43	37.11
Contract liabilities	5,741,241,284	6.29	4,377,105,559	5.42	31.17
Taxes payable	1,073,613,979	1.18	569,759,727	0.71	88.43
Non-current liabilities due within one year	1,358,293,333	1.49	2,572,092,845	3.19	-47.19
Long-term loans	5,452,250,052	5.98	3,536,364,338	4.38	54.18
Retained earnings	11,661,535,210	12.79	7,374,557,923	9.14	58.13

Financial assets held for trading increased by 182.53% compared with the end of the previous year, mainly due to a larger increase in the amount of interbank certificates of deposit purchased by the Finance Company this year compared with the previous year.

Notes receivable amounted to RMB467 million, compared with nil at the end of the previous year, mainly due to the inclusion of notes with recourse in this account this year.

## Section III Report of the Board (Continued)

Financing receivables decreased by 32.19% compared with the end of the previous year, mainly due to the increase in the amount of endorsement of notes transfer, resulting in the decrease of notes held by the Company compared with the end of previous year.

Prepayments increased by 103.15% compared with the end of the previous year, mainly due to the increase in prepayments for coal and coke goods made by the Company at the end of this year.

Financial assets purchased under resale agreements decreased by 41.74% compared with the end of the previous year, mainly due to the decrease of bonds reverse repurchase business of Finance Company this year.

Long-term equity investments increased by 39.65% compared with the end of the previous year, mainly due to the new investments in Baowu Water and Ouye Industrial Products, the change of Masteel Gas from the cost method to the equity method of accounting and the increase in investment income from associates and joint ventures during the year.

Construction in progress increased by 57.58% compared with the end of the previous year, mainly due to the increase of investments in projects, such as the environmental protection upgrade and transformations with smart technologies for the raw material yards of the headquarters, the 7-meter coke oven system project of the coking plant, the smart manufacturing project during the year.

Customer deposits increased by 39.77% compared with the end of the previous year, mainly due to the decrease of cash and bank balances of the Group and its member units absorbed by the Finance Company this year.

Repurchase agreements increased by 366.27% compared with the end of the previous year, mainly due to the increase in the amount of funds pledged by the Finance Company to other financial institutions this year.

Accounts payable increased by 37.11% compared with the end of the previous year, mainly due to the increase in payments for purchases as a result of the increase in the prices of bulk raw materials and fuels this year.

Contract liabilities increased by 31.17% compared with the end of the previous year, mainly due to the increase in prepayments for steel materials made by customers as a result of the increase in steel prices this year.

Taxes payable increased by 88.43% compared with the end of the previous year, mainly due to the increase in unpaid value added tax and value added tax surcharge at the end of this year compared with the end of the previous year.

## Section III Report of the Board (Continued)

Non-current liabilities due within one year decreased by 47.19% compared with the end of the previous year, mainly due to the repayment of long-term loans due within one year during the year.

Short-term borrowings decreased by 28.87% and long-term borrowings increased by 54.18% compared with the end of the previous year, mainly due to the planned reduction in the scale of interest-bearing liabilities and simultaneous optimization of the financing structure of long-term and short-term borrowings.

Retained earnings increased by 58.13% compared with the end of the previous year, mainly due to the Company's profits for the current year.

### 2. Overseas assets

Overseas assets amounted to RMB1.290 billion, accounting for 1.41% of the total assets.

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

At the end of the Reporting Period, the restricted assets of the Group totaling approximately RMB2,477 million consisted of mandatory reserves with the central bank by Finance Company of approximately RMB938 million, the bill deposit deposited with the bank of approximately RMB1,492 million, the performance guarantee deposit of RMB14 million, and the bank acceptance bill of RMB33 million pledged to banks for short-term loan.

## (4) OPERATIONAL INFORMATION ANALYSIS OF THE INDUSTRY

### 1. Company Information

During the Reporting Period, the production capacity and utilization rates were as follows:

Product type	Production capacity (ten thousand tonnes)	Utilization rate of production capacity (%)
Pig iron	1,775	102.70
Crude steel	2,140	97.99
Steel products	2,050	99.76



## Section III Report of the Board (Continued)

During the Reporting Period, the Company's 3.2 million tonnes new special steel project started. The project was constructed in two phases. The phase I includes the construction of a new 150 tonnes converter, two continuous casters (large round billet and small square billet), a new high-quality wire rod and large coil production line, which is planned to be put into operation in June 2023; Phase II includes a new 150 tonnes converter, a bloom caster, a medium bar rolling line and supporting finishing line, which is planned to be put into operation by the end of 2024. The 3.72 million tonnes of production capacity of the Company for replacement will also be withdrawn as required.

### 2. Analysis of Operational Information of the Steel Industry

#### 1. Manufacturing and Sales of Steel Material by Processing Techniques

Unit: million RMB

Type	Production volume (tonnes)		Sales volume (tonnes)		Revenue		Cost of sales		Gross margin(%)	
	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
	Cold-rolled steel	5,376,855	4,505,303	5,380,043	4,512,677	31,249	20,504	25,953	19,492	16.95
Hot-rolled steel	14,863,782	15,136,165	14,931,102	15,134,075	67,615	49,500	60,191	44,632	10.98	9.83
Wheel and axles	210,390	213,667	210,235	206,884	2,155	2,056	1,819	1,726	15.60	16.07

#### 2. Manufacturing and Sales of Steel Material by Forms of Finished Goods

Unit: million RMB

Type	Production volume (tonnes)		Sales volume (tonnes)		Revenue		Cost of sales		Gross margin (%)	
	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
	Long Products	10,118,679	10,329,257	10,175,291	10,340,973	46,604	34,065	42,555	31,493	8.69
Plates	10,121,958	9,312,211	10,135,854	9,305,779	52,260	35,939	43,589	32,631	16.59	9.21
Wheels and axles	210,390	213,667	210,235	206,884	2,155	2,056	1,819	1,726	15.60	16.07

## Section III Report of the Board (Continued)

### 3. Sales of Steel Material by Sales Channels

Unit: 100 million RMB

By sales channels	Revenue		Percentage in total revenue (%)	
	This Year	Last Year	This Year	Last Year
Offline sales	<b>960.2</b>	689.7	<b>84.34</b>	84.51
Online sales	<b>50.4</b>	34.4	<b>4.43</b>	4.21

### 4. Supply of Iron Ore

Unit: 100 million RMB

Supply source of iron ore	Supply volume (tonnes)		Expense amount	
	This Year	Last Year	This Year	Last Year
Domestic source	<b>6,597,340</b>	7,012,172	<b>83.87</b>	64.12
Overseas import	<b>20,610,573</b>	20,420,675	<b>244.83</b>	140.25
Total	<b>27,207,913</b>	27,432,847	<b>328.70</b>	204.37

### 5. Supply of Scrap Steel

Unit: 100 million RMB

Supply source of scrap steel	Supply volume (tonnes)		Expense amount	
	This Year	Last Year	This Year	Last Year
Domestic procurement	<b>2,760,015</b>	2,675,733	<b>88.56</b>	73.83

## (5) INVESTMENT ANALYSIS

### General Analysis of External Equity Investments

Unit: million RMB

Investment amount as at the end of the Reporting Period of the Company	14,115.94
Changes in investment amount	1,755.92
Investment amount as at the end of previous year of the Company	12,360.02
Increase in investment amount (%)	14.21

## Section III Report of the Board (Continued)

- In September 2020, upon the approval of the Board, the Company participated in the establishment of OBEI Co., Ltd.. The registered capital was RMB4 billion and the Company planned to contribute RMB440 million. During the Reporting Period, the Company contributed RMB248 million.
  - The shareholders of Anhui Masteel Antirust Material Technology Co., Ltd., 51% held by the Company, decided to liquidate and withdraw because its products did not have a competitive advantage. The liquidation and cancellation were completed by the end of December 2021, and the liquidation assets of RMB1.64 million were recovered.
  - Maanshan (Changchun) Iron and Steel Sales Co., Ltd., a wholly-owned subsidiary of the Company with small scale, completed the liquidation and cancellation by the end of October 2021, and the liquidation assets of RMB14.85 million were recovered.
  - Maanshan Iron & Steel (Hefei) Industrial Water Supply Co., Ltd and Anhui Jiangbei Steel Materials Quality Supervision and Inspection Co., Ltd. are wholly-owned subsidiaries of Hefei Iron and Steel. The Company focused on the main iron and steel industry, transferred all their equity and obtained equity disposal income of RMB22.98 million.
1. *During the Reporting Period, the Company had not carried out any significant equity investments.*
  2. *Significant Non-Equity Investment*

*Unit: million RMB*

<b>Project Name</b>	<b>Budgeted Investment</b>	<b>New Investment during the Reporting Period</b>	<b>Project Progress</b>
Product quality projects	18,340	2,759	25%
Energy-saving and environment protection projects	8,781	1,887	58%
Equipment advancement and other modification projects			
Other projects	N/A	870	N/A
Total	/	7,049	/

## Section III Report of the Board (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 construction
Steelmaking and refining works of new special steel project	2,486	Civil construction
A blast furnace overhaul project in the steel making plant	1,390	Put into operation
Ma Steel (Hefei) environmental relocation project — coking furnace system project	1,260	Put into operation
CCPP comprehensive utilization power generation project for energy saving and emission reduction	1,025	Completion of unit grid connection
Belt roasting machine project in the south area of the steel making plant	992	Put into operation
New silo project in the coal coking company	420	Put into operation
Masteel 220KV electricity transmission and transformation — CCPP auxiliary electricity supporting project	374	A7-A10 tower assembly completed
Auxiliary gas and thermal supporting project for new CCPP in the southern area of Masteel	291	Basically completed
Public and auxiliary supporting works of filling and leveling project in northern area of Masteel	290	Pre-ironmaking air compression station completed
Plant appearance renovation project in the southern area of Masteel	265	Internal installation of sharing center
Site and sporadic demolition works of new special steel project	213	Normally conduction Phase III demolition
Total	13,213	/

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

## Section III Report of the Board (Continued)

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

*Unit: million RMB*

<b>Project name</b>	<b>Budget of total investment</b>	<b>Project Progress</b>
Environmental upgrade and renovation project for raw materials store yard	888	The feeding and discharging system in the raw material warehouse area has been put into use
Capacity reduction and replacement project — project of 140 tonnes of electric furnace	593	Put into operation
Smart manufacturing and informatization project	402	Put into use
Total	1,883	/

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

### 3. *Financial assets measured at fair value*

See “10. Items Measured at Fair Value” in Section II of this report.

### (6) DURING The Reporting Period, THERE WAS NO SIGNIFICANT DISPOSAL OF THE COMPANY’S ASSETS OR EQUITY.

### (7) ANALYSIS OF THE GROUP’S MAJOR SUBSIDIARIES AND INVESTEEES

#### 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 RMB1,303 million. At the end of the Reporting Period, its total assets and net assets amounted to RMB11,804 million and RMB6,579 million, respectively.

In 2021, the revenue of Changjiang Steel from principal operation was RMB20,845 million, the profit therefrom was RMB2,778 million, and the net profit was RMB1,303 million or up 63% year-on-year, mainly resulting from the rise in steel prices during the Reporting Period.

## Section III Report of the Board (Continued)

- (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 RMB291 million. At the end of the Reporting Period, its total assets and net assets amounted to RMB21,831 million and RMB3,406 million, respectively.

No.	Indicator	Standard Ratio (%)	Actual Ratio for the year (%)
1	Capital adequacy ratio	≥10.5	30.27
2	Liquidity ratio	≥25	89.03
3	Non-performing asset ratio	≤4	–
4	Non-performing loan ratio	≤5	–
5	Loan loss reserves adequacy ratio	≥100	279.7
6	Loans from other banks ratio	≤100	–
7	Investment ratio	≤70	56.47
8	Guarantee ratio	≤100	15.00
9	Self-owned property, plant and equipment ratio	≤20	0.01

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. In 2021, 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.

## Section III Report of the Board (Continued)

- (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 RMB28 million. At the end of the Reporting Period, the total assets and net assets amounted to RMB4,858 million and RMB3,040 million, respectively.

In 2021, the revenue of Ma Steel (Hefei) Iron & Steel Co., Ltd. from principal business was RMB7,164 million, the profit therefrom was RMB298 million, and the net profit was RMB28 million or down 96% year-on-year, mainly resulting from the recognition of gain from land resumption in the smelter operational area and compensation for the suspension of production in the smelter operational area totaling RMB705 million.

- (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 RMB145.24 million, with total assets of RMB3,136 million and net assets of RMB1,701 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 RMB102 million; at the end of reporting period, the total assets and the net assets were RMB645 million and RMB290 million, respectively.
- (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 RMB84 million. At the end of the Reporting Period, it had total assets amounting to RMB184 million and net assets of RMB182 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 RMB21 million. At the end of the Reporting Period, it had total assets amounting to RMB425 million and net assets of RMB396 million.

## Section III Report of the Board (Continued)

### 2. Major investees

- (1) Henan Jinma Energy Co. Ltd. has a registered capital of RMB535.421 million and the Company directly holds 26.89% of its equity. It's mainly engaged in coke, coal tar, crude benzene, ammonium sulfate, coke oven gas production and sales; coke oven gas power generation, heat production. The net profit for the Reporting Period was approximately RMB490 million. At the end of the Reporting Period, its total assets and net assets were RMB8,399 million and RMB4,312 million, respectively.
- (2) Anhui Magang Chemicals & Energy Technology Co., Ltd. has a registered capital of RMB1,333.33 million and the Company directly holds 45% 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 RMB284 million. At the end of the Reporting Period, its total assets and net assets were RMB2,362 million and RMB1,989 million, respectively.
- (3) Ouyeel Blockchain Finance has a registered capital of RMB1,882.69 million and the Company directly holds 9.88% of its equity. It's mainly engaged in recycling, processing and distribution of scrap metal. The net profit for the Reporting Period was approximately RMB463 million. At the end of the Reporting Period, the total assets and net assets were RMB14,205 million and RMB4,953 million, respectively.
- (4) 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 RMB615 million. At the end of the Reporting Period, the total assets and net assets were RMB4,636 million and RMB3,340 million, respectively.
- (5) 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 RMB193 million. At the end of Reporting Period, the total assets and net assets were RMB699 million and RMB615 million, respectively.



## Section III Report of the Board (Continued)

### (8) STRUCTURED ENTITY CONTROLLED BY THE COMPANY

Applicable  Not Applicable

## 7. DISCUSSION AND ANALYSIS OF THE COMPANY'S FUTURE DEVELOPMENT

### (1) Industry Landscape and Trend

Looking ahead to 2022, the international political environment is complex and the Covid-19 pandemic is still ongoing. The world economic recovery lacks drive, and commodity prices remain high and are prone to fluctuation. All of these are making our external environment increasingly volatile, grave and uncertain. In pursuing economic development, China is under the triple pressures of demand contraction, supply shocks and weakening expectations. In the face of the new downward pressure, China will pursue supply-side structural reform as the main task, coordinate epidemic prevention and control with economic and social development, ensure both development and security, continue to ensure security in six key areas and stability on six key fronts, continue to improve people's lives, intensify efforts to maintain stable macroeconomic performance, and keep major economic indicators within an appropriate range.

At the policy level, the Central Economic Work Conference stressed that "we must make economic stability our top priority and pursue progress while ensuring stability", "proactively introduce pro-stability policies in all aspects, and these policies should produce effects early on", "cross- and counter-cyclical adjustments with macro policies should be organically integrated", "make proactive investments in infrastructure as appropriate", and "boost the core competitiveness of manufacturing". The CPC Central Committee issued the Working Guidance for Carbon Dioxide Peaking and Carbon Neutrality in Full and Faithful Implementation of the New Development Philosophy. The National Development and Reform Commission and the Ministry of Industry and Information Technology issued the Implementation Plan for Boosting Industrial Economy and Promoting High-Quality Industrial Development. In accordance with the requirements of high-quality development, the steel industry has diligently acted on the requirements of dual-controls over energy intensity and total energy consumption, steadily promoted the carbon peaking and carbon neutrality, deepened reform, strengthened management, continuously improved the quality of operation, further enhanced its ability and resilience to cope with challenges, and maintained a stronger foundation for the healthy development of the industry. As a result, the business environment of the steel industry will continue to be optimized this year.

## Section III Report of the Board (Continued)

From the perspective of market demand, the real estate industry is under downward pressure due to policy factors such as “no speculation in housing” and “three red lines”, and the demand for steel in the housing construction sector has temporarily dropped significantly, resulting in a decline in the overall consumption of steel in China. At the same time, China will continue to pursue a proactive fiscal policy and a prudent monetary policy, and the trend of sustained economic recovery and development will not change. Proactive investments will be made in infrastructure as appropriate. As a result, investment in infrastructure facilities will rebound markedly. Guided by the policy of accelerating the construction of a manufacturing powerhouse, the manufacturing industry will maintain a prosperous trend and provide effective support for the overall stability of steel demand. Overall, the demand for steel in the industries such as energy, machinery, automobiles, shipbuilding, home appliances, railways, bicycles and motorbikes is expected to maintain growth, while the demand for steel in the industries such as construction, container, hardware products and steel-wood furniture will decline.

### (2) Corporate Development Strategy

The Company will thoroughly implement the important remarks made by General Secretary Xi Jinping during his visit to China Baowu Magang Group, adhering to the principle of making economic stability its top priority and pursuing progress while ensuring stability, and consolidating stability with progress. In particular, the Company will focus on “two increases, one control and three improvements”(兩增一控三提高), maintain the policy of “aiming at higher standards, striving to take the lead, being lean and efficient and strive for excellence”, prioritize capability upgrading to withstand market fluctuations, aim at winning more customers to ensure its business performance, firmly secure the top position among the Baowu family, and be guided by the reinforcement of business thinking and the pursuit of ultimate efficiency, so as to accelerate the implementation of the strategic planning projects, speed up the improvement of key indicators including ROE, and make further progress in high-quality development.

#### Strategic Tasks of the Company in 2022

- To make every effort to promote the implementation of strategic projects, and comprehensively promote the construction of key projects such as the overhaul of No. B blast furnace, the transformation of No. 2 continuous caster of section steel in the southern area, the overhaul and transformation of coke oven in other places. The compliance rate of key project nodes is not less than 90%.
- To make every effort to build a high-quality base of excellent special steel, build new special steel projects with high quality, practically implement personnel training and allocation at the same time, accelerate product research and development and market early cultivation, and start more than 10 new special steel product certifications.

## Section III Report of the Board (Continued)

### Strategic Tasks of the Company in 2022

- To create A-class environmental protection enterprise, to further implement the "ultra-low emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanliness, greening, beautifying and culture", to fully realize ultra-low emission of waste gas, zero emission of waste water and non delivery of solid waste, and build a garden style riverside ecological urban steel plant.
- To focus on scientific and technological innovation, strive to create a national high-tech enterprise, increase R & D investment, improve the R & D capacity of strategic products, and drive high-quality development.
- To implement digital intelligence projects, focus on "cross-industry, cross-base, and cross-space" integration, promote smart manufacturing 2.0, build a data technology platform for big data center, coordinate the implementation of intelligent manufacturing projects such as industrial brain intelligent steelmaking, and improve the level of smart manufacturing.
- To implement resource integration, focus on the scale of production capacity and promote the development of territory.

### (3) Business Plan

Main objectives:

- Production and operation: to strive to achieve "two increases, one control and three improvements", that is, the growth rate of total profit and net profit is higher than that of the national economy; control the asset liability ratio well; the profit margin of operating income and the labor productivity of all employees will further improve, and the investment rate of R&D funds will be further optimized. The output of pig iron, crude steel and steel was 18.53 million tons, 20.97 million tons and 20.9 million tons respectively, and the output of crude steel was flat year-on-year.

## Section III Report of the Board (Continued)

- Energy and environmental protection: to fully complete the transformation of ultra-low emission to become a Grade A enterprise in environmental protection.

### 1. *Highlighting the red line awareness to build an intrinsically safe enterprise*

The Company will implement the safety management concept of “violation of rules is a crime”, resolutely eliminate habitual violations, and resolutely investigate and deal with unsafe behaviours, thereby firmly reversing the passive situation of its workplace safety. The Company will enforce the workplace safety responsibility system for all staff, strengthen the control and assessment of the workplace safety process to further enhance the capability of the safety system. The Company will improve the real name system and blacklist management, strengthen the safety management under the “management, use, maintenance and repair” model, and continue to deepen the construction of safe and standardized construction sites to ensure that the key areas are safe and controllable. The Company will strengthen the training of managerial staff in the ability to perform their duties in a safe manner, and establish a system of points for staff safety violations to enhance the safety literacy of all staff. The Company will accelerate the dirty, dangerous and difficult positions to be unmanned and replaced by robots, and continuously improve the level of intrinsic safety.

### 2. *Highlighting the empowerment by science and technology to promote green, low carbon and high-quality development*

First, boosting green development. The Company will implement the “higher than standards, better than urban districts and integrated into cities” and “ultra-low emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanliness, greening, beautifying and culture”, and strive to continuously lead the green development. The Company will accelerate the upgrading to achieve ultra-low emissions, apply an ultra-low emissions Grade A enterprise and create the AAA-level scenic spots, deepen energy efficiency benchmarking, optimize the energy structure, and significantly increase green power generation.

Second, making great efforts to upgrade the quality of its sophisticated products. The Company will apply for the title of national high-tech enterprise and the Quality Award of Anhui Provincial Government. The Company will implement the three-year action plan for profitability improvement of new products, which will focus on the research and development and market development of products such as hat shape steel, 450 MPa H-beam for railway vehicles. The Company will continue to research on the solution to the bottleneck of technologies, actively foster “specialized, sophisticated, new and unique” single champion products for wheels, and achieve mass production and supply of high-speed railway wheel and axle products. The Company will accelerate the construction of R&D centers. The Company will vigorously promote the policy of “selecting the best candidates to undertake key research projects”.

## Section III Report of the Board (Continued)

Third, promoting the empowerment by digital and smart technologies. Focusing on the “cross-industry, cross-base, and cross-space” integration and deepening the “four principles for intelligent production” to ensure that the Smart Index remains at its ranking. The Industrial Brain — Smart Steel-making project is being implemented with great care. The Company will accelerate the Phase II construction of the intelligent control centers of Long Products Division and Changjiang Steel as well as the special steel intelligent control center to achieve full coverage of centralized intelligent control of key production lines and processes.

### 3. *Highlighting ultimate efficiency to continuously improve its lean manufacturing capabilities*

First, raising main technical and economic indicators across the board. The Company will improve the benchmarking system and deepen the benchmarking process across the board. The improvement rate of main technical and economic indicators will be improved by over 80%.

Second, pursuing ultimate efficiency of key production lines. The Company will improve the linkage mechanism and early warning system of the pre-iron-making system, optimize the coal blending and ore blending structure, and continue to promote the long-term stability and economic operation of the blast furnace at a high level. The Company will dynamically balance post-steel making resources, improve the operational efficiency of advantageous units and key production lines on the basis of stability and balance, and the production of the cold rolling plant will strive to exceed 6 million tonnes, the production of the special steel company will exceed 1.2 million tonnes and the production of heavy H-beam will exceed 800,000 tonnes in 2022.

Third, improving the ability to seize the market opportunity. The Company will strengthen market research to create a safe, stable, efficient and sustainable supply chain, with the cumulative procurement cost of bulk raw materials and fuels better than the industry average. In addition, the Company will deepen product structure adjustment, strengthen marketing model innovation, fully utilize the function of SBU promotion team to create greater value for customers with differentiated products and services, enhance market control and influence in regional and segment markets, and support sales prices to outperform the market.

## Section III Report of the Board (Continued)

### 4. *Highlighting transformation and upgrade to optimize and adjust the product industry layout*

First, quickening the implementation of key projects. The Company will strengthen the control of project process and strictly control the scale of fixed assets investment, so that the B blast furnace overhaul, the coke oven off-site overhaul, the C sintering machine and the No. 2 continuous caster for the section steel transformation will be put into production within the year, and the first phase of the new special steel project will be basically completed.

Second, optimizing the management and control mode of “one headquarters with multiple bases”. The Company will optimize and improve the “centralized + local” integrated operation and control of the headquarters and flat management of multiple bases to promote business synergy, management synergy and resource sharing among bases and maximize overall benefits.

Third, promoting the opening up of the territory to achieve substantive results. The Company will actively integrate into the second “bow and arrow” spatial layout of “along the corridor” of China Baowu, and strive to expand the Company’s strategic development space.

### 5. *Highlighting reform and breakthrough to enhance the internal momentum for high-quality development*

First, improving the distribution and medium and long-term incentive mechanism. The Company will accelerate the switch of the remuneration system, explore and implement differentiated payrolls with profitability as the main guide. The Company will continue to improve the market-based incentive and constraint mechanism, and deepen the tenure system and contract-based management of the management team. The Company will also promote the implementation of the restricted share incentive scheme and explore and implement the mock operation of the new special steel.

Second, continuously improving personnel efficiency. Persist to the principle of transferring jobs without layoffs, based on post optimization, the Company will promote the determination of the number of employees in alignment with the benchmarking, promote the factory-managed operation area model in the main process units, accelerate the outsourcing of “operation, inspection, maintenance and calibration”, the regional operations of large-scale jobs and the auxiliary businesses of “management, use, maintenance and repair”, and strengthen performance-based management and shared employment, The steel production per capita will be promoted to increase by more than 13%. The Company will deepen the change of professional collaboration and promote the efficiency improvement of collaborators by no less than 8% in the same circumstances.

## Section III Report of the Board (Continued)

Third, focusing on improving the management of funds. The Company will further strengthen the control of "Accounts Receivable and Inventory", keep the growth rate of the total of "Accounts Receivable and Inventory" lower than that of sales revenue, and the turnover rate of "Accounts Receivable and Inventory" should be higher than the industry average. The Company will make every effort to increase operating cash flow, revitalize stock assets, optimize and adjust its financing structure, and drive our gearing ratio down.

Fourth, enhancing its risk prevention and control capabilities. The Company will effectively carry out contingency planning and process control, firmly ensure that no major risks will occur, and build a "moat" for risk prevention and control.

### 6. *Highlighting the commitment to a people-centered approach to promote all-round co-creation and sharing*

The Company will improve the ability and quality of its staff, and intensify trainings for all staff to build a team of high-quality staff with high motivation and dedication, who can apply intelligent control, inspect and repair, abide by relevant regulations and are good at innovation. The Company will promote job innovation and value creation, improve the job innovation system, and further stimulate the passion and creativity of all staff. The Company will raise the level of "three possesses" of workers further promote the "three best" practical projects to create better production and living conditions for all staff. The Company will prudently perform the social responsibility of enterprises and unswervingly implement targeted assistance to help rural revitalization.

### (4) Capital Plan for 2022

Objectives:

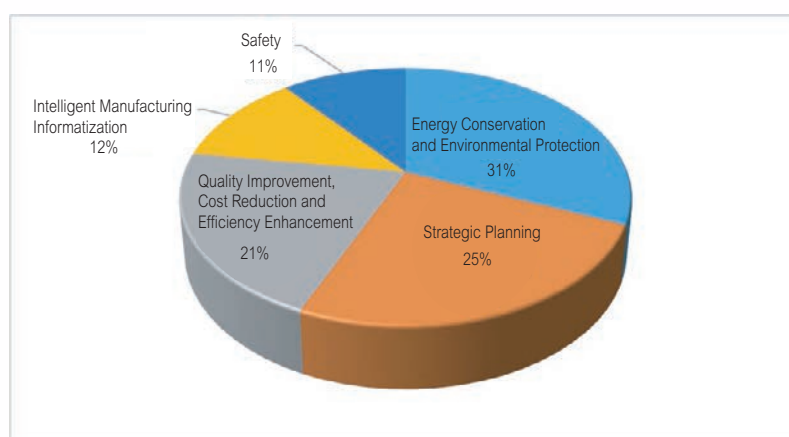
1. To strict fund management to ensure stable cash flow. To stabilize leverage, reduce financing costs, optimize financing structure, improve capital efficiency, and to control the asset liability ratio within 58.65%.
2. To control investment capital expenditure of the Company within the planned limit. The gap of investment capital expenditure exceeding its own funds (depreciation plus net profit) shall be solved by reducing the occupation of "Accounts Receivable and Inventory" and the realization of long-term assets, and no interest bearing liabilities shall be added.
3. To strictly control the "Accounts Receivable and Inventory", that is, the occupation of inventory funds and accounts receivable are not higher than the actual occupation level in 2021, or not higher than the growth level of sales revenue. To strive to accelerate the inventory turnover rate by 10%.

## Section III Report of the Board (Continued)

4. The ratio of operating cash flow to due cash flow shall not be less than 90%.

For 2022, the total amount of new fixed asset investment projects is planned to be RMB7.138 billion, including RMB1.78 billion for strategic planning, RMB2.247 billion for energy conservation and environmental protection, RMB765 million for safety, RMB845 million for intelligent manufacturing informatization, and RMB1.501 billion for quality improvement, cost reduction and efficiency enhancement. The capital plan for 2022 is RMB8.773 billion.

**Figure 6 Planned new fixed asset investment projects in 2022**



### (5) Potential Risks

Based on the latest domestic and international situation, 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-term material market due to real estate regulation and the risk of significant fluctuations in the prices of bulk raw materials and fuels. In addition to the above "Business Plan", the Company's risk response measures also include:

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.



## Section III Report of the Board (Continued)

Risks	Response
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.
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, 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 various inspections and take one example against three.
Long plates market demand risk 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 beam steel products market and track international key engineering projects.

## Section III Report of the Board (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 (index, quotation, benchmarking, and traceability). To strengthen the pricing process of price group meeting and price committee, and strictly implement the contract approval procedures.

The above strategies, plans and risks and measures do not constitute the Company's future predictions, nor do they constitute commitments of the Company to investors. The implementation of such strategies, the realization of such plans, the presence or avoidance of the risks depend on the market, policy and other factors with certain uncertainties, so investors shall be prudent in investment.

### (6) Others

#### 1. The service contracts and contractual interests of Directors and Supervisors

The Company has signed service contracts with its Directors and Supervisors. No Director or Supervisor of the Company signed any service contract the Company is disallowed to terminate without compensation within one year (excluding statutory compensation).

During the Reporting Period, no Director or Supervisor of the Company had any material interests, either directly or indirectly, in any contract signed by the Group, the Holding or any affiliate of the Holding.

During the Reporting Period and up to the issuing date of this report, no approved indemnity provisions were or are now effective to benefit the Directors (including former Directors) of the Company or any director (including former director) of an associated company thereof.

Subject to relevant laws and regulations, the Company can provide appropriate protection in a proper manner to Directors who are faced with certain legal actions.

#### 2. Details of tax are set out in Note IV "Tax", "20. Deferred Tax Assets/Liabilities", "29. Tax Payable", and "60. Income Tax Expenses" of Note V of the financial statements.

## Section III Report of the Board (Continued)

3. Details of land leasing, property, plant and equipment are set out in “19. Intangible Assets” and “16. Property, plant and equipment” of Note V of the financial statements.
4. Details of various reserves and their changes are set out in the “Consolidated Statement of Changes in Equity” and “41. Special Reserve” in Note V of the financial statements.
5. During the Reporting Period, the Group had complied with relevant laws and regulations having significant impact on the Company.
6. As of 31 December 2021, no Director, Supervisor or Senior Management of the Company had any interest in any business that constitutes or may constitute competition against the Company, either directly or indirectly.
7. As of 31 December 2021, no financial, business, family relationship or any other substantive relationship existed among the Directors, Supervisors and Senior Management of the Company other than working relationships.

### **8. THE COMPANY DID NOT FAIL TO COMPLY WITH DISCLOSURE DUE TO INAPPLICABLE STANDARDS OR SPECIFIC REASONS SUCH AS STATE SECRETS, TRADE SECRETS, ETC.**

# Section IV Corporate Governance

## 1. EXPLANATION OF CORPORATE GOVERNANCE

### (1) RELATED INFORMATION OF CORPORATE GOVERNANCE

In accordance with the requirements of relevant laws and regulations, the Company has set up a check-and-balance corporate governance structure, consisting of the shareholders' general meeting, the Board, the Supervisory Committee and the General Manager. The shareholders' general meeting, the Board, the Supervisory Committee and the General Manager perform their respective duties, take their respective responsibilities and coordinate operations with effective check and balance.

The Board is committed to continuously improving the level of corporate governance and of the view that good corporate governance is essential to the Company's operations and sustainable development. During the Reporting Period, the Board further improved the corporate governance system, strengthened the construction of the Board in order to improve the level of corporate governance. The Board formulated the Related Party Transaction Management System, drafted the Equity Incentive Management Measures, and revised the Work Regulations of the Strategic Development Committee and the Information Disclosure Management Measures, involving the Company Environmental, Society, Governance (ESG), related party transactions, equity incentive, information disclosure and other aspects.

Meanwhile, to the best knowledge of the Board, the Company complied with all the requirements of the Code on Corporate Governance (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange in 2021, and where appropriate, endeavored to adopt the recommended best practices contained in the Code.

## 2. DIRECTORS AND THE BOARD

### 1. COMPOSITION OF THE BOARD

At the beginning of 2021, the ninth session of the Board of the Company comprised seven Directors, of whom Chairman Ding Yi, Mr. Zhang Wenyang and Mr. Ren Tianbao were executive Directors while Mr. Qian Haifan, Ms. Zhang Chunxia, Ms. Zhu Shaofang, and Mr. Wang Xianzhu were Non-executive Directors. Among the Non-executive Directors, Ms. Zhang Chunxia, Ms. Zhu Shaofang, and Mr. Wang Xianzhu were Independent Directors, accounting for three-seventh of the members of the Board. Two female Directors made up two-seventh of the Board.

## Section IV Corporate Governance (Continued)

On 16 March 2021, Mr. Zhang Wenyang resigned as the Director of the Company due to job changes. On 19 March 2021, Mr. Qian Haifan resigned as the Director of the Company due to his retirement. As at the issuing date of this report, the Board of the Company comprised five Directors, of whom, there were two executive Directors and three Non-executive Directors. Among the Non-executive Directors, three of them were Independent Directors, accounting for three-fifths of the members of the Board. Two female Directors made up two-fifths of the Board.

The ninth session of the Board of the Company should have expired on 30 November 2020. In view of the fact that the nomination of candidates for the new session of Directors of the Board and Supervisors of the Supervisory Committee of the Company has not yet been completed, in order to maintain the continuity and stability of the work of the Board and the Supervisory Committee, the general election of the Board and the Supervisory Committee of the Company has been appropriately postponed. At the same time, the term of office of the professional committees of the ninth session of the Board of the Company would also be extended accordingly. Before the completion of the election of the Board and the Supervisory Committee of the Company, all members of the ninth session of the Board and the Supervisory Committee of the Company would continue to perform the duties and responsibilities of Directors and Supervisors in accordance with laws, regulations and the Articles of Association. The postponed election of the Board and the Supervisory Committee of the Company will not affect the Company's normal operations.

The Board of the Company is committed to diversity, and reviews the composition of the Board from time to time. All of its Executive Directors are veterans in the iron and steel industry. They are experienced in the production, operation and management of iron & steel, and are capable of making rational decisions on the matters to be resolved by the Board. Among the three Independent Directors, Ms. Zhu Shaofang is the senior member of the Chinese Institute of Certified Public Accountants (CICPA), with years of experience in the auditing profession; Ms. Zhang Chunxia is a doctoral tutor in the State Key Laboratory of Advanced Steel Processes and Materials of the Central Iron and Steel Research Institute and also a member of the Expert Committee of the China Society of Metals, who mainly involves in the R&D of steel metallurgical process engineering and environmental engineering and is knowledgeable and experienced in the steel industry and environmental protection; Mr. Wang Xianzhu has served as the Vice-Dean of School of Economics and School of Business of Anhui University of Technology, with a profound knowledge of economics. All Independent Directors of the Company are fully capable of evaluating internal control and reviewing financial reports. The composition of the Board of Directors fully meets the requirements of domestic and foreign laws, regulations and regulatory documents, as well as the demands of the Company's development at the current stage. The Company purchased liability insurance for all Directors.

The names of all Directors are announced in the company newsletter and the Independent Directors are specifically noted. The list of Directors and their roles and functions are published on the Company's website.

## Section IV Corporate Governance (Continued)

During the Reporting Period, as far as the Board is aware of, there were no relationships, including relationships with respect to finance, business, family aspects or other relevant relationship, existing among members of the Board (including Chairman and General Manager) that were required to be disclosed.

All of the Directors of the Company confirmed in written form that they had complied with the requirements stipulated by the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The Company received the independence confirmation letters from all Independent Directors, which were submitted in accordance with Rule 3.13 of Chapter 3 “Authorized Representatives, Directors, Board Committees and Company Secretary” in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. The Board of the Company was therefore of the opinion that all Independent Directors were all independent.

### 2. NON-EXECUTIVE DIRECTOR

The term of office of the Company’s four Non-executive Directors (all Independent Directors) is three years. Please refer to Section XII “Directors, Supervisors, Senior Management, and Employees” of this report for further details of names and incumbency.

In order to protect the legal rights and interests of the minority shareholders and the stakeholders, the Company established the “Work System of Independent Directors”. The system specifies in detail the appointment criteria and nomination procedures of Independent Directors and working conditions that the Company shall provide to Independent Directors. It also stipulates that Independent Directors shall issue independent opinions on matters such as connected transactions and external guarantees.

### 3. CHAIRMAN AND GENERAL MANAGER

The positions of the Company’s Chairman and General Manager are assumed by different individuals. The Chairman of the Company is Mr. Ding Yi. On 16 March 2021, Mr. Zhang Wenyang resigned as general manager due to job changes. At present, the Company has not appointed the general manager. The Chairman and General Manager are independent and have a clear division of responsibilities:

## Section IV Corporate Governance (Continued)

The Chairman is responsible for corporate planning and strategic decisions, leading the work of the Board, ensuring that the Board will consider all matters involved in an appropriate manner, facilitating an effective operation of the Board, promoting Directors to make effective contributions to the Board, and maintaining a good and constructive relationship between Directors. The Chairman convenes and presides over the Board meetings, reviews the implementation of resolutions by the Board, and supervises the implementation of board resolutions. Between sessions of the board meetings, the Chairman shall give guidance to the major business activities of the Company. In the event of force majeure, the Chairman is authorized to adjudicate on and dispose of the affairs of the Company.

The General Manager shall be accountable to the Board. The General Manager leads the Management, is responsible for the usual course of operation in production and management, and organizes the implementation of various resolutions by the Board. The General Manager shall regularly report to the Board or the Supervisory Committee on the signing and execution of the Company's material contracts, as well as the application of funds and profit and loss situation pursuant to the requirements of the Board or the Supervisory Committee.

### 4. DUTIES AND AUTHORITIES OF THE BOARD AND THE MANAGEMENT

The Board performs the duties and authorities conferred by the laws and regulations as well as the Articles of Association, mainly including: to guide, lead and monitor the Company's affairs to ensure the company's long-term success; to develop strategic goals and pay due attention to value creation and risk management; to convene the shareholders' general meetings and to execute the resolutions thereof; to decide on the annual operating plans and key investment proposals of the Company; to formulate the financial budget, the profit appropriation plan, the fundamental management system and substantial acquisitions or disposal plans of the Company; to decide on the establishment of specialized committees, and appointment and removal of their persons-in-charge; to appoint or remove the Company's General Manager, and to appoint or dismiss the Company's Senior Management such as Deputy General Managers and Financial Officers-in-charge pursuant to the General Manager's nomination; to appoint or remove the Secretary to the Board; to manage information disclosure matters of the Company, ensuring transparency; accountability, wherein Directors are responsible for their actions or omissions and should consider the opinions of shareholders and stakeholders when appropriate in the decision-making process; to ensure that the company has enough resources, qualifications and experience in accounting, internal auditing, financial reporting and other functions; to propose to the shareholders' general meeting the re-appointment or change of the Company's auditors; to receive the report from the Company's General Manager and to review the work of the General Manager; to approve the Company's external investments, leasing of assets, pledges of assets and other guarantees, entrusted operations and wealth management within the limit as stipulated in the Articles of Association.

## Section IV Corporate Governance (Continued)

There are four committees under the Board, namely the Strategic Development Committee, the Audit Committee (hereinafter referred to as “the Audit Committee”), the Nomination Committee and the Remuneration Committee. The main responsibilities of these committees are as follows:

- (1) The major duties of the Strategic Development Committee are: to research and make suggestions on long-term development strategy and important investment decisions of the Company; to research and make suggestions on long- and medium-term planning for strategic development of the Company; to monitor the implementation of strategic development plan of the Company and report any significant deviation from the development strategy to the Board of Directors; to research material changes in economic situation, industrial policies, technological advances, industry conditions, and force majeure, and make suggestions to the Company as to adjustments to its development strategy; to research and make suggestions on other material issues affecting development of the Company; to be responsible for the Company's ESG work, including reviewing the Company's ESG related policies and strategies to ensure that they comply with laws, regulations and standards; to assess and sort out ESG related risks and opportunities of the Company; to review the Company's ESG management and internal control system and put forward suggestions to the Board of Directors on its appropriateness and effectiveness; to review and supervise the objectives and implementation of the Company's ESG related work, and evaluate the work; to review the ESG report disclosed by the Company; to guide the formulation of ESG management vision, objectives and strategies of the Company, and provide suggestions to the Board of Directors; and other duties granted by the Board of Directors.
- (2) The major duties of the Audit Committee are: to propose the appointment or change of external auditors; to monitor the Company's internal audit system and its implementation; to be responsible for the communication between the internal and external audit; to review the Company's financial information and its disclosure; and to review the Company's risk management and internal control system.

In order to fully leverage on the role of the Audit Committee, the Company has also specifically worked out “Annual Report Work Rules of the Audit Committee”, which has streamlined the duties of the Audit Committee in the process of the preparation of annual report and the disclosure thereof.



## Section IV Corporate Governance (Continued)

- (3) The major duties of the Nomination Committee are: to regularly evaluate the structure and number of members of the Board, and the skills, knowledge and experience needed for Directors based on the shareholding structure and development strategies of the Company, and to make recommendations to the Board on any prospective changes; to consider and make recommendations on the selection criteria and procedures for Directors, General Manager and Secretary to the Board; to seek candidates for Directors, General Manager and Secretary to the Board, and to nominate the relevant candidates for Directors, General Manager and Secretary to the Board according to the Company's needs after reviewing their qualifications and abilities, and make recommendations to the Board in this regard; to examine the independence of Independent Directors; to make recommendations to the Board on matters related to the appointment and reappointment of Directors, and on succession plans for Directors (including Chairman), General Manager and Secretary to the Board.
- (4) The major duties of the Remuneration Committee are: to recommend to the Board with respect to the remuneration policies for all Directors and Senior Management of the Company, and the procedures of formulating such policies in a proper and transparent manner; to draft equity incentive plan; to review the remuneration of the Directors and Senior Management in accordance with the corporate objectives formulated by the Board; to review the compensation to be paid to the Directors or Senior Management with respect to their removal or appointment; to ensure that none of the Directors nor their associates could decide on their own remuneration; and other responsibilities as delegated by the Board.
- (5) The Company's Management performed their major responsibilities in accordance with the duties and authorities conferred by the Articles of Association, mainly including: to provide necessary documents to directors to assist them to identify potential issues as soon as possible; to organize the implementation of the Company's annual operating plans and investment proposals; to propose the establishment schemes of the Company's internal management structure; to propose the Company's fundamental management systems; to formulate the Company's basic constitutions; to appoint or remove the officers-in-charge other than those who are appointed or removed by the Board; to decide on the rewards and penalty, promotions and demotions, increase and decrease of salaries, appointment, recruitment or removal and termination of the Company's staff; to deal with the important external businesses of the Company on its behalf; to propose the convening of extraordinary Board meetings.

## Section IV Corporate Governance (Continued)

### 5. THE BOARD MEETING

The Board convenes four regular meetings annually, and notifies Directors about the time and date, location and agenda of a regular Board meeting 14 days in advance so as to ensure all Directors could attend the meetings. All Directors are given opportunities to raise matters for discussion and such matters will be included in the agenda of the regular meetings. If required by the Directors, the Management is able to provide adequate information timely to the Directors and such information can help the Directors make appropriate decisions. All or most of the Directors shall attend each regular Board meeting in person. When the Board vote on connected transactions, the connected Directors shall abstain from voting and the connected transactions shall be approved by the non-connected Directors. All Directors are entitled to and have the opportunity to access to the minutes of the Board meetings.

The Secretary to the Board is responsible for organizing and preparing the Board meetings and assists the Chairman in ensuring that the procedures for the meetings comply with the requirements of relevant laws, regulations and regulatory documents.

### 6. NOMINATION AND ELECTION OF DIRECTORS

The Company sets out a formal, prudent and transparent director election procedure in the Articles of Association. Except for certain special circumstances, a new session of the Board of the Company shall be elected every three years. The term of office of all Directors is the same as the term of office of the Board for such session. Upon the expiry of the session, re-election must be held.

Candidates for Directors are nominated by the Company's Board, the Supervisory Committee or shareholder(s) severally or jointly holding more than 3% of the issued shares of the Company. Candidates for Independent Directors are nominated by the Company's Board, the Supervisory Committee or shareholder(s) severally or jointly holding more than 1% of the issued shares of the Company.

The nomination of a Director by the Company has taken into adequate consideration of the nominee's situation including his/her career, academic background, job title, detailed work experience and all concurrent posts, with the consent of the nominee obtained in advance. With respect to the nomination of an Independent Director, the Board will give its opinion on the nominee's qualifications and independence of holding the position of Independent Director. The nominee will also issue a public statement indicating that there is no relationship between him/her and the Company that may affect his/her independent and objective judgment. Under no circumstance the Independent Directors shall serve the Company for more than six years. Prior to convening the relevant shareholders' general meeting, the Company will submit the related materials about the candidates for Independent Directors to the SSE for approval.

## Section IV Corporate Governance (Continued)

### 3 SUPERVISORS AND SUPERVISORY COMMITTEE

The ninth session of the Supervisory Committee of the Company is composed of five Supervisors, including the chairman of the Supervisory Committee, Mr. Zhang Xiaofeng and Ms. Geng Jingyan, as employee Supervisors, Mr. Zhang Qianchun as external Supervisors, and Ms. Yang Yada and Mr. Qin Tongzhou as independent Supervisors. Two female Supervisors made up two-fifths of the Supervisory Committee. Please refer to Section XII “Directors, Supervisors, Senior Management, and Employees” of this section for further details of names and incumbency of supervisors.

The ninth session of the Supervisory Committee of the Company should have expired on 30 November 2020. In view of the fact that the nomination of candidates for the new session of the Supervisory Committee of the Company has not yet been completed, in order to maintain the continuity and stability of the work of the Supervisory Committee, the general election of the Supervisory Committee of the Company has been appropriately postponed. Before the completion of the election of the Supervisory Committee of the Company, all members of the ninth session of the Supervisory Committee of the Company would continue to perform the duties and responsibilities of Supervisors in accordance with laws, regulations and the Articles of Association. The postponed election of the Supervisory Committee of the Company will not affect the Company’s normal operations.

### 4. REMUNERATION OF THE DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### (1) DIRECTORS’ REMUNERATION

Approved by the Shareholders’ General Meeting, the annual aggregate remuneration of all Directors of the ninth session of the Board of the Company shall not exceed RMB2.80 million (tax inclusive) during their term of office. Each of the Independent Directors receives a fixed annual remuneration of not more than RMB80,000 (tax exclusive) from the Company. Other Directors who are remunerated in the Company follow a remuneration policy that combines an annual salary for performance, tenure incentive and other medium to long-term incentives. The Remuneration Committee of the Board of the Company proposes the appraisal and distribution opinion according to the “Remuneration Assessment Method (Trial) for Directors and Senior Management” and the annual salaries will be implemented accordingly subject to the Board’ approval. No director may determine his/her own remuneration.

## Section IV Corporate Governance (Continued)

### (2) SUPERVISORS' REMUNERATION

Approved by the Shareholders' General Meeting, the annual aggregate remuneration of all Supervisors of the ninth session of the Company's Supervisory Committee shall not exceed RMB1.60 million (tax inclusive) during their term of office. Each of the Independent Supervisors receives a fixed annual remuneration of not more than RMB60,000 (tax exclusive) from the Company. As for the remaining Supervisors who receive annual remunerations from the Company, their annual remunerations shall be determined by the Supervisory Committee according to the appraisal results within the annual aggregate remuneration for Supervisors approved by the shareholders' general meeting and be reported to the shareholders' general meetings.

### (3) SENIOR MANAGEMENT'S REMUNERATION

The senior management in the Company follow a remuneration policy that combines an annual salary for performance, tenure incentive and other medium to long-term incentives. The Remuneration Committee of the Board of the Company proposes the appraisal and distribution opinion according to the "Remuneration Assessment Method (Trial) for Directors and Senior Management" and the annual salaries of the Senior Management will be implemented accordingly subject to the Board's approval.

## 5. TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company is committed to building a Board in learning type. During the Reporting Period, the Company enrolled the directors for training classes and workshops organized by stock market regulators, associations of listed companies and other organizations, kept them updated regularly with latest developments of laws and regulations, as well as market and regulatory dynamics and information gathered by the Company, and created opportunities of continuing professional development as appropriate. By these means, current Directors Mr. Ding Yi, Mr. Ren Tianbao, Ms. Zhang Chunxia, Ms. Zhu Shaofang and Mr. Wang Xianzhu and former Directors Mr. Qian Haifan, Mr. Zhang Wenyang, developed and updated their knowledge and skills, and were informed of the Company's business performance and the market environment, and well understood their responsibilities and obligations under listing rules and other applicable regulatory rules, and were therefore equipped with the capabilities to make continuous contribution to the Board.

## Section IV Corporate Governance (Continued)

Case one: During the Reporting Period, the Board organized all Directors to intensively study the Amendment (XI) to the Criminal Law, the Regulations on the Prevention and Disposal of Illegal Fund, the Opinions on Combating Illegal Securities Activities in Accordance with the Laws issued by the State Council, the Reform Programme on the Legal Disclosure System of Environmental Information of the Ministry of Ecology and Environment, the first batch of financial fraud cases under the newly revised Securities Law notified by China Securities Regulatory Commission, Guidelines on Directors Responsibilities in Corporate Transaction Valuation issued by the Hong Kong Securities and Future Regulatory Commission, Declaration of Conduct and Responsibilities when Considering Enterprise Acquisition or Sale Projects and other relevant notices and notifications of securities regulatory agencies.

Case two: Ms. Zhang Chunxia, Ms. Zhu Shaofang and Mr. Wang Xianzhu participated in online trainings such as "Legal Responsibilities and Risk Prevention of Independent Directors of Listed Companies" organized by the China Association of Listed Companies.

### 6. SECRETARIES TO THE BOARD (COMPANY SECRETARIES)

In addition to serving as the secretary to the Board of the Company, Ms. He Hongyun also serves as the joint company secretaries of the Company together with Ms. Rebecca Chiu. All Directors of the Company are entitled to obtain advice and services from company secretaries. Board secretaries report to the Chairman on board governance matters, are responsible for ensuring the compliance with the procedure of the Board, and promote the information exchange and communication between directors as well as between directors and shareholders and the management. Both Ms. He and Ms. Chiu received more than 15 hours of professional training in 2021.

### 7. ACCOUNTABILITY AND AUDIT

#### (1) Financial Reporting

The Board regularly receives the financial statements of the Company and other related materials, and acknowledges its responsibility for the preparation of the Company's accounts.

In 2021, the Company disclosed its annual, semi-annual and quarterly results within three months, two months, and one month after the end of the relevant accounting period. Confirmed by the Directors, the Directors has the responsibility to prepare accounts for the year ended 31 December 2021, which truly and fairly reflected the Company's financial position, operating performance and cash flow status. The auditor Ernst & Young also stated in the Auditor's Report (Audit Report) its responsibilities as the Company's auditor.

## Section IV Corporate Governance (Continued)

### (2) Risk Management And Internal Control

The Board of the Company undertakes to be responsible for the availability and finetuning, as well as effective enforcement of a system of risk management and internal controls at the Company, and for a review of the effectiveness of this system. The Board would like to point out that this system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company measures the impact of the remaining risks on the Company in accordance with the “Internal Control Manual”, based on the extent of impact of controls on inherent risks and the degree of effective control over the likelihood of occurrence, and identifies key risk exposures according to the results of such evaluation. In “Risk Control and Management Measures”, the Company requires the office of internal controls to manage risks, define risk criteria and priorities, carry out risk evaluation, and come up with countermeasures. A well-established risk ownership structure is in place to guide all departments and entities to manage risks properly. The departments, subsidiaries and branches are responsible for managing risks associated with their activities. The Department of Business Management shall go through all potential risks the Company may meet with in achieving its business objectives and report to the Board on a quarterly basis. The Supervision and Audit Department shall carry out a test of internal controls. Key topics therein are whether all risk exposures have been identified, pertinent countermeasures have been taken, the owners of risks have been accurately defined, the risk management department has carried out regular review, and the risk supervision and evaluation situation are regularly reported to the Board. In accordance with the corporate internal control standard system and the Company’s Internal Control Manual, the internal control evaluation work is organized and the “Internal Control Evaluation Report” is formed and submitted to the Board for deliberation on a yearly basis.

The Company should maintain a system of risk management and internal controls, which is overarching and applies to the whole life cycle of business processes and every staff member, so as to rule out the possibility of any gap or loophole; which is focused on high-risk business fields and significant risks that need to be identified and managed in a proactive manner; which works in a cost-effective way to achieve effective risk control in reasonable cost and is checked for effectiveness on a regular basis and improved constantly; which is designed with checks and balances to form a well-knit organization and sound business environment with reciprocal constraints and supervision in terms of governance structure, organization setup, division of duties and business processes, with equal importance given to efficiency; which complies with the applicable laws and regulations, and fits well into the scale and scope of business scale, scope and objectives, risks of the Company and the environment in which the Company operates.

The Board listened to the report on risk management and internal control and the report on risk supervision and evaluation, reviewed and confirmed that during the Reporting Period, the Company maintained proper control over strategic risk, financial risk, market risk, operational risk, legal risk and environmental risk to keep all risks under control.

## Section IV Corporate Governance (Continued)

On 23 March 2022, as of the reporting date for internal control assessment (31 December 2021), the Board confirmed that the Company was free from any material defect in internal controls over financial reporting, based on the identification of material defects in internal controls over financial reporting. In the opinion of the Board, the Company maintained effective internal controls over financial reporting in all material aspects as required by good practices of internal controls and relevant rules. The Board also confirmed that as of the reporting date for internal control assessment, no material deficiency in internal controls other than over financial reporting was found, based on the identification of material deficiency in internal controls other than over financial reporting. Ernst & Young audited the Company's internal controls related to financial reporting in 2021 and issued an Internal Control Audit Report with standard opinion.

### 8. THE AUDITOR

Since Ernst & Young understood the Company on an ongoing basis and worked rigorously and meticulously, the Audit Committee recommended to re-appoint Ernst & Young as the Company's 2021 auditor, to which the Board has no objection. The relevant proposal has been reviewed and approved at the 2020 Annual General Meeting held by the Company on 29 June 2021.

Accordingly, Ernst & Young was appointed as the auditors of the Company in 2021 and had issued audit report on financial statements and internal control audit report with declaration on its reporting responsibilities in these reports.

Upon the authorization of the 2020 Annual General Meeting and recognition by the Audit Committee consisting of Independent Directors, the Board decided that the remuneration for auditor amounted to RMB3.26 million (tax inclusive), including 2021 annual audit fee of RMB2.21 million, internal control audit fee of RMB550,000 and the fees for agreed upon procedures on 2021 interim financial statements of RMB500,000. The aforementioned audit fees, agreed-upon procedures fees and other professional services were already inclusive of disbursements incurred by the auditors. Working meals and transportation within the factories incurred by auditors while performing professional services at the Company were provided by the Company, and other accommodation and transportation are at their own expense.

As of 31 December 2021, Ernst & Young has provided auditing services to the Company for 28 consecutive years. Ms. Guo Jing and Mr. Gong Wei were the certified public accountants who had signed the Company's 2021 auditors' reports. Ms. Guo Jing has provided auditing services to the Company for two consecutive years, while Mr. Gong Wei has provided auditing services to the Company for three consecutive years.

In addition, Ernst & Young Tax Services Limited provided profit tax reporting services for the Group in Hong Kong with the services fee of HK\$50,000 (tax exclusive), which was beyond the audit service.

Ernst & Young submitted the "Declaration of Independence" to the Company's Audit Committee to explain and guarantee its independence.

### 9. SHAREHOLDERS' RIGHTS AND EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

#### (1) 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 Shareholders' Class Meetings according to the Articles of Association. In accordance with the Articles of Association, when the Company convenes the Annual General Meeting, any shareholder who individually or jointly hold 3% or more of the shares of the Company, has the right to submit a new proposal to the Company in writing. Shareholders who individually or jointly hold 1% or more of the shares of the Company may nominate candidates for Independent Directors, and shareholders who individually or jointly hold 3% or more of the shares of the Company may nominate candidates for Directors and Supervisors. Shareholders may send inquiries and 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).

#### (2) Effective Communication

##### 1. *General Meeting*

The Board maintains a smooth communication channel with the shareholders, striving to maintain communication with shareholders and encouraging them to attend the shareholders' general meetings.

During the Reporting Period, the Company stated clearly in the 2020 Annual General Meeting and the notices of 2021 First Extraordinary General Meeting that A shareholders holding the Company's A shares as at the market closing in the afternoon of the respective register dates and registered in the register of members maintained by the Shanghai branch of CSDCC, and H shareholders holding the Company's H shares on the same date and registered in the register of members maintained by the Hong Kong Registrars Limited were eligible for attending the respective shareholders' general meetings after completing the registration procedures for attending the meetings. The Chairman attended the shareholders' general meeting in person and served as the chairman of the meetings. At the shareholders' general meetings, the chairman of the meetings proposed individual resolutions for each independent matter, introduced the voting procedure to the participating shareholders in detail, and answered shareholders' questions. The chairmen of the Strategy Committee, Audit Committee, Nomination Committee, Remuneration Committee and other Directors, Supervisors and senior management shall attend the shareholders' general meetings upon the invitation and in accordance with the requirements of the Board. Independent Directors submit their performance reports to the general meeting every year. Details of in the 2020 Annual General Meeting and the notices of 2021 First Extraordinary General Meeting set out in "10. SHAREHOLDERS' GENERAL MEETING" of this section.



## Section IV Corporate Governance (Continued)

The information available on the Company's website, together with annual reports, semi-annual reports, quarterly reports and announcements and circulars released by the Company, provide shareholders of the Company with a variety of accesses to the Company's information.

### 2. *Communication with Shareholders*

The Company has been using multi-channels to proactively enhance the communication with local and overseas institutional investors. During the Reporting Period, due to the impact of the COVID-19 epidemic, the Company has actively strengthened the communications with domestic and foreign investors through various forms including the results presentation, Internet conferences, telephone, email, and WeChat, and the understanding of investors towards the Company has further enhanced. During the Reporting Period, the Company received 12 visits from investors. And the Company and investors held 39 telephone or video conferences, and communicated with nearly 50 institutions with more than 200 persons. In addition, an online bilingual live broadcast of the 2020 annual results conference and a dual-platform live broadcast of the 2021 semi-annual results conference were held for the first time, receiving more than 50,000 times of viewing the live broadcast and video playback. 58 questions from investors were answered through the SSE e-interactive platform.

Investor relations contact information contained in the investor relations column of the company website:

Address: No. 8, Jiuhua West Road, Maanshan City, Anhui Province, China

Phone: 86-555-2888158/2875252; Fax: 86-555-2887284

Email: [mggf@baowugroup.com](mailto:mggf@baowugroup.com)

### 3. *During the Reporting Period, there is no change to the Articles of Association of the Company.*

### (3) Type of Shareholders and Shareholding

As of 31 December 2021, the Company had 170,020 A shareholders with a total of 5,967,751,186 shares; 923 H shareholders with a total of 1,732,930,000 shares. Except for Baosteel Hong Kong Investment, Magang Group, and Magang Investment Limited, the total number of shares held by the remaining shareholders is 3,395,331,571 shares, including 2,303,001,571 A shares and 1,092,330,000 H shares. For the equity holdings of Baosteel Hong Kong Investment, the Holding, and Magang Investment, please refer to "(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" of "3 SHAREHOLDERS AND ACTUAL HOLDERS" in Section 7 "MOVEMENTS IN SHARE CAPITAL AND SHAREHOLDERS" of this report. During the Reporting Period, Mr. Mao Zhanhong, the deputy general manager of the Company, purchased 100 A shares of the Company. Apart from that, other Directors, Supervisors and senior management of the Company held no shares of the Company.

## Section IV Corporate Governance (Continued)

### (4) Market Value

On 31 December 2021, the closing price of the Company's A shares was RMB3.69, and the market value was RMB22.021 billion; the closing price of the Company's H shares was HKD2.86, and the market value was HKD4.956 billion. The total market value was equivalent to approximately RMB26.058 billion.

### (5) Log of Shareholder Matters

2020 Annual General Meeting	Share Record Date	18 May 2021
	Meeting date	29 June 2021
2021 First Extraordinary General Meeting	Share Record Date	29 October 2021
	Meeting date	30 November 2021
2020 Annual Equity Distribution	Record date for the Cash Dividend Distribution	28 July 2021 (A shares); 12 July 2021 (H shares)
	Payment Date for Cash Dividend	29 July 2021

## 10. SPECIFIC MEASURES TAKEN BY THE CONTROLLING SHAREHOLDER AND THE DE FACTO CONTROLLER OF THE COMPANY TO ENSURE THE INDEPENDENCE OF THE COMPANY'S ASSETS, PERSONNEL, FINANCE, ORGANIZATION AND BUSINESS, AS WELL AS THE SOLUTIONS, PROGRESS OF WORK AND FOLLOW-UP WORK PLAN ADOPTED IN RESPONSE TO THE AFFECTED INDEPENDENCE OF THE COMPANY

Applicable       Not Applicable

In order to maintain the independence of the Company on an ongoing basis, China Baowu issued a "Commitment Letter on Ensuring the Independence of the Listed Company" on 26 August 2019, details of which were set out in the Company's response to the feedback on the "Notice regarding China Securities Regulatory Commission's First Feedback on the Review of Administrative Permission Items" posted on the website of the SSE and the website of the Stock Exchange. During the Reporting Period, China Baowu did not breach such undertakings.

The Company's direct controlling shareholder, Maanshan Iron & Steel Group, does not compete with the Company; in terms of product types, application fields and major sales regions, there is certain overlap and market competition between Baoshan Iron & Steel Co., Ltd ("Baosteel"), a holding subsidiary of China Baowu (an indirect controlling shareholder of the Company) and the Company in respect of plate products. Apart from Baosteel, there are differences between other enterprises engaged in the steel industry under the control of China Baowu and the Company in terms of major sales regions, product types, performance and applications, etc. and there is no substantial horizontal competition.

## Section IV Corporate Governance (Continued)

In order to avoid horizontal competition, China Baowu issued a “Commitment Letter on Avoiding Horizontal Competition” on 26 August 2019, details of which were set out in the Company's response to the “Notice regarding China Securities Regulatory Commission's First Feedback on the Review of Administrative Permission Items” posted on the website of the SSE and the website of the Stock Exchange. During the Reporting Period, China Baowu did not breach such undertakings.

### 11. SHAREHOLDERS' GENERAL MEETING

Session of Meeting	Date of Meeting	Specified Website for Publishing Resolutions	Publishing Date of Resolution
2020 Annual General Meeting	29 June 2021	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-06-30/600808_20210630_1_LeUg1y0x.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-06-30/600808_20210630_1_LeUg1y0x.pdf</a>	30 June 2021
2021 First Extraordinary General Meeting	30 November 2021	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-12-01/600808_20211201_1_TAfpSLug.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-12-01/600808_20211201_1_TAfpSLug.pdf</a>	1 December 2021

The explanation of the shareholders' general meeting

The Company issued a notice of meeting on 6 May 2021 to convene the 2020 AGM on 18 June 2021. The AGM was postponed to 29 June 2021 due to a written proposal submitted by Masteel Group on 2 June 2021 to add a proposal regarding the appointment of auditors for the year 2021 to the AGM. The meeting considered and approved the following six resolutions: (1) Report of the Board of Directors for the year 2020; (2) Report of the Supervisory Committee for the year 2020; (3) Audited financial report for the year 2020; (4) Profit distribution plan for the year 2020; (5) Remuneration of Directors, Supervisors and senior management for the year 2020; (6) Appointment of Ernst & Young Hua Ming as auditor for the year 2021 and authorisation of the Board of Directors to determine its remuneration.

## Section IV Corporate Governance (Continued)

The Company issued a notice of meeting on 15 October 2021 to convene the First EGM for 2021 on 30 November 2021. The meeting considered and approved the following nine resolutions: (1) The Ordinary Related Transactions Supplemental Agreement newly entered into between the Company and China Baowu, an indirect controlling shareholder of the Company, to update the proposed transaction caps for the year of 2021 under the Ordinary Related Transactions Supplemental Agreement signed between the Company and it on 7 May 2020; (2) The Continuing Connected Transactions Supplemental Agreement newly entered into between the Company and Magang Group, a controlling shareholder of the Company, to update the proposed transaction caps for the year of 2021 under the Continuing Connected Transactions Supplemental Agreement signed between the Company and it on 7 May 2020; (3) The Continuing Connected Transactions Supplemental Agreement newly entered into between the Company and Ouyeel Blockchain Finance, a subsidiary of China Baowu, to update the proposed transaction caps for the year of 2021 under the Continuing Connected Transactions Supplemental Agreement signed between the Company and it on 7 May 2020; (4) The Energy Saving and Environmental Protection Supplemental Agreement entered into between the Company and Environmental Protection Company, a subsidiary controlled by Magang Group, to update the proposed transaction caps for the year of 2021 under the Energy Saving and Environmental Protection Agreement for the year of 2019 to 2021 signed between the Company and it on 15 August 2018; (5) The transactions and the proposed annual caps contemplated under the Sale and Purchase of Product Agreement for the year of 2022 to 2024 entered into between the Company and China Baowu; (6) The transactions and the proposed annual caps contemplated under the Acceptance and Provision of Services Agreement for the year of 2022 to 2024 entered into between the Company and China Baowu; (7) The transactions and the proposed annual caps contemplated under the Financial Services Agreement for the year of 2022 to 2024 entered into between Magang Group Finance Company Limited, a subsidiary controlled by the Company, and Magang Group; (8) The capital injection into Baowu Water Technology Co., Ltd. by the Company; (9) Purchase of liability insurance for the Directors, Supervisors and senior management of the Company.

The above meetings were held at the Company's office building at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, chaired by Mr. Ding Yi, Chairman of the Board, and attended by all Directors, Supervisors and Secretary of the Board of Directors of the Company. The resolutions were approved by the shareholders.

## Section IV Corporate Governance (Continued)

### 12. DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

#### (1) CHANGES IN SHAREHOLDING HELD BY AND EMOLUMENTS FOR INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN The Reporting Period

Unit: share

Name	Position (Note)	Gender	Age	Date of term commencement	Date of term termination	Annual emoluments before tax during the reporting period (RMB ten thousands)	Receive emoluments from the Company's related parties
Ding Yi	Chairman	Male	58	2013-8-9	note1	-	Yes
Ren Tianbao	Director	Male	58	2011-8-31	note1	123.24	No
	Deputy General Manager	Male	58	2021-8-10	note1		
Zhang Chunxia	Independent Director	Female	59	2017-11-30	note1	10	No
Zhu Shaofang	Independent Director	Female	58	2017-11-30	note1	10	No
Wang Xianzhu	Independent Director	Male	42	2017-11-30	note1	10	No
	Chairman of Supervisory Committee						
Zhang Xiaofeng	Supervisor	Male	60	2008-8-31	note1	124.49	No
Zhang Qianchun	Supervisor	Male	60	2017-11-30	note1	-	Yes
Geng Jingyan	Supervisor	Female	47	2020-6-29	note1	26.79	No
Yang Yada	Independent Director	Female	66	2017-11-30	note1	7.37	No
Qin Tongzhou	Independent Director	Male	52	2017-11-30	note1	7.37	No
Mao Zhanhong	Deputy General Manager	Male	52	2021-3-16	note1	126.84	Note2
Fu Ming	Deputy General Manager	Male	55	2017-10-11	note1	149.44	No
Zhang Maohan	Deputy General Manager	Male	52	2020-12-18	note1	135.04	No
	Secretary of the Board of Directors						
He Hongyun	Directors	Female	50	2018-4-19	note1	59.16	No
Zhang Wenyang	Director(Resignation)	Male	54	2017-11-30	2021-3-16	17.74	No
	General Manager (Resignation)	Male	54	2020-12-18	2021-3-16		
Qian Haifan	Director(Resignation)	Male	61	2011-8-31	2021-3-19	-	Yes
	Deputy General Manager						
Tian Jun	Manager(Resignation)	Male	61	2017-2-14	2021-3-16	6.53	No
Total	/	/	/	/	/	814.01	/

## Section IV Corporate Governance (Continued)

*Note 1:* The ninth session of the Board of the Company expired on 30 November 2020. In view of the fact that the nomination of candidates for the new session of Directors of the Board and Supervisors of the Supervisory Committee of the Company has not yet been completed, in order to maintain the continuity and stability of the work of the Board and the Supervisory Committee, the general election of the Board and Supervisory Committee of the Company has been appropriately postponed. At the same time, the term of office of the professional committees and senior management of the ninth session of Board of the Company shall also be extended accordingly.

*Note 2:* During the Reporting Period, Mr. Mao Zhanhong's remuneration did not include pension scheme contributions as his personnel relationship was under processing.

Explanation: Mr. Zhang Wenyang, Mr. Mao Zhanhong, Mr. Ren Tianbao, Mr. Fu Ming and Mr. Zhang Maohan are directly managed by China Baowu and their annual remuneration will ultimately be honoured in accordance with the standards approved by China Baowu. The annual emoluments after tax of independent Directors and independent Supervisors were RMB80,000 and RMB60,000 respectively, and personal income tax from the annual emoluments of Independent Directors and Independent Supervisors were withheld by the Company.

The Company's current Directors, Supervisors and senior management and their working experiences are as follows:

Name	Working Experience
Ding Yi	Mr. Ding is the current Chairman of the Company. He served as the Deputy General Manager of the Company from January 2004 to July 2011. From July 2011 to June 2013, he served as the Deputy General Manager of the Holding. From June 2013 to December 2020, he served as the General Manager of the Holding. Effective from August 2013, he served as the Chairman of the Company. Mr. Ding also serves as the Chairman of Magang Group Finance Co., Ltd. and the Director of Magang Group Investment Ltd..
Ren Tianbao	Mr. Ren is the current Director and deputy general manager of the Company. He served as the Director of the Company since August 2011. From February 2012 to May 2015, he served as the Secretary to the Board of the Company. From May 2015 to December 2019, he served as the Deputy General Manager of the Holding. Since March 2020, Mr. Ren served as the Chairman of Ma-Steel Rail Transportation Material Technology Co., Ltd.. Since August 2021, Mr. Ren served as the deputy general manager of the Company.

## Section IV Corporate Governance (Continued)

Name	Working Experience
Zhang Chunxia	Ms. Zhang is the current independent Director of the Company. From August 1994 to March 2018, she served as a professor-level senior engineer and doctoral supervisor in the State Key Laboratory of Advanced Steel Processes and Materials of the Central Iron and Steel Research Institute, mainly engaged in research and development in the field of steel metallurgical process engineering and environmental engineering. Ms. Zhang is also a member of the Expert Committee of the China Society of Metals. She served as an Independent Director of the Company since 30 November 2017.
Zhu Shaofang	Ms. Zhu is the current Independent Director of the Company. From February 1999 to October 2016, she was the audit manager and partner of Deloitte Touche Tohmatsu Certified Public Accountants LLP and the managing partner of Nanjing Branch. She served as an Independent Director of the Company since 30 November 2017.
Wang Xianzhu	Mr. Wang is the current Independent Director of the Company. From March 2012 to September 2013, he served as the Vice President of the School of Economics, Anhui University of Technology. From September 2013 to November 2015, he served as the Vice President of the School of Business of Anhui University of Technology. From November 2015 to September 2019, he served as the Secretary of the Communist Youth League Committee of Anhui University of Technology. From November 2016 to October 2018, he served as the Standing Committee Member of the Huashan District Party Committee of Maanshan City and the Deputy Head of the district government (serving temporary positions). From September 2019 to November 2020, he was the Executive Vice President of the School of Postgraduate of Anhui University of Technology. Since November 2020, he has served as Director of the personnel department of Anhui University of Technology. Since May 2021, he has been the vice president of Anhui University of Technology. Since 30 November 2017, he served as an independent Director of the Company.
Zhang Xiaofeng	Mr. Zhang is the current Chairman of the Company's Supervisory Committee. From August 2008 to March 2021, he served as the Chairman of the Holding and the Company's Labor Union. He assumed the employee Supervisor and Chairmanship of the Company's Supervisory Committee since 31 August 2008.
Zhang Qianchun	Mr. Zhang is currently the Supervisor of the Company. From September 2014 to February 2022, he became the Deputy Chief Accountant of Magang (Group) Holding Company Limited, and was appointed as a Supervisor of the Company since 30 November 2017.

## Section IV Corporate Governance (Continued)

Name	Working Experience
Geng Jingyan	Ms. Geng is currently the Supervisor of the Company. From January 2014 to January 2020, she successively served as Deputy Chief Inspector and Chief Inspector of the Audit Office of the Disciplinary Committee (Supervision and Audit Department) of Magang (Group) Holding Company Limited. Since January 2020, she served as the Chief Inspector of the audit function of the Audit Department of the Company, and she has served as the Staff Supervisor of the Company since 29 June 2020. In addition, Ms. Geng concurrently serves as a supervisor of Magang Hongfei Electricity Power Co., Ltd..
Yang Yada	Ms. Yang is currently the Independent Supervisor of the Company. She is also the Professor, Master Instructor of School of Business of Anhui University of Technology. Ms. Yang was appointed the Professor of School of Business of Anhui University of Technology in September 2002. She sequentially served as the Head of Business Administration Department, Deputy Dean and Dean of School of Management of Anhui University of Technology. She was elected as a member of the 10th, 11th and 12th National People's Congress. Ms. Yang was appointed the Independent Director and the Independent Supervisor of the Company on 31 August 2011 and 30 November 2017, respectively.
Qin Tongzhou	Mr. Qin is currently the Independent Supervisor of the Company. He is also the CFO of China Fire & Security Group Inc. ("CFSG") and Deputy Manager of Sureland Industrial Firefighting Limited, a wholly owned subsidiary of CFSG. Having years of audit experience, Mr. Qin was engaged in audit work in Ernst & Young Hua Ming from March 2001 to March 2010. He was appointed the Deputy General Manager of Sureland Industrial Firefighting Limited of CFSG in March 2010 and CFO of CFSG since July 2010. Mr. Qin was appointed the Independent Director of the Company on 31 August 2011, and the Independent Supervisor of the Company since 30 November 2017.
Mao Zhanhong	Mr. Mao is currently the Deputy General Manager of the Company. From January 2017 to April 2019, he served as the Deputy Director of the Cold Rolling Technology Management Promotion Committee of Baosteel Co., Ltd., and the Deputy General Manager of Zhanjiang Iron and Steel. From April 2019 to March 2020, Mr. Mao served as the Deputy Director of the Cold Rolling Technology Management Promotion Committee and the director of the Manufacturing Management Department of Baosteel Co., Ltd.. From March 2020 to February 2021, he served as the Assistant to General Manager and the Head of Manufacturing Management Department and Deputy Director of Cold Rolling Technology Management Promotion Committee of Baosteel Co., Ltd.. Since February 2021, he was appointed as a member of the Standing Committee of the Party Committee of Magang (Group) Holding Company Limited. Since 16 March 2021, he was appointed as the Deputy General Manager of the Company. From December 2021, he served as the Chief Quality Officer of the Company .



## Section IV Corporate Governance (Continued)

Name	Working Experience
Fu Ming	Mr. Fu is currently the Deputy General Manager of the Company. In February 2012, he was appointed as the Manager of the Company's Production Department. From December 2013 to July 2018, he has been the Director and Deputy Party Secretary of the Company's Second Ironmaking Plant. He was appointed as the Deputy General Manager of the Company on 11 October 2017. Since December 2019, he was appointed as the Deputy General Manager and Safety Director of the Company. He resigned from the position of Safety Director in January 2021.
Zhang Maohan	Mr. Zhang is currently the Deputy General Manager of the Company. From September 2017 to February 2020, he served as the assistant to the General Manager of the Company and General Manager of the sales company. From February 2020 to June 2020, he served as the assistant to the General Manager of the Company, Secretary of the Party Committee and General Manager of the sales company. From June 2020 to December 2020, he served as the Assistant to the General Manager of the Company, Secretary of the Party Committee and General Manager of the sales company, and General Manager of the Marketing Center. From December 2020, Mr. Zhang served as the member of the Standing Committee of the Party Committee of the Holding, member of the Standing Committee of the Party Committee and Deputy General Manager of the Company, Secretary of the Party Committee and General Manager of the sales company, and General Manager of the Marketing Center. From January 2021, he didn't serve as the Secretary of the Party Committee and General Manager of the sales company, and General Manager of the Marketing Center. Mr. Zhang concurrently served as a Chairman of Ma Steel (Hong Kong) Co., Ltd..
He Hongyun	Ms. He is currently the Secretary of the Board of the Company. From June 2015 to April 2017, she was appointed as the securities affairs representative office; since April 2017, as the Deputy Director of the secretariat of the Board. Since 19 April 2018, she became the Secretary of the Board of the Company and Joint Company Secretary. In addition, Ms. He concurrently served as the Deputy Director of the Legal Affairs Department of the Company, the director of Ma Steel (Hefei), Ma Steel (Hefei) Steel Plates Co., Ltd., and Masteel Finance Co., Ltd..

On 31 August 2021, Mr. Mao Zhanhong, the Deputy General Manager, purchased 100 A shares of the Company. None of the Directors, Supervisors and Senior Management of the Company held any share of the Company.

## Section IV Corporate Governance (Continued)

### (2) CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING The Reporting Period

#### 1. POSITIONS IN SHAREHOLDERS' COMPANY

Name	Name of shareholders' company	Position in shareholders' company
Ding Yi	China Baowu Steel Group Corporation Limited Magang (Group) Holding Co., Limited	Chief Representative of Maanshan Headquarters Chairman, Secretary of the Party Committee
Zhang Qianchun	Magang (Group) Holding Co., Limited	Deputy Chief Accountant
Mao Zhanhong	Magang (Group) Holding Co., Limited	Standing Committee Member of the Party Committee
Fu Ming	Magang (Group) Holding Co., Limited	Standing Committee Member of the Party Committee
Zhang Maohan	Magang (Group) Holding Co., Limited	Standing Committee Member of the Party Committee
Zhang Wenyang	Magang (Group) Holding Co., Limited	Standing Committee Member of the Party Committee
Qian Haifan	Magang (Group) Holding Co., Limited	Standing Committee Member of the Party Committee
He Hongyun	Magang (Group) Holding Co., Limited	Deputy Director of the Legal Affairs Department

#### 2. POSITIONS IN OTHER ENTITIES

Name	Name of other entities	Position in other entities
Zhang Chunxia	The Chinese Society for Metals	Committee Member
Wang Xianzhu	Anhui University of Technology	Vice President
Yang Yada	Anhui University of Technology	Professor of Business School
Qin Tongzhou	China Fire & Security Group Inc. ("CFSF")	CFO
Zhang Maohan	Import and Export Working Committee of China Iron and Steel Association	Committee Member

## Section IV Corporate Governance (Continued)

### (3) EMOLUMENTS FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making process of emoluments for Directors, Supervisors and Senior Management	The Remuneration Committee of the Board is responsible for organizing the performance assessment of Executive Directors and Senior Management. The Committee evaluates the Senior Management in terms of performing duties in accordance with the operating target status, and reports the yearly performance assessment to the Board. After the consideration and approval from the Board, the result is reported to the AGM.
Basis for determination of Directors, Supervisors and Senior Management	The annual remuneration of the non-independent supervisors who receive remuneration from the Company shall be determined by the Board of Supervisors provided that the total annual remuneration shall not be exceeded those approved at the general meeting of shareholders. The result is decided by appraisal results and reported to shareholders at the Annual General Meeting. Independent Directors and Independent Supervisors of the Company received a fixed amount of emoluments during their term of office. The Company determines the performance evaluation indicators of the operation based on ROE, operating income, total profit, safety production, energy and environmental protection, etc., reflecting the performance orientation of "surpassing ourselves, outperforming the market, pursuing excellence and leading the world".
Actual payment to Directors, Supervisors and Senior Management	Please refer to the previous section "Changes in Shareholding and Emoluments".
Total actual payment to Directors, Supervisors and Senior Management at the end of reporting period	During the Reporting Period, the total salaries for Directors, Supervisors and Senior Management who received emoluments or allowances from the Company amounted to RMB8.1401 million (tax included).

## Section IV Corporate Governance (Continued)

### (4) CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Movement	Reasons of movement
Zhang Wenyang	Director and General Manager	Resignation	Job change
Tian Jun	Deputy General Manager	Resignation	Retirement
Mao Zhanhong	Deputy General Manager	Appointment	Board appointment
Qian Haifan	Director	Resignation	Retirement
Ren Tianbao	Deputy General Manager	Appointment	Board appointment

### (5) THE COMPANY WAS NEVER PUNISHED BY SECURITIES REGULATORY AGENCIES IN THE PAST THREE YEARS.

## 13. RELEVANT INFORMATION ON THE BOARD MEETINGS HELD DURING THE REPORTING PERIOD

Session	Date	Meeting resolutions
The fortieth meeting of the ninth session	2021-1-22	The 2020 hedging work report and 2021 hedging plan of the Company were approved; the administrative measures for futures hedging business of the Company were approved.
The forty-first meeting of the ninth session	2021-3-16	The resignation of Mr. Zhang Wenyang as a director and general manager was approved; the removal of Mr. Tian Jun from his position as the deputy general manager was approved; Mr. Mao Zhanhong was appointed as a deputy general manager of the Company.

## Section IV Corporate Governance (Continued)

Session	Date	Meeting resolutions
The forty-second meeting of the ninth session	2021-3-25	The resolution regarding changes in provisions for price decrease in inventories, changes in provisions for bad debt and impairment of long-term assets at the end of 2021 was approved; The audited financial report of the Company for 2020 was approved; The final profit distribution plan of the Company for 2020 was approved; The Work Report of the Board for 2020 was approved; The decision was made to pay the auditor's remuneration in 2020; The 2020 business performance assessment results of relevant Directors, Supervisors and senior management were approved; The remuneration for the relevant Directors, Supervisors and senior management for 2020 was approved; The full text and the summary of the 2020 annual report of the Company was approved; The Assessment Report on Internal Control of the Company for the year of 2020 was approved, and the execution by the chairman was authorized; The Social Responsibility Report of the Company for the year of 2020 was approved, and the execution by the chairman was authorized.
The forty-third meeting of the ninth session	2021-4-28	The unaudited financial report of the Company for the first quarter of 2021 was approved; The first quarterly report of the Company for 2021 was approved; The amendment to the Administrative Measures for External Investment of the Company was approved; The absorption and merger of Ma Steel (Shanghai) Commercial Factoring Company Limited by Ouye Commercial Factoring Company Limited was approved; The agenda of the 2020 annual general meeting of the Company was approved.
The forty-fourth meeting of the ninth session	2021-6-9	The appointment of Ernst & Young Hua Ming LLP as the Company's auditor for the year 2021 was approved, and the board of directors was proposed to determine the remuneration of the auditor at the general meeting; The Company was approved to supplement and improve the hedging plan in 2021; The agenda of the 2020 annual general meeting of the Company was approved.

## Section IV Corporate Governance (Continued)

Session	Date	Meeting resolutions
The forty-fifth meeting of the ninth session	2021-6-29	Ma Steel (Hong Kong) Co., Ltd, a wholly-owned subsidiary of the Company, is approved to waive its right for capital injection to Huabao Duding (Shanghai) Finance Leasing Co., Ltd..
The forty-sixth meeting of the ninth session	2021-7-19	The resolution regarding the Company waiving the right for the capital injection to Ouyeel Blockchain Finance was approved.
The forty-seventh meeting of the ninth session	2021-8-10	Mr. Ren Tianbao was appointed as the deputy general manager of the Company.
The forty-eighth meeting of the ninth session	2021-8-25	The resolution on changes in provisions for price decrease in inventories and changes in provisions for bad debts in mid-2021 was approved; The unaudited interim financial report of the Company for 2021 was approved; The full text and the summary of the 2021 interim report of the Company was approved; It was approved that the Company transferred 100% equity interest of Ma Steel (Hefei) Iron & Steel Co., Ltd., a subsidiary of the Company, to Baowu Water Technology Co., Ltd.;The Resolution on Renewal of Annual Liability Insurance for Directors, Supervisors and Senior Management of the Company was approved.
The forty-ninth meeting of the ninth session	2021-9-17	The resolution on capital injection into Baowu Water Technology Co., Ltd. by the Company was approved and submitted to the general meeting for consideration.

## Section IV Corporate Governance (Continued)

Session	Date	Meeting resolutions
The fiftieth meeting of the ninth session	2021-9-29	<p>The Ordinary Related Transactions Supplemental Agreement newly entered into between the Company and China Baowu was agreed, in order to update the proposed transaction caps for the year of 2021 under the Ordinary Related Transactions Supplemental Agreement signed between the Company and it on 7 May 2020; The Continuing Connected Transactions Supplemental Agreement newly entered into between the Company and Magang Group was agreed, in order to update the proposed transaction caps for the year of 2021 under the Continuing Connected Transactions Supplemental Agreement signed between the Company and it on 7 May 2020; The Continuing Connected Transactions Supplemental Agreement newly entered into between the Company and Ouyeel Blockchain Finance was agreed, in order to update the proposed transaction caps for the year of 2021 under the Continuing Connected Transactions Supplemental Agreement signed between the Company and it on 7 May 2020; The Energy Saving and Environmental Protection Supplemental Agreement entered into between the Company and Environmental Protection Company was agreed, in order to update the proposed transaction caps for the year of 2021 under the Energy Saving and Environmental Protection Agreement for the year of 2019 to 2021 signed between the Company and it on 15 August 2018; The transactions and the proposed annual caps contemplated under the Sale and Purchase of Product Agreement for the year of 2022 to 2024 entered into between the Company and China Baowu was agreed; The transactions and the proposed annual caps contemplated under the Acceptance and Provision of Services Agreement for the year of 2022 to 2024 entered into between the Company and China Baowu was agreed; The transactions and the proposed annual caps contemplated under the Financial Services Agreement for the year of 2022 to 2024 entered into between Finance Company and Magang Group was agreed; The transfer of 30% of equity interests in Anhui Masteel K. Wah New Building Materials Co. Ltd. and relevant assets of solid waste treatment by the Company to Baowu Environment Maanshan Resources Utilization Co., Ltd. was agreed; The agenda on the 2021 first extraordinary general meeting of the Company was approved.</p>

## Section IV Corporate Governance (Continued)

Session	Date	Meeting resolutions
The fifty-first meeting of the ninth session	2021-10-26	The unaudited financial report of the Company for the third quarter of 2021 was approved; The third quarterly report of the Company for 2021 was approved; The merger by absorption, by Ma Steel (Hefei) Iron & Steel Co., Ltd., a subsidiary controlled by the Company, of Ma Steel (Hefei) Steel Plates Co., Ltd., a wholly-owned subsidiary of Hefei Steel, was approved.
The fifty-second meeting of the ninth session	2021-11-12	The establishment and investment budget of new special steel project of the Company's product production line planning is approved; The Company is approved to carry out the donation work in 2021, and the proposed donation amount is RMB2,566,820; The amendments to the Work Regulations of Strategic Development Committee of the Board of Directors of Maanshan Iron & Steel Company Limited is approved.
The fifty-third meeting of the ninth session	2021-11-30	The 51% capital injection into Baowu Clean Energy Co., Ltd. of Anhui Masteel Gases Technology Co., Ltd., the wholly-owned subsidiary of the Company, was approved; The newly revised Administrative Measures for Information Disclosure of the Company was approved; The resolution on Related Party Transaction Management System of the Company was approved.
The fifty-fourth meeting of the ninth session	2021-12-14	Approval of the 2022 operation plan for investment business in wealth management products by Finance Company.
The fifty-fifth meeting of the ninth session	2021-12-24	The 2021 Restricted A Share Incentive Scheme (draft) ("Incentive Scheme") of the Company and its summary were approved; The Performance Assessment Measures for the Restricted A Share Incentive Scheme in 2021 was approved; The Administrative Measures for Share Incentives of the Company was approved; The resolution in relation to the write-off of long-term receivables of the Company was considered and approved; The resolution in relation to the disposal of retired assets in 2021 was considered and approved; The resolution in relation to the purchase and storage of vacant land of Ma Steel (Hefei) Iron & Steel Co., Ltd. by Feidong County government was approved.



## Section IV Corporate Governance (Continued)

### 14. PERFORMANCE OF DIRECTORS

#### (1) ATTENDANCE OF DIRECTORS IN THE BOARD MEETINGS AND SHAREHOLDERS' GENERAL MEETING

Name of Director	Independent Director	Attendance of directors in the board meetings					Attendance in the General Meeting	
		Required attendance during the year	Attendance in person	Attendance by way of correspondence	Attendance by proxy	Absence	Two consecutive personal absence	In the General Meeting Attendance
Ding Yi	No	16	7	9	0	0	No	2
Ren Tianbao	No	16	7	9	0	0	No	2
Zhang Chunxia	Yes	16	7	9	0	0	No	2
Zhu Shaofang	Yes	16	7	9	0	0	No	2
Wang Xianzhu	Yes	16	6	9	1	0	No	2
Zhang Wenyang	No	1	0	1	0	0	No	0
Qian Haifan	No	2	0	2	0	0	No	0

All directors of the Company were not absent from the board meetings for two consecutive times during the Reporting Period.

Number of meetings held by the Board during the year	16
Of which: Number of face-to-face meetings	4
Number of meetings with teleconferencing	9
Number of face-to-face meetings combined with teleconferencing	3

#### (2) Dissents raised by Directors on matters related to the Company

Applicable       Not Applicable

## Section IV Corporate Governance (Continued)

### 15. SPECIAL COMMITTEES UNDER THE BOARD OF DIRECTORS

(1). Special committees under the board of directors

Special Committee Category	Name
Strategic Development Committee	Ding Yi (convener, chairman), Zhang Chunxia, Zhu Shaofang, Wang Xianzhu
Audit Committee	Zhu Shaofang (convener, independent Director), Zhang Chunxia, Wang Xianzhu
Nomination Committee	Zhang Chunxia (convener, independent Director), Zhu Shaofang, Wang Xianzhu, Ding Yi
Remuneration Committee	Wang Xianzhu (convener, independent Director), Zhang Chunxia, Zhu Shaofang

(2). During the Reporting Period, the Strategic Development Committee held 3 meetings

Date	Meeting Content
2021-3-24	Discussion on the report on the performance of the strategic development committee of the Board of Directors in 2020; the Company's investment plan in 2021
2021-8-10	Discussion on the proposal on the mid-term adjustment of the Company's fixed asset investment plan in 2021
2021-10-26	Discussion on the proposal on the application and approval of the new special steel project for product production line planning

During the Reporting Period, except that Mr. Wang Xianzhu, an independent Director, had other official duties and entrusted Ms. Zhang Chunxia, an independent Director, to attend the meeting on October 26, members of the committee, Mr. Ding Yi, Ms. Zhang Chunxia and Ms. Zhu Shaofang, attended all the meetings. The convening and convening procedures of all meetings of the Strategic Development Committee comply with the relevant laws, regulations, the Articles of Association and the Regulations on the Work of the Strategic Development Committee of the Company's Board of Directors. All members of the committee have faithfully fulfilled their duty of confidentiality for the reports heard at the committee meeting in accordance with relevant regulations, and there is no unauthorized disclosure of relevant information.

## Section IV Corporate Governance (Continued)

### (3). During the Reporting Period, the Audit Committee held 7 meetings

Date	Meeting Content
2021-1-18	Review the Company's 2020 unaudited financial statements; discuss the Company's 2020 audit plan; review the Company's 2020 internal audit work summary and 2021 work plan
2021-3-24	Consider: 2020 audited financial report; 2020 Final Profit Distribution Proposal; 2020 Related Party Transactions; 2020 External Guarantees; 2020 Internal Control Evaluation Report; Accounting firm's summary report on the Company's audit work in 2020; auditor's remuneration in 2020; Audit Committee 2020 Performance Report
2021-4-28	Review the unaudited financial report for the first quarter of 2021
2021-6-4	Consider the proposal on the appointment of the Company's auditors in 2021
2021-8-25	Approve the unaudited half-yearly financial report of the Company for 2021
2021-10-25	Discuss and express an audit opinion on the Company's unaudited financial report for the third quarter of 2021; listen to the report from the Operations and Reform Department on the Company's internal controls and overall risk management for the third quarter of 2021
2021-12-28	Discuss the Company's Annual Audit Plan for 2021

During the Reporting Period, except that Mr. Wang Xianzhu, an independent Director, had other official duties and entrusted Ms. Zhang Chunxia, an independent Director, to attend the meeting on October 25, members of the committee, Ms. Zhang Chunxia and Ms. Zhu Shaofang, attended all the meetings. All meetings of the Audit Committee were convened, held in accordance with the relevant laws and regulations, the Articles of Association of the Company and the Regulations Governing the Work of the Audit Committee. In 2021, all members of the Committee faithfully fulfilled their obligations of confidentiality in respect of the matters discussed at the meetings of the Committee in accordance with the relevant regulations and there is no unauthorized disclosure of relevant information.

***[insert Rider A]***

### (4). During the Reporting Period, the Nomination Committee held 3 meetings

Date	Meeting Content
2021-3-16	Discuss the proposal for the appointment of a Deputy General Manager of the Company
2021-3-24	Discuss the report on the performance of the Nomination Committee in 2020
2021-8-10	Discuss the proposal to appoint Mr. Ren Tianbao as Deputy General Manager of the Company

## Section IV Corporate Governance (Continued)

During the Reporting Period, Ms. Zhang Chunxia, Ms. Zhu Shaofang, Mr. Wang Xianzhu and Mr. Ding Yi, members of the Committee, attended all the meetings. All meetings of the Nomination Committee were convened, held, voted and resolved in accordance with the relevant laws and regulations, the Articles of Association and the Regulations Governing the Work of the Nomination Committee of the Board of Directors of the Company. All members of the Committee have faithfully fulfilled their obligations of confidentiality in respect of the matters discussed at the meetings of the Committee in accordance with the relevant regulations and there is no unauthorized disclosure of relevant information.

### (5). During the Reporting Period, the Remuneration Committee held 3 meetings

Date	Meeting Content
2021-3-24	Discuss the proposal on the assessment of the operating performance of the Company's executive directors and senior management in 2020; the remuneration of the Company's directors, supervisors and senior management in 2020; the evaluation criteria for the operating performance of the Company's leadership team in 2021; and the report on the performance of the Remuneration Committee of the Board of Directors in 2020.
2021-4-28	Consider the performance evaluation criteria for the management and team members of the Company for 2021.
2021-12-10	Discuss the 2021 Restricted A Share Incentive Scheme (draft) of the Company and its summary; discuss the Performance Assessment Measures for the Restricted A Share Incentive Scheme in 2021; discuss the Administrative Measures for Share Incentives of the Company

During the Reporting Period, Mr. Wang Xianzhu, Ms. Zhang Chunxia and Ms. Zhu Shaofang, members of the Committee, attended all the meetings. All meetings of the Remuneration Committee were convened, held, voted and resolved in accordance with the relevant laws and regulations, the Articles of Association of the Company and the Regulations Governing the Work of the Remuneration Committee of the Board of Directors of the Company. When the remuneration of the relevant directors and senior management was discussed at the meetings, none of the relevant directors took part in the determination of their own remuneration. All members of the Committee have faithfully fulfilled their obligations of confidentiality in respect of the matters discussed at the meetings of the Committee in accordance with the relevant regulations and there is no unauthorized disclosure of relevant information.

### (6). The specific circumstances of the objection

Applicable       Not Applicable

## Section IV Corporate Governance (Continued)

### 16. EXPLANATION ON THE SUPERVISORY COMMITTEE'S FINDING OF EXISTING RISKS

The Supervisory Committee has no objection to the supervision matters during the Reporting Period.

### 17. EMPLOYEES IN THE PARENT COMPANY AND ITS MAJOR SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

#### (1) EMPLOYEES

The number of current employees of the parent company	13,933
The number of current employees of the major subsidiaries	4,797
Total number of current employees	18,730
Number of retired employees whose parent company and major subsidiaries are required to bear expenses	–

#### Professional constitution

Profession category	Number of staff of Profession constitution
Production Line	15,230
Sales representative	426
Technician	2275
Financial staff	131
Administrative staff	668
Total	18,730

#### Educational level

Education	Number of staff
Postgraduate	690
Graduate	3,455
Junior College	5,005
Vocational secondary or below	9,580
Total	18,730

## Section IV Corporate Governance (Continued)

### (2) REMUNERATION POLICY

In 2021, the Company continued to strengthen its wage management mechanism: the number of employees in each unit's total wage package was linked to the optimization target, each unit was encouraged to improve staff income through personnel efficiency; the bonus approval method of the headquarters was adjusted, abolishing the backbone bonus and approving the bonus according to the sequence; the management of special awards was strengthened, and the process was managed according to the management requirements of prior planning and total budgeting, with declaration at the beginning of the year, review and assessment of the establishment of projects, process supervision, and the target assessment at the end of the year.

### (3) TRAINING PROGRAM

In order to support the Company's strategy, key tasks and various talent training needs, the Company implemented 166 training programmes in 2021, including 44 management programmes, 57 technical programmes, 51 skills programmes and 14 service programmes. Despite the impact of the epidemic, the completion rate of the training plan was 96%, meeting the annual training plan target.

The number of participants in the trainings in the year was 19,482 persons, representing a 95.2% training coverage rate. A total of 147,341 participants attended offline learning sessions, with 7.2 offline trainings per person. The total number of training hours was 2,095,514, with 102.4 hours per person, including 58.6 hours of offline learning and 43.8 hours of online learning per person.

## 18. PROPOSAL OF PROFIT DISTRIBUTION OR PROPOSAL OF TRANSFERRING CAPITAL RESERVE TO SHARE CAPITAL

### (1) Formulation, implementation and adjustment of a cash dividend policy

According to the Articles of Association of the Company, based on the principle of giving proper regard to both the need to generate reasonable investment return for shareholders and the need to fulfill reasonable funding requirements of the Company, the distribution of dividends will be given priority to cash to shareholders in proportion to their shareholdings, and the Company's cash dividend policy should be maintained on a continuous and stable basis while the conditions and procedures for the adjustment and changes of the dividend distribution policy in line with regulations and transparent. During the Reporting Period, the Company implemented the cash dividend policy effectively without any adjustment. In the process of formulating the profit distribution plan the Independent Directors issued independent opinions. The proportion of cash dividends complied with the provisions of the Company's Articles of Association, that is, in the annual profit distribution, the profits distributed in the form of cash shall not be less than 30% of the distributable profits realized in the year, effectively protecting the legitimate rights and interests of the majority of small and medium investors.

## Section IV Corporate Governance (Continued)

### (2) Plan or Proposal of Profit Distribution for Ordinary Shares, Plan or Proposal of Transferring Capital Reserve to Share Capital for the Past Three Years (including the Reporting Period)

Unit: million RMB

Year of Distribution	Bonus Shares Distributed Every Ten Shares (share)	Dividends Distributed Every Ten Shares (tax included) (RMB)	Transferred Shares Every Ten Shares (share)	Amount of Cash Dividends (tax included)	Net profit attributable to ordinary shareholders of Listed Company in Consolidated Financial Statements in the Year of Distribution	Ratios to Net Profits attributable to ordinary shareholders of Listed Company in Consolidated Financial Statements (%)
2021	–	3.50	–	2,695.2	5,332.3	50.5
2020	–	1.30	–	1,001.1	1,982.6	50.5
2019	–	0.80	–	616.1	1,128.1	54.6

According to the China Accounting Standards, in 2021, the Company achieved a net profit of RMB4,389 million, and the profit available for distribution to shareholders at the end of 2021 was RMB7,050 million. Taking into account the Company's profitability and future sustainable development, the Board of Directors proposed a final dividend of RMB0.35 per share (tax included) in 2021, and the retained earnings were carried forward to 2022, and no capital reserve was transferred to share capital. During the period from the date of deliberation and approval by the Board of Directors to the equity registration date for the implementation of equity distribution, if the total share capital of the Company changes, the Company intends to maintain the distribution ratio of dividends per share unchanged, and adjust the total dividends accordingly.

These distribution plans have yet to be submitted to the annual general meeting for approval.

## Section IV Corporate Governance (Continued)

### (3) Specific Particulars of Cash Dividend Policy

- Whether the policy complied with the provisions of the Articles of Association or the requirements of the resolutions of the Shareholders' General Meeting:  YES  NO
- Whether the standard and proportion of dividend distribution were definite and clear:  YES  NO
- Whether the relevant decision-making procedure and mechanism were well-established:  YES  NO
- Whether the independent non-executive directors performed their duties and responsibilities and played their roles properly:  YES  NO
- Whether minority shareholders had sufficient opportunity to express their opinions and requests, whether their legitimate interests were sufficiently protected:  YES  NO

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

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

Summary of matter	Index of documents
The general meeting of shareholders approved the 2021 Restricted A Share Incentive Scheme (draft) of the Company and its summary, Performance Assessment Measures, Administrative Measures for Share Incentives of the Company, etc.	<a href="http://www.sse.com.cn/assortment/stock/list/info/announcement/index.shtml?productId=600808">http://www.sse.com.cn/assortment/stock/list/info/announcement/index.shtml?productId=600808</a>
2021 Restricted A Share Incentive Scheme (draft) of the Company and its summary	<a href="http://www.sse.com.cn/assortment/stock/list/info/announcement/index.shtml?productId=600808">http://www.sse.com.cn/assortment/stock/list/info/announcement/index.shtml?productId=600808</a>

### (2) Shareholding incentives granted to directors and senior management during the Reporting Period

- Applicable  Not Applicable



## Section IV Corporate Governance (Continued)

### (3) Establishment and implementation of appraisal mechanism and incentive mechanism for the senior management during the Reporting Period

The Company has established an evaluation mechanism for senior executive salaries related to company performance and individual performance. During the Reporting Period, the mechanism worked effectively. Details of senior executive salaries are set out in “Directors, Supervisors, Senior Management and Employees”.

## 20. THE DEVELOPMENT AND IMPLEMENTATION OF THE INTERNAL CONTROL SYSTEM DURING THE REPORTING PERIOD

During the Reporting Period, the Company's internal control system was effective and no major amendments were made. In 2021, the Company commenced internal control evaluation work by focusing on the implementation of its strategies, the Three-Year Action for Reform of State-owned Enterprises and the Management Enhancement Action against World Class, highlighting operational management priorities such as asset efficiency enhancement, decision-making on major projects, large capital expenditure and overseas assets. The Company determined the scope of internal control evaluation based on the principles of comprehensiveness and materiality, covering the Company's major business units, important business matters and high-risk areas, and paid attention to the effectiveness of the design and operation of the internal controls of the relevant businesses. No material weaknesses in the Company's internal controls were identified.

There were no significant deficiencies in internal controls during the Reporting Period.

## 21. MANAGEMENT AND CONTROL OF SUBSIDIARIES DURING THE REPORTING PERIOD

### (1) Holding Subsidiaries

The Company has established and continuously improved its subsidiary management system, and adopted vertical penetrating professional management for its holding subsidiaries. The main measures include: 1. Grant the board of directors of the subsidiary a certain scope and a certain amount of hierarchical authorization. If it exceeds the decision-making scope of the subsidiary, it needs to be reported to the Company for deliberation and decision-making. 2. Regulate the operation of the subsidiary through the joint venture contract and articles of association of the subsidiary. For the matters that is required to be reviewed by the board of directors of the subsidiary and the shareholders' meeting, the subsidiary shall submit the resolution to the Company for consideration before convening a meeting. 3. In terms of financial management of subsidiaries, the system of assigning financial leaders and regular job rotation is implemented for each subsidiary; standard financial information construction is carried out for subsidiaries, and a financial management and control system is jointly constructed to truly reflect the operating results and financial status of subsidiaries; financial inspections of subsidiaries are carried out on a regular basis.

## Section IV Corporate Governance (Continued)

### (2) Investee Subsidiaries

The Company has formulated the "Rules for the Management of Investee Subsidiaries" to implement process management to investee subsidiaries. In accordance with the Joint Venture Agreement and the articles of association, directors, supervisors and certain management personnel are dispatched to the investee subsidiaries to participate in the major decisions of the companies through the governance structure of the shareholders' meetings, the board of directors and the supervisory committee, to promote the compliance, healthy and orderly development of the companies and to safeguard the legitimate rights and interests of the Company as a shareholder.

## 22. PRESENTATION OF RELEVANT CONDITIONS CONCERNING THE AUDITING REPORT ON INTERNAL CONTROL

Ernst & Young Hua Ming LLP audited the effectiveness of relevant internal controls on financial reports in 2021 and issued Auditing Report on Internal Control with standard opinion. Search the following websites for the Auditing Report on Internal Control: [www.sse.com.cn](http://www.sse.com.cn), [www.hkex.com.hk](http://www.hkex.com.hk)

Disclosure of internal control audit report: Yes

Type of opinion on the internal control audit report: Standard unqualified opinion

## 23. THE RECTIFICATION OF SELF-EXAMINATION PROBLEMS IN THE SPECIAL ACTION OF LISTED COMPANY GOVERNANCE

In December 2020, the China Securities Regulatory Commission deployed a special governance action for listed companies. The Company conducted a self-inspection against the self-inspection checklist for the corporate governance of the relevant period, and found a total of 7 problems, among which, 3 problems have been rectified so far; 2 problems are not applicable to be rectified within a time limit by the end of 2021; 2 problems have not been rectified: first, the investor protection agency can be included in the Articles of Association of the Company as a solicitor; second, the Board of Directors and the Supervisory Committee have not been re-elected when they expire. At present, the Company is actively working to promote the re-election.

# Section V Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION

### (1) NOTES ON ENVIRONMENTAL PROTECTION BY THE COMPANY AND ITS KEY SUBSIDIARIES LISTED AMONG KEY POLLUTION PRODUCERS BY THE ENVIRONMENT AUTHORITY

#### 1. Pollutant emission information

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

Name of Company	Pollutant Category	Typical Pollutants	Way of Discharge	Processing Equipment	Number and Distribution of Discharge Outlets
Magang Stock	Waste gases	Dust, NOX, SO2, etc.	Emitted into the air via chimney stack after dust elimination, desulfidation and denitration	251sets	315distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	65 sets	10
	Solid wastes	Iron dust, iron oxide scale, metallurgical slag, etc.	Comprehensive utilization, outsourced compliant disposal, compliant storage	15 sets	-
Changjiang Steel	Waste gases	Dust, NOX, SO2, etc.	Emitted into the air via chimney stack after dust elimination, desulfidation and denitration	61 sets	65 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	-	-
Ma Steel (Hefei)	Waste gases	Dust, acid fog, alkali fog, NOX, SO2, etc.	Discharged after up to standard processing	11sets	16 distributed along the production lines
	Waste water	Acid and alkali, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	1set	1
	Solid wastes	Emulsified liquid slag, oil sludge, waste filter paper, bottom residue, etc.	Comprehensive utilization, outsourced compliant disposal	-	-
Magang Rail Transportation Equipment	Waste gases	Dust, NOX, SO2, etc.	Dust removal	12	21 distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	2	1

## Section V Environmental and Social Responsibility (Continued)

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

Name of Company	Pollutant Category	Typical Pollutants	Emission density	Emission Permit Limit (Ton/Year)	Total Emissions During the Reporting Period (Ton)
Magang Stock	Waste gases	Dust	≤10.46mg/m <sup>3</sup>	10,856.73	6,710
		SO <sub>2</sub>	≤8.45mg/m <sup>3</sup>	16,952.86	4,145
		NO <sub>x</sub>	≤14.97mg/m <sup>3</sup>	31,623.15	7,341
	Waste water	COD	≤13.41mg/l	1,372.824	328
		Ammonia nitrogen	≤0.60mg/l	137.2824	14
Changjiang Steel	Waste gases	Dust	≤13.46mg/m <sup>3</sup>	2,965.86	2,560
		SO <sub>2</sub>	≤8.28mg/m <sup>3</sup>	3,243.25	979
		NO <sub>x</sub>	≤16.47mg/m <sup>3</sup>	7,091.74	1,911
	Waste water	COD	0mg/l	0	0
		Ammonia nitrogen	0mg/l	0	0
Ma Steel (Hefei)	Waste gases	Dust	≤18.5mg/m <sup>3</sup>	51.9	5
		SO <sub>2</sub>	≤8.5mg/m <sup>3</sup>	6.04	1
		NO <sub>x</sub>	≤36mg/m <sup>3</sup>	38.06	7
	Waste water	COD	≤26.6mg/l	106.82	19
		Ammonia nitrogen	≤0.67mg/l	16.1	1
Magang Rail Transportation Equipment	Waste gases	Dust	≤15mg/m <sup>3</sup>	/	10
		SO <sub>2</sub>	≤150mg/m <sup>3</sup>	/	50
		NO <sub>x</sub>	≤300mg/m <sup>3</sup>	/	103
	Waste water	COD	0mg/l	/	20
		Ammonia nitrogen	0mg/l	/	1

## Section V Environmental and Social Responsibility (Continued)

Notes:

1. During the Reporting Period, Magang Rail Transportation Equipment applied for a discharge permit as a separate discharge unit. Therefore, from 2021 onwards, it is shown separately.
2. 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). During the Reporting Period, the total amount of smoke and dust emission of the Company includes 5,133 tonnes of organised emission and 1,577 tonnes of unorganised emission. The total amount of smoke and dust emission of Changjiang Steel includes 1,530 tonnes of organised emission and 1,030 tonnes of unorganised emission. The total amount of smoke and dust emissions from Ma Steel (Hefei) includes 5 tonnes of organised emissions. Among them, the 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.

Particulate data is the sum of organised and unorganised smoke and dust.

During the Reporting Period, the Company generated 10.2207 million tonnes of solid waste in 2021, among which, 2.6955 million tonnes were recycled for production and utilization, 7.5206 million tonnes were exported for comprehensive utilization, 2,900 tonnes were outsourced for compliant disposal, and 1,600 tonne were stored in compliance. The production of hazardous waste was 50,900 tonnes, among which, 45,900 tonnes were disposed in compliance, and 5,700 tonnes were stored in compliance.

Ma Steel (Hefei) generated 1,400 tonnes of solid waste, all of which were outsourced for compliance disposal. The amount of hazardous waste generated was 1,200 tonnes, all of which were disposed in compliance.

Changjiang Steel generated 2.3899 million tonnes of solid waste, among which, 542,600 tonnes were recycled for production and utilization, 1.847 million tonnes were exported for comprehensive utilization, and 300 tonnes were outsourced for compliance disposal. The amount of hazardous waste generated was 1,600 tonnes, among which, 1,600 tonnes were disposed in compliance, and 19.85 tonnes were stored in compliance.

Emission of volatile organic compounds: No. 1 and No. 2 incinerators of color coated plate in cold rolling plant are managed for volatile organic compounds (VOC). Units such as Magang Rail Transportation Equipment, Holly Packaging and the coking factory headquarters of Maanshan Iron & Steel Company Limited have prepared VOC "one enterprise one case" according to requirements, carried out self-monitoring by enterprises, installed automatic online monitoring facilities being connected, and the VOC emission data in 2021 was stable and up to standard.

## Section V Environmental and Social Responsibility (Continued)

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

The Company, Ma Steel (Hefei), Changjiang Steel, Magang Rail Transportation Equipment have all constructed pollution prevention and control facilities in accordance with the requirements of the EIA, and all the pollution prevention and control facilities were operating in tandem with the main production line during the Reporting Period and were in good working condition.

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

In 2021, a total of 30 EIA projects were commenced in the Company's head office, with five major construction projects, including the coke oven overhaul, A blast furnace overhaul and new special steel project, receiving EIA approvals; 16 projects, including the Zero Discharge Wastewater Treatment System Renovation Project of the Colour Coated Sheet Sub Plant of the Cold Rolling Mill, had completed their registration forms for filing, and the EIA work of other projects was progressing in an orderly manner. The environmental impact report form for the new 40,000Nm<sup>3</sup>/h oxygen production project of Changjiang Steel was approved by the Eco-environmental Bureau of Maanshan City on 6 September 2021. All the construction projects of Ma Steel (Hefei) have environmental impact assessment documents and approvals.

The Group has applied for a total of four emission permits: Magang Stock, Changjiang Steel, Ma Steel (Hefei), Magang Rail Transportation Equipment, all of which have been completed in 2021. All legal entities have commenced self-monitoring and made public their monitoring status in accordance with the requirements of the emission permits, and filed quarterly and annual reports on the implementation of the emission permits.

### *4. Prepared Emergency Response Plans for Environmental Incidents*

In 2021, the Company revised and issued the emergency plan for heavy polluted weather and implemented emergency response to heavy polluted weather in strict accordance with the requirements of the Maanshan Municipal Government. One emergency response to heavy air pollution was activated in the autumn and winter of 2020-2021, and during the activation period, through measures such as production reduction, production restriction and timely adjustment of inspection and repair plans, the emergency emission reduction was effective and was recognized by the government.

At the end of 2020, the Company completed the revision and filing of the "Emergency Plan for Environmental Emergencies of Maanshan Iron and Steel Co., Ltd."

## Section V Environmental and Social Responsibility (Continued)

In order to ensure that the pollution sources can be effectively controlled in case of environmental events and minimize the impact on the environment, the Magang Stock, Changjiang Steel, Ma Steel (Hefei), Magang Rail Transportation Equipment take the legal entity as the main body, strictly implement the relevant requirements for the filing management of the government's emergency plan for environmental emergencies, and carry out drills as planned according to their respective plans. In December, the Magang Stock jointly carried out radiation accident emergency drill, waste oil leakage emergency plan drill, ammonia leakage emergency plan drill, acid pickling pipeline leakage on-site emergency disposal plan drill, Magang Rail Transportation Equipment delivered materials to carry out hazardous waste accident emergency plan drill, etc. Ma Steel (Hefei) carried out a drill on the leakage plan of hydrochloric acid tank in wastewater treatment station. Changjiang Steel has carried out "emergency drill for dust removal fan tripping accident in iron casting yard" and "emergency drill for oil leakage accident in hydraulic station".

### 5. *Environmental Self-monitoring Programme*

In strict accordance with the "Measures for Self-monitoring and Information Disclosure by National Key Monitoring Enterprises (Trial)" (Huanfa [2013] No. 81), the National Technical Guidelines for Self-monitoring and the Technical Specifications for Application and Issuance of Emission Permits, the Company has conducted a comprehensive review of waste water, waste gas, noise, radiation, soil and groundwater points, and completed self-monitoring programmes for Magang Stock, Changjiang Steel, Ma Steel (Hefei), Magang Rail Transportation Equipment respectively. The Company's self-monitoring programme for the year 2021 was reported to the Eco-environmental Bureau of Maanshan City and Hefei City for the record according to their respective locations. The monitoring is carried out in two ways: continuous automatic monitoring and manual monitoring, with all data stored for more than one year, and the results uploaded to the "Platform for Public Disclosure of Self-monitoring and Supervisory Supervision Information of Key Emission Units"; manual monitoring by qualified third-party monitoring agencies is commissioned, and the monitoring data is made public in real time.

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

## Section V Environmental and Social Responsibility (Continued)

### 7. *Other environmental information that should be disclosed*

With the completion and operation of the reconstruction projects of No. 1 and No. 3 sintering machines in South ironmaking area, No. A and B sintering machines in North ironmaking area and No. 1, No. 2, No. 5 and No. 7 coke oven ultra-low emission projects of coking plant in 2020, the emission reduction benefits are remarkable. In 2021, the Company's emission of major pollutants decreased significantly, and the total emission of pollutants such as particulate matter, SO<sub>2</sub>, NO<sub>x</sub>, COD and ammonia nitrogen decreased by more than 30% year-on-year, reaching the best level in history, and the Company's environmental performance improved significantly.

In 2021, the Company continued to vigorously promote the ultra-low emission transformation. The headquarters plans to invest RMB1.15 billion to start the implementation of 29 ultra-low emission transformation. Changjiang Steel plans to invest RMB200 million to implement six ultra-low emission projects. By the end of 2021, the Magang Stock has completed the transformation of more than 92% of steel production capacity. In April and June 2021, the Magang Stock carried out the pre-assessment of ultra-low emission of organized, unorganized and clean transportation. Changjiang Steel carried out a comprehensive diagnosis of ultra-low emission by the metallurgical Planning Institute in March.

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

Applicable       Not Applicable

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

Applicable       Not Applicable

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

The Company continued to promote the construction of distributed rooftop photovoltaic power generation projects with an annual generating capacity of 30 million kWh, reducing carbon emissions by 21,000 tonnes in 2021; grid-connected power generation of 183MW high-efficiency CCGT units, reducing carbon emissions by 70,000 tonnes in 2021; and the implementation of six projects such as automatic steel burning and waste heat recovery from heating furnaces, reducing carbon emissions by 40,000 tonnes in 2021.



## Section V Environmental and Social Responsibility (Continued)

### 2. SOCIAL RESPONSIBILITY WORK

The Company has disclosed the “2021 Environmental, Social and Governance Report” on 24 March 2022. For details, please refer to the website of the Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk).

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

During the Reporting Period, the Company adjusted the support organization and set up a leading group for rural revitalization work, adhering to the mechanism of "top leader" personally grasping the work, with the leaders in charge, functional departments, implementation units and cadres stationed in the villages working together in an efficient and coordinated manner. The party committee of the Company listened to quarterly reports on rural revitalization support work, regularly summarized and researched support matters and put forward specific requirements.

The Company selected a young cadre to serve as the deputy county head of the designated support county and went to work in Jiangcheng County, Pu'er City, Yunnan Province; two comrades were recommended to serve as first clerks to take up their posts in the village in time to provide organisational guarantee for the further implementation of village revitalisation support. According to the arrangement of Anhui Province, the Company continued to pair up with Liji Village in Dicheng Town, Funan County, and the former Malou Village was adjusted to Longtai Village in Lintou Town, Hanshan County.

The Company formulated a research and visit plan, and organized company leaders and some middle-level managers to conduct in-depth research and visits to designated assistance villages. Between September and November, the Company's main person-in-charge personally led four visits to Longtai Village in Hanshan County and Liji Village in Funan County to listen to reports on the work of helping the village, inspected the industrial project bases, visited the households who had escaped poverty, understood the production and life of the local people, and developed strategies for the revitalisation of the villages. The visit was a good opportunity for the public to learn more about the production and life of the local people, and to make plans for the revitalisation and development of the villages, and to actively implement the exchange of research and visits.

The Company has implemented a road rehabilitation project and a flower planting project in Liji Village, and a road construction project and a seedling base project in Longtai Village, with a total funding of approximately RMB1.28 million.

## Section V Environmental and Social Responsibility (Continued)

The Company continued to implement consumer assistance to promote the sustainable development of the industry. In 2021, the Company purchased and sold a total of approximately RMB13.71 million of agricultural and sideline products from its counterpart counties. In addition, in accordance with the emergency notice on consumer assistance issued by the Bureau of Rural Revitalisation at cities, towns and villages, the Company extensively publicised and mobilised its staff to "buy instead of donate" and donated a total of RMB110,000 for the purchase of yellow peaches from the main enterprises in Xianzong Town, Hanshan County, to help farmers reduce the losses caused by the epidemic and typhoons.

Unremitting efforts was made to prevent and control the epidemic. The Company organized nearly 60,000 regular employees and cooperative workers of Baowu at the Company to receive special vaccination. In the face of the epidemic situation and the flood situation in the Huaihe River Basin, the Company's village based assistance cadres actively participated in the epidemic prevention and control and flood control, did a good job in isolation guidance and health monitoring for returnees in medium and high-risk areas, and did a good job in vaccination and epidemic prevention and control for school-age personnel in an orderly manner. At the beginning of July 2021, Funan County experienced heavy rain, and the flood control situation was severe. The Company's assistance team in the village acted quickly, rushed to the front line, inspected the rain and flood situation together with the town and village cadres, visited the elderly living alone, the households with minimum living allowance and five guarantees, timely grasped the situation of house leakage and poor drainage, resolutely mobilized excavators, pumps and other mechanical equipment to dredge and drain the flood, timely eliminated the danger and guarded the safety of the local people.

# Section VI Significant Events

## 1. PERFORMANCE OF UNDERTAKINGS.

- (1) Undertakings made by actual holder, 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 3 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 and 2020 annual reports published on the website of the Shanghai Stock Exchange or the feedback reply of China Baowu on the “Notice regarding China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items”. During the Reporting Period, China Baowu didn’t violate the commitments.

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

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

## 4. EXPLANATION FROM THE BOARD OF THE COMPANY ON THE “NON-STANDARD AUDIT OPINIONS” ISSUED BY THE AUDITORS.

Applicable       Not Applicable

## Section VI Significant Events (Continued)

### 5. ANALYSIS AND EXPLANATION OF CAUSES AND EFFECTS REGARDING THE SIGNIFICANT CHANGES TO ACCOUNTING POLICIES, ACCOUNTING ESTIMATES OR MATERIAL ACCOUNTING ERRORS.

- (1) The Company's analysis and explanation of the reasons and effects of changes in accounting policies and accounting estimates

As stated in the fifth batch of the Q&A of Implementation of Chinese Accounting Standards for Business Enterprises ("Q&A of Implementation") 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. Such contract performance costs shall be carried forward to "principal cost of sales" or "other cost of sales" upon recognition of revenue from goods or services, and included in the income statement under "cost of sales".

The Company started to implement Q&A of Implementation from 1 January 2021, treat the relevant transportation expenses as contract performance costs, include them in the income statement under "cost of sales" and make retrospective adjustment to the corresponding period of the previous year. The detail impacts are set out as follows (Unit: RMB):

	Consolidated income statements			Income statements		
	Cost of sales increased	Selling expenses decreased	Profit movement	Cost of sales increased	Selling expenses decreased	Profit movement
2021	765,668,673	765,668,673	-	328,838,980	328,838,980	-
2020	747,093,921	747,093,921	-	275,953,025	275,953,025	-

Saved as the above, compared with the financial report of the previous year, the accounting policy and accounting estimates of the Company did not change.

- (2) Analysis and explanation of the Company's analysis and explanation on the cause and impact of the correction of material accounting errors

Applicable  Not Applicable

- (3) Communication with the former accounting firm

Applicable  Not Applicable

## Section VI Significant Events (Continued)

### 6. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

*Unit: RMB ten thousands*

Currently employed	
Name of domestic accounting firm	Ernst & Young Hua Ming LLP
Remuneration of domestic accounting firms	326 (Including internal control audit fees and mid-term implementation of agreed procedures)
Audit period of domestic accounting firm	28

Name	Remuneration
Internal control audit accounting firm	Ernst & Young Hua Ming LLP 55

Based on the tender exercise and the fact that Ernst & Young Hua Ming LLP has continued to know the Company and has worked with great care, the Audit Committee of the Board of Directors recommended its appointment as the Company's auditor for 2021. The appointment was approved by the Board of Directors and subsequently approved at the Company's 2020 Annual General Meeting on 29 June 2021.

- 7. THERE WAS NO RISK OF DELISTING DURING THE REPORTING PERIOD.**
- 8. THERE WAS NO INSOLVENCY OR RESTRUCTURING RELATED MATTERS DURING THE REPORTING PERIOD.**
- 9. THERE WERE NO MAJOR LITIGATION OR ARBITRATION CASES DURING THE REPORTING PERIOD.**
- 10. 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.**

## Section VI Significant Events (Continued)

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

Applicable  Not Applicable

### 12. SUBSTANTIAL RELATED PARTY TRANSACTIONS

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

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

The transactions between the Group and the Holding 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 2019-2021 “Sale and Purchase of Ore Agreement” between the Company and the Holding

In 2018, the Company and the Holding signed the 2019-2021 “Sale and Purchase of Ore Agreement”, as approved at the shareholders’ general meeting. From 1 January 2021 to 31 December 2021, the amount of related party transactions under the Agreement was as follows:

*Unit: RMB’000*

	Amount	Proportion of transaction of the same category (%)
Purchase of iron ore, limestone and dolomite	5,045,256	17.64

The prices per ton of iron ore, limestone and dolomite the Group purchases from the Holding and its affiliates every year are negotiated between the parties on arm’s length by referring to comparable market prices and determined as per general commercial terms during the term of the agreement.

## Section VI Significant Events (Continued)

All Directors of the Board (including Independent Non-executive Directors) who are not associated with the Holding considered that those transactions were carried out in the daily course of business between the Company and the Holding under general commercial terms. Pursuant to the Sale and Purchase of Ore Agreement, the transactions and terms were fair and reasonable, and in the whole interest of the Company and its shareholders. During the Reporting Period, the total amount of such transactions was under the annual cap of 2021 specified in the “Sale and Purchase of Ore Agreement”, amounting to RMB5,762 million.

- (2) The continuing related party transactions under the 2019-2021 “Energy Saving and Environmental Protection Agreement” between the Company and Xinchuang Environmental Protection

In 2018, the Company and Xinchuang Environmental Protection signed the 2019-2021 “Energy Saving and Environmental Protection Agreement”, as approved at the shareholders’ general meeting. In view of the latest business situation between the two parties, the parties signed “Energy Saving and Environmental Protection Supplemental Agreement” on 29 September 2021 to update the transaction cap for 2021, which was approved by the shareholders at the general meeting on 30 November 2021. From 1 January 2021 to 31 December 2021, the transaction amount under the agreement was as follows:

*Unit: RMB’000*

	Amount	Proportion of transaction of the same category (%)
Energy saving and environmental protection engineering and services	859,106	9.41
Sales of power, energy medium and finished goods, etc.	100,707	18.52
Total	959,813	/

The price the Group receives annually from the Xinchuang Environmental Protection for the provision of energy conservation and environmental protection engineering and services, as well as the price for the sale of available resources to the Environmental Protection Company, 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.

## Section VI Significant Events (Continued)

All Directors of the Board (including Independent Non-executive Directors) who are not associated with the Holding or the Xinchuang Environmental Protection considered that those transactions were carried out in the daily course of business under normal commercial terms and in accordance with the terms of “Energy Saving and Environmental Protection 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 2021 annual cap of RMB1,087 million specified in the “Energy Saving and Environmental Protection Agreement”.

- (3) The continuing related party transactions under the 2019-2021 “Continuing Related Party Transaction Agreement” between the Company and the Holding

In 2018, the Company signed 2019-2021 “Continuing Related Party Transaction Agreement” with the Holding, as approved by the Company’s shareholders’ general meeting. Both parties signed the “Supplementary Agreement for Continuing Related Party Transaction” on 7 May 2020 to update the transaction caps for 2020 and 2021 provided the latest business of the Company and the Holding. The agreement was approved by the shareholders’ general meeting on 29 June 2020. Both parties signed the “Supplementary Agreement for Continuing Related Party Transaction” on 29 September 2021 to update the transaction caps for 2021 provided the latest business of the Company and the Holding. The agreement was approved by the shareholders’ general meeting on 30 November 2021. From 1 January 2021 to 31 December 2021, the transaction amount under the agreement was as follows:

*Unit: RMB’000*

	Amount	Proportion of transaction of the same category (%)
Steel products, measuring services, and other products and services purchased by the Holding from the Company	967,686	0.93
Property, plant and equipment, building services, and other products and services purchased by the Company from the Holding	5,649,394	8.97
<b>Total</b>	<b>6,617,080</b>	<b>/</b>



## Section VI Significant Events (Continued)

The purchase or sales of such products and services conducted by the Group from or for the Holding and its affiliates took government guided prices or market prices as the pricing benchmark and the terms of such transactions were no less favourable to the Company than the general Commercial terms.

All Directors of the Board (including Independent Non-executive Directors) who are not associated with the Holding considered that, those transactions were conducted in the daily course of business under normal commercial terms and in accordance with the terms of the agreement. The terms were fair and were in the best interest of the shareholders of the Company as a whole. The transaction amount was under the annual cap of 2021 for that agreement, amounting to RMB9,063 million during the Reporting Period.

- (4) The continuing related party transactions under the 2019-2021 “Financial Services Agreement” between Masteel Finance and the Holding

In 2018, Masteel Finance and the Holding signed the 2019-2021 “Financial Service Agreement”, as approved at the shareholders’ general meeting. From 1 January 2021 to 31 December 2021, the transaction amount under the agreement was as follows:

*Unit: RMB’000*

<b>Business Nature</b>	<b>Amount of loan or deposit</b>	<b>Interest income/expenses</b>	
Deposit	Maximum daily deposit	10,904,654	
	Monthly average		
	maximum daily deposit	9,900,389	Interest expenses
			111,236
Loan	Maximum daily loan	2,875,420	
	Monthly average		
	maximum daily loan	2,872,894	Interest income
			84,621
Other income			
	Net income from handling fee and commission		401
	Income from discount interest		71,113

## Section VI Significant Events (Continued)

When Masteel Finance provides the deposit service to the Holding and its subsidiaries, the interest rate paid on the deposit shall not be higher than the benchmark interest rate and floating range of the same type of deposit set by the People's Bank of China in the same period, nor be higher than the interest rate offered by other independent commercial banks in China to the Holding and its affiliates in the same period. When Masteel Finance provides loan services to the Holding and its affiliates, the interest rate charged on the loan shall not be lower than the interest rate range set by the People's Bank of China for the same type of loan in the same period, nor 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 lower than the standard fees published by the People's Bank of China for the same type of financial services in the same period (if applicable), nor 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.

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 2021 for that agreement, amounted to the maximum daily loan that did not exceed the daily cap of RMB3,170 million, while interests, handling and service fees were less than RMB200 million.

## Section VI Significant Events (Continued)

- (5) Continuing related party transactions under the “Continuing Related Party Transactions Agreement” for 2019-2021 between the Company and Ouyeel Blockchain Finance

In 2018, the Company signed the Continuing Related Party Transactions Agreement for 2019-2021 with Masteel Scrap (the precedent of Ouyeel Blockchain Finance), as approved at the shareholders’ general meeting. Both parties signed the “Supplementary Agreement for Continuing Related Party Transaction” on 7 May 2020 to update the transaction caps for 2020 and 2021 provided the latest business of the Company and Ouyeel Blockchain Finance. The agreement was approved by the shareholders’ general meeting dated 29 June 2020. Both parties signed the “Supplementary Agreement for Continuing Related Party Transaction” on 29 September 2021 to update the transaction caps for 2021 provided the latest business of the Company and Ouyeel Blockchain Finance. The agreement was approved by the shareholders’ general meeting dated 30 November 2021. From 1 January 2021 to 31 December 2021, the amount generated from the related party transactions under the agreement was as follows:

*Unit: RMB’000*

	Amount	Proportion of transaction of the same category (%)
Raw scrap steel materials and other products purchased by Ouyeel Blockchain Finance from the Company	12,206	100
Scrap steel, agency services, and other products and services purchased by the Company from Ouyeel Blockchain Finance	9,557,885	83.07
<b>Total</b>	<b>9,570,091</b>	<b>/</b>

The transactions between the Group and Ouyeel Blockchain Finance took government guided prices or market prices as the pricing benchmark and the terms of such transactions were no less favourable to the Company than general commercial terms.

## Section VI Significant Events (Continued)

All Directors of the Board (including Independent Non-executive Directors) who are not associated with the Holding and Ouyeel Blockchain Finance believe that such transactions were concluded by the Group with Ouyeel Blockchain Finance in the ordinary course of business and conducted on normal commercial terms and in accordance with the agreements for relevant transactions. The terms were fair and reasonable, and in the interests of the shareholders of the Company as a whole. During the Reporting Period, the total amount of such transactions did not exceed the annual cap for 2021 as set out in the agreements for relevant transactions, amounting to RMB10,600 million.

- (6) Continuing related party transactions under the “Continuing Related Party Transactions Agreement” for 2019-2021 between the Company and Magang Chemicals & Energy

In 2018, the Company signed the Continuing Related Party Transactions Agreement for 2019-2021 with Magang Chemicals & Energy, as approved at the shareholders’ general meeting. From 1 January 2021 to 31 December 2021, the amount generated from the related party transactions under the Agreement was as follows:

*Unit: RMB’000*

	Amount	Proportion of transaction of the same category (%)
Water, electricity, and by-products purchased by Magang Chemicals & Energy from the Company	1,780,494	38.73
Coke oven gas, wastewater treatment services and other products and services purchased by the Company from Magang Chemicals & Energy	1,329,217	100
<b>Total</b>	<b>3,109,711</b>	<b>/</b>

The transactions between the Group and Magang Chemicals & Energy were priced on the basis of the government-guided prices or market prices. Compared with general commercial terms, their terms were at least as favourable to the Company.

## Section VI Significant Events (Continued)

All Directors of the Board (including Independent Non-executive Directors) who are not associated with the Holding and Magang Chemicals & Energy believe that such transactions were concluded by the Group with Magang Chemicals & Energy in the ordinary course of business and conducted on normal commercial terms and in accordance with the agreements for relevant transactions. The terms were fair and reasonable, and in the interests of the shareholders of the Company as a whole. During the Reporting Period, the total amount of such transactions did not exceed the annual cap of 2021 as set out in the agreements for relevant transactions, amounting to RMB3,878 million.

- (7) The continuing related party transactions under the “Continuing Related Party Transaction Agreement” for 2019-2021 between the Company and MaSteel K. Wah

In 2018, the Company signed the Continuing Related Party Transactions Agreement for 2019-2021 with MaSteel K. Wah, as approved at the shareholders’ general meeting. From 1 January 2021 to 31 December 2021, the amount generated from the related party transactions under the Agreement was as follows:

*Unit: RMB’000*

	Amount	Proportion of transaction of the same category (%)
Water granulated slag and other products purchased by Masteel K. Wah from the Company	811,706	76.02

The transactions between the Group and MaSteel K. Wah took government-guided prices or market prices as benchmark prices. Compared with general commercial terms, their terms were at least as favourable to the Company.

All Directors of the Board (including Independent Non-executive Directors) who are not associated with the Holding and MaSteel K. Wah believe that such transactions were concluded by the Group with MaSteel K. Wah in the daily course of business and conducted on normal commercial terms and in accordance with the agreements for relevant transactions. The terms were fair and reasonable, and in the interests of the shareholders of the Company as a whole. During the Reporting Period, the total amount of such transactions did not exceed the annual cap of 2021 as set out in the agreements for relevant transactions, amounting to RMB921 million.

## Section VI Significant Events (Continued)

- (8) The continuing related party transactions under the “Daily Related Party Transaction Agreement” in 2020 between the Company and China Baowu

In December 2019, approved by the Board of Directors of the Company, the Company and China Baowu signed the 2020 “Daily Related Party Transaction Agreement”. Both parties signed the “Supplementary Agreement for Continuing Related Party Transaction” on 7 May 2020 to update the transaction cap for 2020 and further set the cap for 2021 provided the latest business of the Company and China Baowu. The agreement was approved by the shareholders’ general meeting on 29 June 2020. Both parties signed the “Supplementary Agreement for Continuing Related Party Transaction” on 29 September 2021 to update the transaction cap for 2021 provided the latest business of the Company and China Baowu. The agreement was approved by the shareholders’ general meeting on 30 November 2021. From 1 January 2021 to 31 December 2021, the amount of transactions under the Agreement was as follows:

*Unit: RMB’000*

	Amount	Proportion of transaction of the same category (%)
Steel, technical services and other products and services purchased by China Baowu from the Company	585,645	0.56
Ore, infrastructure technology moderation and other products and services purchased by the Company from China Baowu	18,336,817	44.37
<b>Total</b>	<b>18,922,462</b>	<b>/</b>

The price at which the Group purchases iron ore commodities and professional services such as infrastructure technology moderation from China Baowu each year, as well as the price at which it sells commodities such as steel products and provides services such as technical services to China Baowu are negotiated between the parties on arm’s length by referring to comparable market prices and determined as per general commercial terms during the term of the agreement.

## Section VI Significant Events (Continued)

All Directors of the Board (including Independent Non-executive Directors) who are not associated with China Baowu considered that those transactions were carried out in the daily course of business under general commercial terms or favourable terms and according to relevant agreement. The transactions and terms were fair and reasonable to the Company, and in the whole interest of the Company and its shareholders. During the Reporting Period, the total amount of such transactions was under the cap for 2021 specified in the related transaction agreement, amounting to RMB24,817 million.

### (2) Related party transactions in respect of acquisition and disposal of assets or equity

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

Summary of matter	Index of documents
The absorption and merger of Ma Steel (Shanghai) Commercial Factoring Company Limited by Ouye Commercial Factoring Company Limited	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-04-29/600808_20210429_4.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-04-29/600808_20210429_4.pdf</a>
The transfer 100% equity interest of Ma Steel (Hefei) Iron & Steel Co., Ltd., to Baowu Water Technology Co., Ltd	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-08-26/600808_20210826_1_B3fPyFW1.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-08-26/600808_20210826_1_B3fPyFW1.pdf</a>
The transfer of 30% of equity interests in Anhui Masteel K. Wah New Building Materials Co. Ltd. and relevant assets of solid waste treatment by the Company to Baowu Environment Maanshan Resources Utilization Co., Ltd.	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-09-30/600808_20210930_4_WahNewBuildingMaterialsCoLtd.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-09-30/600808_20210930_4_WahNewBuildingMaterialsCoLtd.pdf</a>
The 51% capital injection into Baowu Clean Energy Co., Ltd. of Anhui Masteel Gases Technology Co., Ltd.	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-12-01/600808_20211201_6_JNHt9pNj.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-12-01/600808_20211201_6_JNHt9pNj.pdf</a>

## Section VI Significant Events (Continued)

### (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*

Summary of matter	Index of documents
Ma Steel (Hong Kong) Co., Ltd waived its right for capital injection to Huabao Duding (Shanghai) Finance Leasing Co., Ltd.	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-06-30/600808_20210630_5_Va4hyntq.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-06-30/600808_20210630_5_Va4hyntq.pdf</a>
The Company waived the right for the capital injection to Ouyeel Blockchain Finance Renewable Resources Co., Ltd.	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-07-20/600808_20210720_2_VHa4xffy.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-07-20/600808_20210720_2_VHa4xffy.pdf</a> ; <a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-10-16/600808_20211016_1_24IV5XI2.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-10-16/600808_20211016_1_24IV5XI2.pdf</a>
The Company and Baoshan Iron and Steel Co., Ltd. Jointly increased the capital injection into Baowu Water Technology Co., Ltd.	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-09-18/600808_20210918_2_fkz8kClu.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-09-18/600808_20210918_2_fkz8kClu.pdf</a>



## Section VI Significant Events (Continued)

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

#### 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%	5,164	143,714	142,226	6,652
Total	/	/	/	5,164	143,714	142,226	6,652

#### 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	31,500	3.5-4.6%	2,845	1,324	3,118	1,051
Total	/	/	/	2,845	1,324	3,118	1,051

## Section VI Significant Events (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	156	156

## 13. MATERIAL CONTRACTS AND EXECUTION THEREOF

- (1) DURING The Reporting Period, THERE WAS NO SUBSTANTIAL ENTRUSTMENT, CONTRACTING AND LEASING MADE BY THE COMPANY.
- (2) MAJOR GUARANTEES

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)	31.50
Total Amount of Guarantees Offered by the Company (including guarantees offered to subsidiaries)	
Total amount of guarantees (A+B)	31.50
Total amount of guarantees as a percentage of net assets of the Company (%)	8.42
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 above three types of guarantees (C+D+E)	–

## Section VI Significant Events (Continued)

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.

Pursuant to the requirements of the CSRC, the independent directors of the Company carried out due diligence process and issued independent opinions in relation to the external guarantees offered by the Company, and considered: as of 31 December 2021, the approval procedures of all external guarantees offered by the Company complied with related regulations and procedures; the Company did not provide any guarantees to controlling shareholders or other related parties in which the Company held less than 50% equity interest, unincorporated entities or individuals; the total amount of guarantees provided by the Company accounted for less than 50% of the net assets as stated in its consolidated financial statements of the most recent year.

**(3) DURING The Reporting Period, NO ENTRUSTED CASH ASSET MANAGEMENT WAS MADE BY THE COMPANY.**

# Section 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 year					After the change	
	Number of shares	Percentage (%)	New shares issued	Bonus shares	Shares converted from surplus reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares with selling restriction	-	-	-	-	-	100	100	100	(note)
II. Shares without selling restriction	7,700,681,186	100	-	-	-	-100	-100	7,700,681,086	(note)
1. RMB ordinary shares	5,967,751,186	77.5	-	-	-	-100	-100	5,967,751,086	77.5
2. Foreign shares listed domestically	-	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	1,732,930,000	22.5	-	-	-	-	-	1,732,930,000	22.5
4. Other shares	-	-	-	-	-	-	-	-	-
III. Total	7,700,681,186	100	-	-	-	-	-	7,700,681,186	100

During the Reporting Period, there was no movement in the total number of ordinary shares and the structure of share capital.

Note: During the Reporting Period, Mr. Mao Zhanhong, the deputy general manager of the Company, purchased 100 A shares of the Company, representing 0.0000013% of the total share capital of the Company. There were 7,700,681,086 shares outstanding without any restrictions, representing 99.9999987% of the total share capital of the Company.

## 2. SHAREHOLDERS AND ACTUAL HOLDERS

### (1) TOTAL SHAREHOLDERS

Numbers of Shareholders as end of the Reporting Period (unit)	170,942
Numbers of Shareholders as end of last month prior to the report date (unit)	172,460

## Section VII Movements in Share Capital and 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

Unit: Share

Shareholding of the top ten shareholders							
Name of Shareholder (Full Name)	Increase/Decrease within the Reporting Period	No. of Shares at the End of Period	Percentage (%)	No. of Shares under Restricted Condition for Sales	Pledged or Frozen Situations		Shareholder Nature
					Share Status	Number	
Magang (Group) Holding Co., Limited	-	3,506,467,456	45.535	-	Nil	-	State-owned shareholder
Hong Kong Securities Clearing Company (Nominees) Limited	1,237,500	1,718,328,550	22.314	-	Unknown	Unknown	Unknown
Hong Kong Securities Clearing Company Limited Magang Group Investment Ltd.	35,320,432	177,475,432	2.305	-	Unknown	Unknown	Unknown
Central Huijin Investment Ltd.	-	158,282,159	2.055	-	Nil	-	State-owned shareholder
Industrial and Commercial Bank of China Co., Ltd. — HFT Reform Driven Flexible Configuration Hybrid Securities Investment Fund	-2,982,700	139,172,300	1.807	-	Unknown	Unknown	State-owned shareholder
Zhang Wu	Unknown	49,984,400	0.649	-	Unknown	Unknown	Unknown
Beijing Guoxing Real Estate Management Co., Ltd.	-1,800,000	23,000,000	0.299	-	Unknown	Unknown	Unknown
Agricultural Bank of China Limited — CSI500 Index Open-ended Fund	Unknown	20,067,507	0.261	-	Unknown	Unknown	Unknown
China Construction Bank Corporation — Huashang Golden Age Growth Hybrid Securities Investment Fund	Unknown	13,393,696	0.174	-	Unknown	Unknown	Unknown
	Unknown	11,231,500	0.146	-	Unknown	Unknown	Unknown

## Section VII Movements in Share Capital and Shareholders (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	1,718,328,550	Overseas listed shares	1,718,328,550
Hong Kong Securities Clearing Company Limited	177,475,432	Ordinary shares in RMB	177,475,432
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
Industrial and Commercial Bank of China Co., Ltd. — HFT Reform Driven Flexible Configuration Hybrid Securities Investment Fund	49,984,400	Ordinary shares in RMB	49,984,400
Zhang Wu	23,000,000	Ordinary shares in RMB	23,000,000
Beijing Guoxing Real Estate Management Co., Ltd.	20,067,507	Ordinary shares in RMB	20,067,507
Agricultural Bank of China Limited — CSI500 Index Open-ended Fund	13,393,696	Ordinary shares in RMB	13,393,696
China Construction Bank Corporation — Huashang Golden Age Growth Hybrid Securities Investment Fund	11,231,500	Ordinary shares in RMB	11,231,500

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 in concerted action.

Note: At the end of the Reporting Period, Hong Kong Securities Clearing Company (Nominees) Ltd. held 1,718,328,550 H shares of the Company on behalf of its clients, among which, 640,600,000 shares are held on behalf of Baosteel Hong Kong Investment Company Limited. As at the date of this report, Baosteel Hong Kong Investment holds 597,500,000 H shares.

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

## Section VII Movements in Share Capital and Shareholders (Continued)

### (3) INTERESTS OR SHORT POSITIONS RECORDED ACCORDING TO THE SECURITIES AND FUTURES ORDINANCE

As of 31 December 2021, 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	640,600,000 (Long position)	36.97

As at 31 December 2021, except for Mr. Mao Zhanhong, the Deputy General Manager of the Company, who held 100 A shares of the Company, 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 31 December 2021, the Company was no aware of any interests or short positions recorded according to the Securities and Future Ordinance.

## 3. SUBSTANTIAL SHAREHOLDERS AND ACTUAL HOLDER

### (1) CONTROLLING SHAREHOLDERS

#### 1 Legal Person

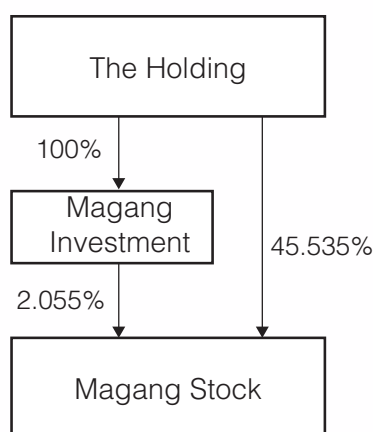
Name	Magang (Group) Holding Co., Limited
Head of unit or legal representative	Ding Yi
Date of Incorporation	1 September 1993
Major business operations	Mining and sorting of mineral products; construction, construction materials, machine manufacturing, maintenance and design; external trading; domestic trading; distribution and storage of materials; property management; consulting service; rental services; agriculture and forestry.

## Section VII Movements in Share Capital and Shareholders (Continued)

Equity in other domestic and overseas listed companies controlled or partially owned during the Reporting Period

At the end of the Reporting Period, in addition to the Company's stock, Magang (Group) Holding Company Limited also held 1.39% of Huaibei Mining, 0.94% of Baoxin Sight, 4.28% of Hwasu, 2.52% of Wuchan Zhongda, 0.01% of Huishang Bank, and 50,509 shares of Huishang Bank. During the Reporting Period, the substantial shareholders did not control or partially own any other domestic and overseas listed Company.

### 2 Block Diagram of Property Rights and Controlling Relationships between the Company and Controlling Shareholders



### (2) ACTUAL HOLDER

#### 1 Legal Person

Name the Company is the SASAC of the State Council

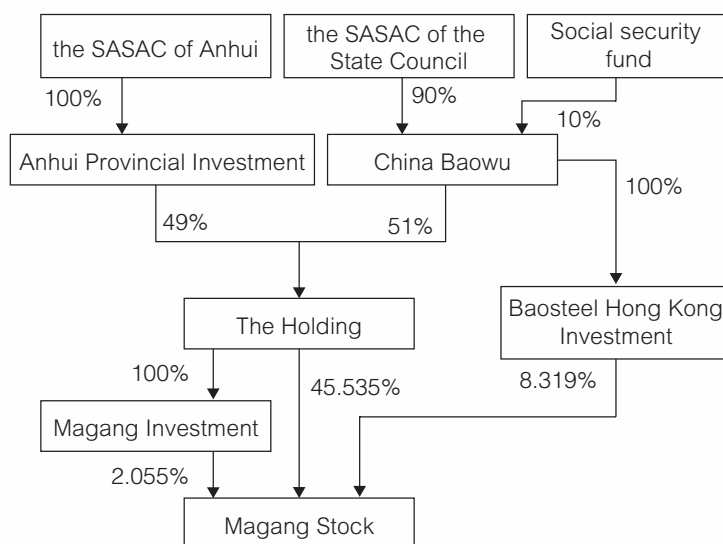
On 19 September 2019, the SASAC of Anhui transferred its 51% equity in the Holding to China Baowu according to the equity transfer agreement signed with China Baowu on 31 May 2019. After such equity transfer, China Baowu became the controlling shareholder of the Holding by holding 51% of its equity, and indirectly held 45.535% of the Company's equity via the Holding, obtaining its control over the Company. Given China Baowu is wholly owned by the SASAC of the State Council, the actual holder of the Company was changed from the SASAC of Anhui to the SASAC of the State Council. The proportion of the Holding's equity held by the SASAC of Anhui was decreased from 100% to 49%. The direct controlling shareholder of the Company remained the same, being the Holding, which held 45.535% of the Company's shares.



## Section VII Movements in Share Capital and Shareholders (Continued)

Name	China Baowu Steel Group Corporation Limited
Head of unit or legal representative	Chen Derong
Date of Incorporation	1 January 1992
Major business operations	Operation of state-owned assets within the range authorized by the State Council; operation and investment of state-owned capital
Equity in other domestic and overseas listed companies controlled or partially owned during the Reporting Period	As of the end of 2021, the listed companies with over 5% shares being held by China Baowu directly or indirectly were as follows: Baoshan Iron & Steel Co., Ltd. (62.30%), Shanghai Baoxin Sight Co., Ltd. (50.50%), Xinjiang Bayi Iron and Steel Co., Ltd. (50.02%), Guangdong Shaogan Iron and Steel Co., Ltd. (53.05%), Shanghai Baosteel Packaging Co., Ltd. (60.52%), Shanxi Taigang Stainless Steel Co., Ltd. (63.31%), Tibet Mining Development Co., Ltd. (21.60%), Daming International Holdings Limited (16.28%), Beijing Shougang Co., Ltd. (11.75%), China Pacific Insurance (Group) Co., Ltd. (14.06%), Nanjing Yunhai Special Metal Co., Ltd. (14.00%), New China Life Insurance Co., Ltd. (12.09%), Shanxi Securities Co., Ltd. (10.23%), Chongqing Iron & Steel Co.,Ltd (25.02%) and Shanghai Rural Commercial Bank Co.,Ltd (8.29%).

### 2 Block Diagram of Property Rights and Control Relationships between the Company and Actual Holders



# Section VIII Independent Auditor's Report



Ernst & Young Hua Ming (2022) Shen Zi No. 60438514\_L01  
**Maanshan Iron & Steel Company Limited**

To the shareholders of Maanshan Iron & Steel Company Limited

## 1. OPINION

We have audited the financial statements of Maanshan Iron & Steel Company Limited, which are comprised of the consolidated and company statements of financial position as of 31 December 2021, and the consolidated and company income statements, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of Maanshan Iron & Steel Company Limited present fairly, in all material respects, the consolidated and company financial position of Maanshan Iron & Steel Company Limited as of 31 December 2021 and their financial performance and cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

## 2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing (“CSAs”). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of Maanshan Iron & Steel Company Limited in accordance with the Code of Ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

## Section VIII Independent Auditor's Report (Continued)

### 3. KEY AUDIT MATTERS (Continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### Key audit matter

#### How our audit addressed the key audit matter

##### *Impairment of inventories*

As of 31 December 2021, inventories amounted to RMB13,852,410,403 with an impairment of RMB1,389,405,874 in the consolidated financial statements. Management performed impairment testing of inventories and if the cost is in excess of the net realisable value, impairment of inventories is recognised. Net realisable value is determined based on the estimated selling price on normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. During the process, management needs to make significant judgement and estimation regarding the future selling price, production costs, selling expenses, related taxes and etc.

We obtained an understanding and tested the internal controls related to impairment testing of inventories. We reviewed management's model, method and related parameters for impairment testing of inventories, specifically the future selling price, production costs, selling expenses, related taxes and etc. In addition, we also reviewed the disclosures regarding the net realisable value of inventories in the financial statements.

The disclosures related to the net realisable value of inventories of Maanshan Iron & Steel Company Limited are disclosed in Notes III.10, III. 32 and V.8 to the financial statements.

## Section VIII Independent Auditor's Report (Continued)

### 4. OTHER INFORMATION

The management of Maanshan Iron & Steel Company Limited is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 5. RESPONSIBILITIES OF THE MANAGEMENT AND GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with China Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing Maanshan Iron & Steel Company Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless either intend to liquidate Maanshan Iron & Steel Company Limited or to cease operations or have no realistic alternative but to do so.

The Governance is responsible for overseeing Maanshan Iron & Steel Company Limited's financial reporting process.

## Section VIII Independent Auditor's Report (Continued)

### 6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are usually considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Maanshan Iron & Steel Company Limited's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements according to the CSAs or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause Maanshan Iron & Steel Company Limited to cease to continue as a going concern.
- Evaluate the overall presentation, including the disclosures, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

## Section VIII Independent Auditor's Report (Continued)

### 6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Maanshan Iron & Steel Company Limited to express an opinion on the financial statements. We are responsible for the guidance, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Governance regarding the planned scope, timing of the audit and significant audit findings, including deficiencies worthy of attention in internal control that we identify during our audit.

We also provide the Governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with the Governance all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Ernst & Young Hua Ming LLP**

**Guo Jing** (Engagement Partner)  
Chinese Certified Public Accountant

**Gong Wei**  
Chinese Certified Public Accountant

Beijing, the People's Republic of China

23 March 2022

# Consolidated Statement of Financial Position

31 December 2021

Renminbi Yuan

ASSETS	Note V	31 December 2021	31 December 2020
CURRENT ASSETS			
Cash and bank balances	1	<b>6,667,853,614</b>	5,346,108,774
Financial assets held for trading	2	<b>5,732,467,255</b>	2,028,957,057
Notes receivables	3	<b>466,956,969</b>	–
Trade receivables	4	<b>1,107,071,353</b>	1,043,606,041
Financing receivables	5	<b>4,795,905,782</b>	7,072,160,166
Prepayments	6	<b>1,534,440,838</b>	755,340,403
Other receivables	7	<b>310,005,481</b>	426,386,362
Inventories	8	<b>12,463,004,529</b>	10,900,294,231
Financial assets purchased under agreements to resell	9	<b>784,602,397</b>	1,346,725,440
Loans and advances to customers	10	<b>4,726,693,965</b>	4,636,066,439
Other current assets	11	<b>4,669,834,825</b>	3,981,226,262
<b>Total current assets</b>		<b>43,258,837,008</b>	37,536,871,175
NON-CURRENT ASSETS			
Long-term receivables	12	<b>11,142,621</b>	–
Long-term equity investments	13	<b>5,158,883,895</b>	3,694,172,463
Other equity instrument investments	14	<b>641,943,339</b>	390,798,231
Investment properties	15	<b>60,811,604</b>	62,504,615
Property, plant and equipment	16	<b>28,605,250,896</b>	29,564,588,450
Construction in progress	17	<b>10,999,333,300</b>	6,980,279,959
Right-of-use assets	18	<b>568,919,288</b>	394,472,380
Intangible assets	19	<b>1,727,329,824</b>	1,881,124,406
Deferred tax assets	20	<b>171,800,693</b>	202,888,795
Other non-current assets		<b>3,490,550</b>	3,441,308
<b>Total non-current assets</b>		<b>47,948,906,010</b>	43,174,270,607
<b>TOTAL ASSETS</b>		<b>91,207,743,018</b>	80,711,141,782

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

## Consolidated Statement of Financial Position (Continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2021	31 December 2020
<b>CURRENT LIABILITIES</b>			
Customer deposits	21	<b>9,253,057,291</b>	6,620,132,197
Repurchase agreements	22	<b>925,465,952</b>	198,480,944
Short-term loans	23	<b>8,952,209,045</b>	12,584,935,187
Financial liabilities held for trading	24	<b>31,663,498</b>	95,968,940
Notes payable	25	<b>3,953,458,712</b>	3,297,446,207
Trade payables	26	<b>10,437,709,731</b>	7,612,476,174
Contract liabilities	27	<b>5,741,241,284</b>	4,377,105,559
Payroll and employee benefits payable	28	<b>349,524,741</b>	549,348,136
Taxes payable	29	<b>1,073,613,979</b>	569,759,727
Other payables	30	<b>3,954,899,554</b>	4,123,490,248
Non-current liabilities due within one year	31	<b>1,358,293,333</b>	2,572,092,845
Provision	32	<b>37,618,128</b>	26,968,253
Other current liabilities	33	<b>746,361,366</b>	569,023,723
<b>Total current liabilities</b>		<b>46,815,116,614</b>	43,197,228,140
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	34	<b>5,452,250,052</b>	3,536,364,338
Lease liabilities	35	<b>571,979,597</b>	394,983,673
Long-term employee benefits payable	36	<b>28,537,508</b>	79,496,046
Deferred revenue	37	<b>911,424,466</b>	872,949,281
Deferred tax liabilities	20	<b>17,251,303</b>	18,934,339
<b>Total non-current liabilities</b>		<b>6,981,442,926</b>	4,902,727,677
<b>TOTAL LIABILITIES</b>		<b>53,796,559,540</b>	48,099,955,817

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



## Consolidated Statement of Financial Position (Continued)

LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)	Note V	31 December 2021	31 December 2020
SHAREHOLDERS' EQUITY			
Share capital	38	<b>7,700,681,186</b>	7,700,681,186
Capital reserve	39	<b>8,344,594,034</b>	8,361,457,903
Other comprehensive income	40	<b>12,271,369</b>	(23,151,783)
Special reserve	41	<b>45,427,634</b>	37,295,614
Surplus reserve	42	<b>4,688,014,995</b>	4,687,127,180
General reserve	43	<b>300,334,506</b>	248,156,969
Retained earnings	44	<b>11,661,535,210</b>	7,374,557,923
Equity attributable to owners of the parent		<b>32,752,858,934</b>	28,386,124,992
Non-controlling interests		<b>4,658,324,544</b>	4,225,060,973
Total shareholders' equity		<b>37,411,183,478</b>	32,611,185,965
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>91,207,743,018</b>	80,711,141,782

The financial statements were signed by the following persons:

*Legal Representative:*  
**Ding Yi**

*Chief Accountant:*  
**Mao Zhanhong**

*Head of Accounting:*  
**Xing Qunli**

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

# Consolidated Income Statement

For the year ended 31 December 2021

Renminbi Yuan

	Note V	2021	2020
Revenue	45	113,851,189,379	81,614,151,183
Less: Cost of sales	45	98,929,683,370	74,382,338,196
Taxes and surcharges	46	660,957,131	536,530,335
Selling expenses	47	300,098,085	262,916,411
General and administrative expenses	48	1,388,782,842	1,516,627,132
R&D expenses	49	4,506,577,893	1,813,176,837
Financial expenses	50	631,748,011	553,576,584
Including: Interest expense		653,603,557	643,235,325
Interest income		29,644,120	43,291,465
Add: Other income	51	125,072,388	86,979,866
Investment income	52	834,975,866	533,664,650
Including: Share of profits of associates and joint ventures		690,501,616	414,021,154
Gain/(loss) on the changes in fair value	53	84,773,531	(72,693,896)
Credit impairment Gain/(loss)	54	3,489,661	(48,276,000)
Asset impairment losses	55	(1,337,467,241)	(770,780,451)
Gain from disposal of assets	56	223,736,352	589,074,956
Operating profit		7,367,922,604	2,866,954,813
Add: Non-operating income	57	38,728,760	402,577,021
Less: Non-operating expenses	58	390,322,193	188,665,317
Profit before tax		7,016,329,171	3,080,866,517
Less: Income tax expense	60	1,022,354,526	502,887,410
Net profit		5,993,974,645	2,577,979,107
Categorised by operation continuity			
Net profit from continuing operations		5,993,974,645	2,577,979,107
Categorised by ownership			
Net profit attributable to owners of the parent		5,332,253,043	1,982,638,821
Net profit attributable to non-controlling interests		661,721,602	595,340,286

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

# Consolidated Income Statement (Continued)

For the year ended 31 December 2021

Renminbi Yuan

	Note V	2021	2020
Other comprehensive income, net of tax		<b>44,301,302</b>	76,609,021
Other comprehensive income attributable to owners of the parent, net of tax	40	<b>44,301,302</b>	76,609,021
Other comprehensive income that will not be reclassified to profit or loss:			
Changes in fair value of other equity instrument investments		<b>107,116,903</b>	76,755,689
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		<b>933,291</b>	–
Changes in fair value of other debt investments		<b>470,700</b>	–
Exchange differences on translation of foreign operations		<b>(64,219,592)</b>	(146,668)
Other comprehensive income attributable to non-controlling interests, net of tax		–	–
<b>Total comprehensive income</b>		<b>6,038,275,947</b>	2,654,588,128
Attributable to:			
Owners of the parent		<b>5,376,554,345</b>	2,059,247,842
Non-controlling interests		<b>661,721,602</b>	595,340,286
<b>EARNINGS PER SHARE:</b>			
Basic earnings per share (cent/share)	61	<b>69.24</b>	25.75
Diluted earnings per share (cent/share)	61	<b>69.24</b>	25.75

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

Renminbi Yuan

2021

	Attributable to owners of the parent								Non-controlling interests	Total shareholders' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	(Note V 38)	(Note V 39)	(Note V 40)	(Note V 41)	(Note V 42)	(Note V 43)	(Note V 44)			
1. Balance at the beginning of the year	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 year										
1) Total comprehensive income	-	-	44,301,302	-	-	-	5,332,253,043	5,376,554,345	661,721,602	6,038,275,947
2) Shareholders' contributions and reduction in capital										
(i) Capital contributions by shareholders	-	-	-	-	-	-	-	-	6,435,000	6,435,000
(ii) Changes in other equity of associates and joint ventures	-	(16,863,869)	-	-	-	-	-	(16,863,869)	-	(16,863,869)
3) Profits appropriation										
(i) Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-
(ii) Transfer to general reserve	-	-	-	-	-	52,177,537	(52,177,537)	-	-	-
(iii) Distribution to shareholders	-	-	-	-	-	-	(1,001,088,554)	(1,001,088,554)	(236,624,809)	(1,237,713,363)
4) Other comprehensive income carried forward to retained earnings	-	-	(8,878,150)	-	887,815	-	7,990,335	-	-	-
5) Special reserve										
(i) Additions	-	-	-	68,456,848	-	-	-	68,456,848	13,357,705	81,814,533
(ii) Utilisation	-	-	-	(59,848,488)	-	-	-	(59,848,488)	(11,625,927)	(71,474,415)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	(476,340)	-	-	-	(476,340)	-	(476,340)
3. Balance at the end of the year	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

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

# Consolidated Statement of Changes in Equity (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## 2020

	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	
	(Note V.37)	(Note V.38)	(Note V.39)	(Note V.40)	(Note V.41)	(Note V.42)	(Note V.43)			
1. Balance at the beginning of the year	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 year										
1) Total comprehensive income	-	-	76,609,021	-	-	-	1,982,638,821	2,059,247,842	595,340,286	2,654,588,128
2) Shareholders' contributions and reduction in										
(i) Capital invested by shareholders	-	-	-	-	-	-	-	-	10,913,921	10,913,921
(ii) Acquisition of non-controlling interests	-	7,958,142	-	-	-	-	-	7,958,142	-	7,958,142
3) Profits appropriation										
(i) Transfer to surplus reserve	-	-	-	-	35,874,686	-	(35,874,686)	-	-	-
(ii) Transfer to general risk reserve	-	-	-	-	-	(77,629,353)	77,629,353	-	-	-
(iii) Distribution to shareholders	-	-	-	-	-	-	(616,054,495)	(616,054,495)	(285,625,207)	(901,679,702)
4) Special reserve										
(i) Additions	-	-	-	101,710,625	-	-	-	101,710,625	14,028,683	115,739,308
(ii) Utilisations	-	-	-	(101,375,635)	-	-	-	(101,375,635)	(17,186,472)	(118,562,107)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	1,476,448	-	-	-	1,476,448	-	1,476,448
3. Balance at the end of the year	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

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

Renminbi Yuan

	Note V	2021	2020
<b>1. Cash flows from operating activities</b>			
Cash received from sale of goods and rendering of services		<b>106,726,134,987</b>	85,001,941,596
Tax refunds received		<b>5,722,962</b>	1,986,683
Net decrease in deposits in the central bank		<b>849,508</b>	–
Net increase in repurchase agreements		<b>726,985,008</b>	–
Net decrease in financial assets purchased under agreements to resell		<b>562,137,604</b>	1,023,246,427
Net increase in customer deposits and balances from banks and other financial institutions and other financial institutions		<b>2,632,925,094</b>	–
Cash received for interest charges, fees and commissions		<b>412,043,770</b>	378,850,393
Cash received relating to other operating activities	62(1)	<b>204,959,284</b>	685,643,457
<b>Sub-total of cash inflows</b>		<b>111,271,758,217</b>	87,091,668,556
Cash paid for purchases of goods and services		<b>(84,760,290,787)</b>	(70,120,117,388)
Net increase in deposits in the central bank		–	(226,335,280)
Net decrease in repurchase agreements		–	(1,188,099,504)
Net decrease in customer deposits and balances from banks and other financial institutions		–	(4,744,795,694)
Net increase in loans and advances to customers		<b>(83,620,774)</b>	(408,826,479)
Cash paid to or on behalf of employees		<b>(5,426,066,966)</b>	(4,736,858,780)
Taxes and surcharges paid		<b>(3,239,773,238)</b>	(2,270,765,693)
Cash paid for interest charges, fees and commissions		<b>(179,297,311)</b>	(144,512,677)
Cash paid relating to other operating activities	62(2)	<b>(808,232,709)</b>	(480,842,416)
<b>Sub-total of cash outflows</b>		<b>(94,497,281,785)</b>	(84,321,153,911)
<b>Net cash flows from operating activities</b>	63(1)	<b>16,774,476,432</b>	2,770,514,645
<b>2. Cash flows from investing activities</b>			
Cash received from disposal of investments		<b>31,841,017,645</b>	24,473,423,758
Cash received from investment income		<b>248,003,849</b>	216,975,852
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets		<b>187,332,662</b>	508,461,603
<b>Sub-total of cash inflows</b>		<b>32,276,354,156</b>	25,198,861,213

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

# Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

Renminbi Yuan

	Note V	2021	2020
2. Cash flows from investing activities (continued)			
Purchases of property, plant and equipment, intangible assets and other non-current assets		<b>(7,586,327,238)</b>	(7,027,769,955)
Cash paid for investments		<b>(35,394,272,916)</b>	(24,179,299,032)
Cash paid relating to other investing activities	62(3)	<b>(17,443,494)</b>	(73,705,396)
Sub-total of cash outflows		<b>(42,998,043,648)</b>	(31,280,774,383)
Net cash flows used in investing activities		<b>(10,721,689,492)</b>	(6,081,913,170)
3. Cash flows from financing activities			
Cash received from borrowings		<b>16,618,863,222</b>	17,988,437,837
Cash received from investors		<b>9,375,000</b>	13,125,000
Including: Capital injection from a subsidiary's non-controlling interests		<b>9,375,000</b>	13,125,000
Sub-total of cash inflows		<b>16,628,238,222</b>	18,001,562,837
Repayment of borrowings		<b>(19,556,873,889)</b>	(17,085,162,670)
Cash paid for distribution of dividends or profits and for interest expenses		<b>(1,842,152,922)</b>	(1,570,654,370)
Including: Dividends or profits paid to non-controlling interests by subsidiaries		<b>(236,624,809)</b>	(285,625,207)
Cash paid relating to other financing activities	62(4)	<b>(129,537,940)</b>	(54,484,769)
Sub-total of cash outflows		<b>(21,528,564,751)</b>	(18,710,301,809)
Net cash flows used in financing activities		<b>(4,900,326,529)</b>	(708,738,972)
4. Effect of foreign exchange rate changes on cash and cash equivalents		<b>(52,995,362)</b>	(95,916,296)
5. Net increase/(decrease) in cash and cash equivalents		<b>1,099,465,049</b>	(4,116,053,793)
Add: Cash and cash equivalents at the beginning of the year		<b>3,123,596,841</b>	7,239,650,634
6. Cash and cash equivalents at the end of the year	63(2)	<b>4,223,061,890</b>	3,123,596,841

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

# Statement of Financial Position

For the year ended 31 December 2021

Renminbi Yuan

ASSETS	Note XIV	31 December 2021	31 December 2020
CURRENT ASSETS			
Cash and bank balances		<b>2,580,562,187</b>	2,296,089,258
Financial assets held for trading		–	11,640,010
Notes receivable		<b>670,651,738</b>	–
Trade receivables	1	<b>2,370,751,287</b>	2,355,816,934
Financing receivables		<b>2,178,463,701</b>	<b>4,959,472,316</b>
Prepayments		<b>860,597,030</b>	349,980,035
Other receivables	2	<b>260,814,759</b>	371,032,767
Inventories		<b>8,376,609,561</b>	7,272,793,836
Other current assets		<b>1,236,749,828</b>	359,808,604
Total current assets		<b>18,535,200,091</b>	17,976,633,760
NON-CURRENT ASSETS			
Long-term equity investments	3	<b>13,247,074,179</b>	11,761,010,351
Other equity instrument investments		<b>550,164,412</b>	304,681,987
Investment properties		<b>60,811,604</b>	62,504,615
Property, plant and equipment		<b>20,624,876,783</b>	22,530,651,256
Construction in progress		<b>10,187,178,312</b>	5,554,453,327
Right-of-use assets		<b>551,147,382</b>	348,919,252
Intangible assets		<b>1,085,272,031</b>	1,123,273,009
Deferred tax assets		<b>85,734,913</b>	104,388,391
Total non-current assets		<b>46,392,259,616</b>	41,789,882,188
<b>TOTAL ASSETS</b>		<b>64,927,459,707</b>	59,766,515,948

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



# Statement of Financial Position (Continued)

For the year ended 31 December 2021

Renminbi Yuan

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>31 December 2021</b>	31 December 2020
<b>CURRENT LIABILITIES</b>		
Short-term loans	<b>9,812,742,107</b>	12,518,307,366
Financial liabilities held for trading	<b>31,663,498</b>	95,968,940
Notes payable	<b>397,205,795</b>	692,285,784
Trade payables	<b>9,662,660,374</b>	7,591,202,079
Contract liabilities	<b>4,313,631,584</b>	2,953,248,445
Payroll and employee benefits payable	<b>240,906,555</b>	325,256,459
Taxes payable	<b>805,680,949</b>	285,290,128
Other payables	<b>3,808,000,336</b>	3,726,054,061
Non-current liabilities due within one year	<b>1,357,008,967</b>	2,849,362,390
Other current liabilities	<b>560,772,106</b>	383,922,298
<b>Total current liabilities</b>	<b>30,990,272,271</b>	31,420,897,950
<b>NON-CURRENT LIABILITIES</b>		
Long-term loans	<b>5,452,250,052</b>	3,536,364,338
Lease liabilities	<b>554,191,729</b>	350,464,514
Long-term employee benefits payable	<b>2,499,619</b>	52,563,465
Deferred revenue	<b>763,616,571</b>	720,633,372
<b>Total non-current liabilities</b>	<b>6,772,557,971</b>	4,660,025,689
<b>Total liabilities</b>	<b>37,762,830,242</b>	36,080,923,639
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	<b>7,700,681,186</b>	7,700,681,186
Capital reserve	<b>8,349,111,750</b>	8,365,975,619
Other comprehensive income	<b>193,384,920</b>	98,879,489
Special reserve	<b>19,760,287</b>	15,187,813
Surplus reserve	<b>3,851,228,408</b>	3,850,340,593
Retained earnings	<b>7,050,462,914</b>	3,654,527,609
<b>Total shareholders' equity</b>	<b>27,164,629,465</b>	23,685,592,309
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>64,927,459,707</b>	59,766,515,948

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

# Statement of Income Statement

For the year ended 31 December 2021

Renminbi Yuan

	Note XIV	2021	2020
Revenue	4	<b>96,485,934,101</b>	67,533,031,667
Less: Cost of sales	4	<b>86,596,575,649</b>	63,344,222,383
Taxes and surcharges		<b>472,847,673</b>	403,060,560
Selling expenses		<b>162,595,706</b>	117,528,952
General and administrative expenses		<b>914,165,262</b>	1,032,409,616
R&D expenses		<b>3,632,395,008</b>	1,371,832,597
Financial expenses		<b>579,872,331</b>	576,954,674
Including: Interest expense		<b>627,508,438</b>	650,709,978
Interest income		<b>20,005,992</b>	42,626,196
Add: Other income		<b>74,113,704</b>	51,083,735
Investment income	5	<b>1,345,439,824</b>	1,139,971,118
Including: Share of profits of associates and joint ventures		<b>684,410,285</b>	408,543,532
Gain/(loss) on the changes in fair value		<b>64,505,812</b>	(95,102,260)
Credit impairment losses		<b>(4,636,098)</b>	(15,348,363)
Assets impairment losses		<b>(876,811,914)</b>	(912,541,490)
Gain from disposal of non-current assets		<b>266,988,309</b>	28,035,749
Operating profit		<b>4,997,082,109</b>	883,121,374
Add: Non-operating income		<b>25,923,311</b>	255,694,956
Less: Non-operating expenses		<b>335,808,748</b>	124,990,190
Profit before tax		<b>4,687,196,672</b>	1,013,826,140
Less: Income tax expense		<b>298,163,148</b>	(4,634,880)
Net profit		<b>4,389,033,524</b>	1,018,461,020
Categorised by operation continuity			
Net profit from continuing operations		<b>4,389,033,524</b>	1,018,461,020
Other comprehensive income, net of tax		<b>103,383,581</b>	76,683,150
Other comprehensive income that will not be reclassified to profit or loss:		<b>102,450,290</b>	76,683,150
Changes in fair value of other equity instrument investments		<b>102,450,290</b>	76,683,150
Other comprehensive income that may be reclassified to profit or loss:		<b>933,291</b>	–
Other comprehensive income using the equity method that may be reclassified to profit or loss		<b>933,291</b>	–
Total comprehensive income		<b>4,492,417,105</b>	1,095,144,170

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

# Statement of Changes in Equity

For the year ended 31 December 2021

Renminbi Yuan

2021

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
1. Balance at the beginning of the year	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 year							
1) Total comprehensive income	-	-	103,383,581	-	-	4,389,033,524	4,492,417,105
2) Share of reserves of joint ventures and associates	-	(16,863,869)	-	-	-	-	(16,863,869)
3) Profit appropriation							
(i) Transfer to surplus reserves	-	-	-	-	-	-	-
(ii) Distribution to shareholders	-	-	-	-	-	(1,001,088,554)	(1,001,088,554)
4) Other comprehensive income carried forward to retained earnings	-	-	(8,878,150)	-	887,815	7,990,335	-
5) Special reserves							
(i) Additions	-	-	-	47,916,514	-	-	47,916,514
(ii) Utilisation	-	-	-	(42,867,700)	-	-	(42,867,700)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	(476,340)	-	-	(476,340)
3. Balance at the end of the year	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

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

# Statement of Changes in Equity (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## 2020

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
1. Balance at the beginning of the year	7,700,681,186	8,358,017,477	22,196,339	13,711,365	3,814,465,907	3,287,995,770	23,197,068,044
2. Increase/(decrease) during the year							
1) Total comprehensive income	-	-	76,683,150	-	-	1,018,461,020	1,095,144,170
2) Share of reserves of joint ventures and associates	-	7,958,142	-	-	-	-	7,958,142
3) Profits appropriation							
(i) Transfer to surplus reserve	-	-	-	-	35,874,686	(35,874,686)	-
(ii) Distribution to shareholders	-	-	-	-	-	(616,054,495)	(616,054,495)
4) Special reserve							
(i) Additions	-	-	-	76,206,903	-	-	76,206,903
(ii) Utilisation	-	-	-	(76,206,903)	-	-	(76,206,903)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	1,476,448	-	-	1,476,448
3. Balance at the end of the year	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

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

# Statement of Cash Flows

For the year ended 31 December 2021

Renminbi Yuan

	2021	2020
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	<b>80,691,733,728</b>	66,469,946,858
Tax refunds received	<b>855,019</b>	20,721
Cash received relating to other operating activities	<b>263,881,306</b>	740,060,516
Sub-total of cash inflows	<b>80,956,470,053</b>	67,210,028,095
Cash paid for purchase of goods and services	<b>(65,043,192,009)</b>	(56,502,012,872)
Cash paid to or on behalf of employees	<b>(3,937,636,480)</b>	(4,414,224,258)
Taxes and surcharges paid	<b>(1,823,483,514)</b>	(829,317,606)
Cash paid relating to other operating activities	<b>(115,219,171)</b>	(189,116,938)
Sub-total of cash outflows	<b>(70,919,531,174)</b>	(61,934,671,674)
Net cash flows from operating activities	<b>10,036,938,879</b>	5,275,356,421
2. Cash flows from investing activities		
Cash received from disposal of investments	<b>43,640,189</b>	27,104,293
Cash received from investment income	<b>980,808,835</b>	894,023,000
Net cash received from disposal of property, plant and equipment, intangible assets and other non-current assets	<b>86,314,682</b>	161,595,974
Net cash received from disposal of subsidiaries and other business units	<b>16,501,871</b>	185,905,462
Sub-total of cash inflows	<b>1,127,265,577</b>	1,268,628,729
Purchase of property, plant and equipment, intangible assets and other non-current assets	<b>(6,441,260,719)</b>	(5,700,486,424)
Cash paid for investments	<b>(95,877,202)</b>	(21,371,823)
Net cash paid for acquisition of a subsidiary and other operating units	<b>(316,417,082)</b>	(231,899,000)
Cash paid relating to other investing activities	<b>(17,443,494)</b>	(73,705,397)
Sub-total of cash outflows	<b>(6,870,998,497)</b>	(6,027,462,644)
Net cash flows used in investing activities	<b>(5,743,732,920)</b>	(4,758,833,915)

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

# Statement of Cash Flows (Continued)

For the year ended 31 December 2021

Renminbi Yuan

	2021	2020
3. Cash flows from financing activities		
Cash received from borrowings	<b>15,133,364,829</b>	17,870,202,893
Cash received relating to other financing activities	<b>32,638,447</b>	–
Sub-total of cash inflows	<b>15,166,003,276</b>	17,870,202,893
Repayment of borrowings	<b>(17,406,510,518)</b>	(17,396,119,290)
Cash paid for the distribution of dividend or profits and for interest expenses	<b>(1,596,829,065)</b>	(1,242,014,560)
Cash paid relating to other financing activities	<b>(52,723,820)</b>	(265,106,834)
Sub-total of cash outflows	<b>(19,056,063,403)</b>	(18,903,240,684)
Net cash flows used in from financing activities	<b>(3,890,060,127)</b>	(1,033,037,791)
4. Effect of foreign exchange rate changes on cash and cash equivalents	<b>(32,773,082)</b>	24,424,327
5. Decrease in cash and cash equivalents	<b>370,372,750</b>	(492,090,958)
Add: Cash and cash equivalents at the beginning of the year	<b>2,160,679,437</b>	2,652,770,395
6. Cash and cash equivalents at the end of the year	<b>2,531,052,187</b>	2,160,679,437

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

# Notes to the Financial Statements

For the year ended 31 December 2021

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 licence 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 31 December 2021, the Company had issued 7,700,680,000 shares in total, including ordinary A shares of 5,967,750,000 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 was established 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 23 March 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## 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 31 December 2021, the net current liabilities of the Group amounted to RMB3,556,279,606. The directors of the Company have considered the availability of funding sources, including but not limited to unutilised banking facilities of RMB33.6 billion as at 31 December 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 reporting period. Therefore, the Board of Directors of the Company prepared the Group’s financial statements for the year ended 31 December 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 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 31 December 2021, and the results of their operations and cash flows 2021.

### 2. Accounting period

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



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 3. Reporting currency

Renminbi, in which the financial statements are presented, is used as the Group'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".

#### *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. Under a business combination involving entities under common control, the involving entity (the acquirer) obtains control of another involving entity (the acquiree) on the combination date. The acquisition date is the date on which the combining entity effectively obtains control of the entity being combined.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 4. Business combinations (Continued)

#### *Business combination involving entities not under common control*

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

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.

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 5. Consolidated financial statements (Continued)

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.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 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.

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 8. Foreign operations and foreign currency translation (Continued)

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.

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

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.

#### *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 fair value through profit or loss, financial assets at amortised cost and financial assets at fair value through other comprehensive income.

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:

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

#### *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.

#### *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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

#### *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 assets are measured at fair value for subsequent measurement, all changes in fair value shall be accounted in the profit or loss for the year.

#### *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 other financial liabilities. With respect to financial liabilities at fair value through profit or loss, transaction costs are charged to profit or loss; whereas for other financial liabilities, 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.

#### Other financial liabilities

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



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

#### *Impairment of financial assets*

Classification and measurement of financial liabilities (Continued)

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, and the assumption of expected credit loss measurement, please refer to Note VIII.4.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

#### *Classification and measurement of financial liabilities (Continued)*

#### *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.

#### *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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9. Financial instruments (Continued)

#### *Transfer of financial assets (Continued)*

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. When the circumstances that previously caused inventories to be written down below cost no longer exist and the net realisable value is higher than the carrying amount, the original amount of the write-down is reversed and charged to 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 year ended 31 December 2021

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 year ended 31 December 2021

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 year ended 31 December 2021

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 year ended 31 December 2021

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.

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 13. Property, plant and equipment (Continued)

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:

	<b>Estimated useful life</b>	<b>Estimated residual value</b>	<b>Annual depreciation rate</b>
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 year ended 31 December 2021

Renminbi Yuan

## 15. Borrowing costs

Borrowing costs are interests and other expenses arising from borrowings of the Group, including borrowing interest, amortisation of discounts or premiums, ancillary expenses and exchange differences arising from foreign currency borrowings.

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 year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 16 Right-of-use assets

The Group's right-of-use assets include plant and buildings, machinery and equipment, motor vehicles and land use right.

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 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.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

### 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 17 Intangible assets (Continued)

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

	<b>Useful life</b>
Concession rights	25 years
Land use rights	50 years
Mining rights	25 years
Patents	3 years

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.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 18. Impairment of assets

The Group determines the impairment of assets according to the following method, except for inventories, deferred tax assets, financial assets and assets classified as held-for-sale.

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.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 19. Payroll and employee benefits payable (Continued)

#### *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.

#### *Post-employment benefit (defined benefit plans)*

The Group operates a defined benefit pension plan in an overseas subsidiary 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 year ended 31 December 2021

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. In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

A lessee shall remeasure the lease liability by discounting the revised lease payments, if (a) there is a change in the actual fixed lease payments; (b) there is a change in the amounts expected to be payable under a residual value guarantee; (c) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; (d) there is a change in the assessment of an option to purchase the underlying asset, to renew the lease or a change in the actual exercise of the option.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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. 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 year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. 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 good and services is to have the ability to direct the use of, and obtain substantially all of the remaining benefits from of the relevant good 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 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 year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. Revenue (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 year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23. 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.

### 24. 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 year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 25. 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 year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26. Income tax

Income tax comprises current tax and deferred tax, and is normally recognised as income or expense in profit or loss, except for goodwill generated in a business combination or items that have been recognised directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid according to the taxation laws and regulations.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26. Income tax (Continued)

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 realization 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.

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.

### 27. Leases

#### *Identification of 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. To assess whether a contract conveys the right to control the use of an identified asset or assets for a period of time the Group assesses whether, throughout the period of use, the customer has the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 27. Leases (Continued)

#### *Identification of separate lease components*

For a contract that contains multiple lease components, the Group shall account for each lease component within the contract as a lease separately. The right to use an underlying asset is a separate lease component if:

- (a) the lessee can benefit from the use of the underlying asset either on its own or together with other resources that are readily available to the lessee; and
- (b) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

#### *Separating lease components from non-lease components*

For a contract that contains both lease and non-lease component, the Group shall account for the lease and non-lease components separately as a lessor or a lessee.

#### *Assessment of the lease term*

Lease term is the non-cancellable period of a lease for the Group to use its leased assets. The lease term also covers the period which the Group has an option to extend the lease, and the Group is reasonably certain to exercise that option, and the period the Group has an option to terminate the lease and the Group is reasonably certain not to exercise that option in that period. The Group would reassess whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that within the control of the Group and affects whether the Group is reasonably certain to exercise the according options.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 27. Leases (Continued)

#### *As a lessee*

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

#### Lease modifications

A lease modification changes the scope, the consideration and the lease term by adding or terminating the right to use one or more underlying assets and extending or shortening the contractual lease term.

A lessee shall account for a lease modification as a separate lease if both:

- (a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- (b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group would remeasure the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For the impact of the above lease liability adjustment, the Group accounted for them separately in terms of the following situation:

- (a) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease or shorten the lease term. Any gain or loss relating to the partial or full termination of the lease shall be recognised in profit or loss.
- (b) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 27. Leases (Continued)

#### *Lease modifications (Continued)*

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.

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 Group would account for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 28. Profit distribution

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

### 29. Safety production reserve

Safety production reserve sets aside in compliance with relevant regulations, 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.

### 30. 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 31. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place in the principal market for the asset or liability or in the most advantageous market for the asset or liability when a principal market is absent. The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value, giving priority to the use of relevant observable inputs, and using unobservable inputs only when observable inputs are unavailable or not feasible to obtain.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are Categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 32. 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 32. Significant accounting judgments and estimates (Continued)

#### *Judgments (Continued)*

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.

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 31 December 2021, 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 31 December 2021, 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 32. Significant accounting judgments and estimates (Continued)

#### *Judgments (Continued)*

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

As of 31 December 2021, 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.

As of 31 December 2021, the Group held 11% equity interests in Ouyeel MRO Co., Ltd. (“Ouyeel MRO”). The Company designates one director to Ouyeel MRO according to the Articles of Association. The directors of the Company believe the Company can exercise significant influence over Ouyeel MRO, despite the equity share is under 20%. Thus, the Company accounts for the investment in Ouyeel MRO as an associate.

As of 31 December 2021, 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.

As of 31 December 2021, 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 32. Significant accounting judgments and estimates (Continued)

#### *Judgments (Continued)*

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. 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.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 32. Significant accounting judgments and estimates (Continued)

#### *Judgments (Continued)*

#### *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.

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 32. Significant accounting judgments and estimates (Continued)

#### *Estimation uncertainty (Continued)*

##### 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.

##### Constraint in variable consideration estimate

When the Group assess the variable consideration, it considers all the information that can be reasonably obtained, including historical, current information and forecast information that are reasonably available to the entity and shall identify a reasonable number of possible consideration amounts. When the variable uncertainties cease to exist, the variable consideration transaction price should not exceed the amount of accumulated revenue that is not likely to be significantly reversed. Under the above circumstance, the Group considers the possibility of revenue reversal and the proportion of the amount of money transferred. In order to reflect the condition of the Reporting Period and changes within the Reporting Period, the Group reassesses the variable consideration amount at each balance sheet date, including whether the reassessment of the variable consideration estimate is constraint consideration estimate is constraint.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 32. 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 year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 33. 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

2021

	Before	Changes in accounting policies	After
Cost of sales	98,164,014,697	765,668,673	98,929,683,370
Selling expenses	1,065,766,758	(765,668,673)	300,098,085

2020

	Before	Changes in accounting policies	After
Cost of sales	73,635,244,275	747,093,921	74,382,338,196
Selling expenses	1,010,010,332	(747,093,921)	262,916,411

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 33. Changes in accounting policies and estimates (Continued)

#### *Changes in accounting policies (Continued)*

The detail impacts are set out as follows: (Continued)

The Company

2021

	Before	Changes in accounting policies	After
Cost of sales	86,267,736,669	328,838,980	86,596,575,649
Selling expenses	491,434,686	(328,838,980)	162,595,706

2020

	Before	Changes in accounting policies	After
Cost of sales	63,068,269,358	275,953,025	63,344,222,383
Selling expenses	393,481,977	(275,953,025)	117,528,952

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 10% to 13%.
Income tax	<p>The Group’s subsidiaries, Mascometal Co.,Ltd.(“Mascometal”) and Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. (“Masteel Transportation Materail”) 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 &amp; 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 28%. 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 rights and buildings at tax rates of 30%-60% as a result of the transfer of ownership.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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% are 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% are applicable in three years from 2020.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

	31 December 2021	31 December 2020
Cash on hand	43,411	190,580
Bank balances	4,208,627,033	3,221,279,761
Other monetary assets	1,520,784,615	1,185,390,370
Mandatory reserves of Masteel Finance deposited in the central bank	938,398,555	939,248,063
	<b>6,667,853,614</b>	5,346,108,774
Including: Restricted amount due to mortgage, pledge or freeze	1,506,393,169	1,185,390,370

As of 31 December 2021, the Group had cash and bank balances amounting to RMB525,670,751 that have been deposited outside the PRC (31 December 2020: RMB633,402,172).

Cash deposited in current accounts earns interest at floating interest rates. The terms of time deposits are from one month, two months, three months and six months respectively, depending on the cash flow demand of the Group. Such deposits earn interest at the respective bank deposit rates. As of 31 December 2021, the Group had no time deposits (31 December 2020: RMB97,873,500) with terms over three months.

### 2. Financial assets held for trading

	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss		
Derivative financial assets- Futures contracts	–	11,640,010
Debt instrument investments	5,732,467,255	2,017,317,047
	<b>5,732,467,255</b>	2,028,957,057

As of December 31, 2021. The Group's financial investment are mainly certificates of deposit, wealth management products and trust products. There are no significant limitation to liquidate.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 3. Notes receivable

	31 December 2021	31 December 2020
Bank acceptance notes	<b>466,956,969</b>	–

As of 31 December 2021, the Group pledged the bank acceptance notes of RMB32,638,447 (31 December 2020: Nil) for the short-term loan.

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

### 4. Trade receivables

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

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

	31 December 2021	31 December 2020
Within one year	<b>1,098,242,556</b>	1,029,732,092
One to two years	<b>13,779,855</b>	22,158,556
Two to three years	<b>14,707,402</b>	10,688,621
Over three years	<b>37,241,496</b>	42,043,744
	<b>1,163,971,309</b>	1,104,623,013
Less: Provisions for bad debts	<b>56,899,956</b>	61,016,972
	<b>1,107,071,353</b>	1,043,606,041

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 4. Trade receivables (Continued)

The balances of trade receivables are analysed as follows:

	31 December 2021				Book value	31 December 2020				Book value
	Carrying amount		Provision for bad debts			Carrying amount		Provision for bad debts		
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Assessed bad debt provision individually	-	-	-	-	-	-	-	-	-	-
Assessed bad debt provision in portfolios based on credit risk characteristics	1,163,971,309	100	(56,899,956)	5	1,107,071,353	1,104,623,013	100	(61,016,972)	6	1,043,606,041
	<b>1,163,971,309</b>	<b>100</b>	<b>(56,899,956)</b>		<b>1,107,071,353</b>	<b>1,104,623,013</b>	<b>100</b>	<b>(61,016,972)</b>	<b>6</b>	<b>1,043,606,041</b>

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

	31 December 2021			31 December 2020		
	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	1,098,242,556	1	(10,982,426)	1,029,732,092	1	(10,297,321)
One to two years	13,779,855	16	(2,204,777)	22,158,556	16	(3,545,369)
Two to three years	14,707,402	44	(6,471,257)	10,688,621	48	(5,130,538)
Over three years	37,241,496	100	(37,241,496)	42,043,744	100	(42,043,744)
	<b>1,163,971,309</b>		<b>(56,899,956)</b>	<b>1,104,623,013</b>		<b>(61,016,972)</b>



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 4. Trade receivables (Continued)

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

	Opening balance	Increase	Reversal	Write-back due to disposal of a subsidiary	Other changes	Closing balance
2021	<b>61,016,972</b>	<b>29,248,928</b>	<b>(25,550,461)</b>	<b>(6,351,633)</b>	<b>(1,463,850)</b>	<b>56,899,956</b>
2020	52,406,346	24,617,062	(16,615,257)	–	608,821	61,016,972

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

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

31 December 2021	Relationship with the Group	Ending balance	Ageing	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)

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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: (Continued)

31 December 2020	Relationship with the Group	Ending balance	Ageing	Percentage of trade receivables	Ending balance of bad debts provision
Company 1	Third party	94,930,141	Within 1 year	9%	(949,301)
Company 2	Third party	71,049,610	Within 1 year	6%	(710,496)
Company 3	Third party	60,991,574	Within 1 year	6%	(609,916)
Company 4	Third party	49,318,672	Within 1 year	4%	(493,187)
			Within 3 years and over		
Company 5	Third party	48,312,244	3 years	4%	(23,462,514)
		324,602,241		29%	(26,225,414)

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

### 5. Financial receivables

	31 December 2021	31 December 2020
Bank acceptance notes	4,795,905,782	7,072,160,166

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 5. Financial receivables (Continued)

The undue notes endorsed or discounted were as follows :

	31 December 2021		31 December 2020	
	Derecognised	Not derecognised	Derecognised	Not derecognised
Bank acceptance notes	<b>16,485,699,230</b>	<b>439,842,307</b>	8,889,821,875	157,975,562

As of 31 December 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 RMB5,765,372,964 (2020: RMB1,589,777,784), and recognised discount expense amounting to RMB64,370,016 (2020: RMB20,100,719).

### 6. Prepayments

Age analysis of the prepayments is as follows:

	31 December 2021		31 December 2020	
	Book value	Ratio (%)	Book value	Ratio (%)
Within one year	<b>1,513,789,753</b>	<b>99</b>	737,480,610	98
One to two years	<b>17,249,774</b>	<b>1</b>	17,859,793	2
Two to three years	<b>3,401,311</b>	<b>—</b>	—	—
	<b>1,534,440,838</b>	<b>100</b>	755,340,403	100

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)

For the year ended 31 December 2021

Renminbi Yuan

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

### 6. Prepayments (Continued)

The top five prepayments classified by debtors are as follows:

31 December 2021	Relationship with the Group	Ending balance	Aging	Percentage of prepayments
	Associate of the			
Company 1	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%

31 December 2020	Relationship with the Group	Ending balance	Aging	Percentage of prepayments
Company 1	Third party	245,961,459	Within 1 year	33%
Company 2	Third party	49,523,710	Within 1 year	7%
Company 3	Third party	38,240,773	Within 1 year	5%
Company 4	Third party	34,054,174	Within 1 year	5%
Company 5	Third party	28,746,332	Within 1 year	4%
		396,526,448		54%

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 7. Other receivables

	31 December 2021	31 December 2020
Interest receivable	–	83,808
Dividends receivable	56,527,195	33,247,960
Other receivables	253,478,286	393,054,594
	<b>310,005,481</b>	426,386,362

#### *Interest receivable*

	31 December 2021	31 December 2020
Interest from time deposits	–	83,808

#### *Dividends receivable*

	31 December 2021	31 December 2020
Associate- OCI Chemical	–	3,312,407
Associate-Ouyeel Blockchain Finance	55,226,911	29,935,553
Associate- Ouyeel Factoring	1,300,284	–
	<b>56,527,195</b>	33,247,960

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 7. Other receivables (Continued)

#### *Other receivables*

Age analysis of other receivables is as follows:

	<b>31 December 2021</b>	31 December 2020
Within one year	<b>250,457,497</b>	397,461,827
One to two years	<b>1,472,703</b>	6,131,217
Two to three years	<b>2,703,480</b>	802,911
Over three years	<b>69,409,300</b>	418,427,843
	<b>324,042,980</b>	822,823,798
Less: Provision for bad debts	<b>70,564,694</b>	429,769,204
	<b>253,478,286</b>	393,054,594

Other receivables analysed by nature were as follows:

	<b>31 December 2021</b>	31 December 2020
Due from others	<b>82,610,176</b>	542,930,681
Deposit for steel futures	<b>138,290,419</b>	120,846,925
Prepaid import tariff and VAT deposit	<b>37,523,667</b>	105,140,963
Tax refunds	<b>9,845,911</b>	237,911
Others	<b>55,772,807</b>	53,667,318
	<b>324,042,980</b>	822,823,798
Less: Provision for bad debts	<b>70,564,694</b>	429,769,204
	<b>253,478,286</b>	393,054,594

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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:

#### 2021

	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	1,124,541	16,345,580	412,299,083	429,769,204
Changes due to the opening balance	-	-	-	-
- Shift to Phase II	-	-	-	-
- Shift to Phase III	-	-	-	-
- Back to Phase II	-	-	-	-
- Back to Phase I	-	-	-	-
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 year ended 31 December 2021

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: (Continued)

2020

	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	228,189	15,389,042		418,934,858
Changes due to the opening balance	(2,241)	2,241	-	-
- Shift to Phase II	(2,241)	2,241	-	-
- Shift to Phase III	-	-	-	-
- Back to Phase II	-	-	-	-
- Back to Phase I	-	-	-	-
Accrual	889,181	954,297	8,981,456	10,824,934
Reversal	-	-	-	-
Other changes	9,412	-	-	9,412
Closing balance	1,124,541	16,345,580	412,299,083	429,769,204



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 year	Provided	Turn-back	Write-off	Exchange gains and losses	Balance at the end of the year
2021	429,769,204	2,914,441	(2,379,631)	(359,405,095)	(334,225)	70,564,694
2020	418,934,858	10,824,934	-	-	9,412	429,769,204

(i) : Other receivables written off this year are long-term receivables mainly caused by steel trade disputes in 2012, with a total amount of RMB359,405,095. The counterparties were either declared bankrupt or deregistered by the court, which has met the standards of bad debt written off, was approved by the 55th meeting of the 9th session of the Board of Directors of the Company.

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 others	Over 3 years	(45,390,133)
Company 4	18,000,000	6	Due from others	Within 1 year	(180,000)
Company 5	17,392,518	5	Deposit	Within 1 year	(173,925)
	219,071,070	68			(45,744,058)

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 7. Other receivables (Continued)

As of 31 December 2020, the top five other receivables were as follows:

	Carrying amount	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
Company 1	132,058,434	16	Due from others	Over 3 years	(132,058,434)
Company 2	127,685,368	16	Due from others	Over 3 years	(127,685,368)
Company 3	117,250,400	14	Due from others	Within 1 year	–
Company 4	64,936,247	8	Deposit for steel futures	Within 1 year	–
Company 5	60,939,960	7	Due others companies	Over 3 years	(60,939,960)
	502,870,409	61			(320,683,762)

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

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

As of 31 December 2020, 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	Note 1

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 7. Other receivables (Continued)

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

Note 2: The balance is the industry support policy incentives to a subsidiary named Masteel Transportation Materail 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 Materail from Maanshan Finance Bureau and the amount is expected to collect in 2022.

The balances of other receivables as of 31 December 2021 and 31 December 2020 did not contain any amount derecognised due to the transfer of financial assets.

### 8. Inventories

	31 December 2021			31 December 2020		
	Book amount	Provision for impairment	Carrying amount	Book amount	Provision for impairment	Carrying amount
Raw materials	6,168,125,040	(562,061,442)	5,606,063,598	5,424,896,934	(73,479,440)	5,351,417,494
Work in progress	3,308,153,751	(400,889,711)	2,907,264,040	1,170,707,153	(19,797,548)	1,150,909,605
Finished goods	2,569,094,658	(276,843,115)	2,292,251,543	3,220,415,514	(64,728,353)	3,155,687,161
Spare parts	1,572,326,839	(149,611,606)	1,422,715,233	1,143,506,516	(134,701,194)	1,008,805,322
Others	234,710,115	-	234,710,115	233,474,649	-	233,474,649
	<b>13,852,410,403</b>	<b>(1,389,405,874)</b>	<b>12,463,004,529</b>	11,193,000,766	(292,706,535)	10,900,294,231

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 8. Inventories (Continued)

The movements of impairment provision against inventories were as follows:

2021

	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
	<b>292,706,535</b>	<b>1,349,512,636</b>	<b>(250,353,765)</b>	<b>(2,459,532)</b>	<b>1,389,405,874</b>

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

2020

	Opening balance	Opening balance	Provided	Decrease		Closing balance
				Reversal or write-off	Exchange gains or losses	
Raw materials	85,611,330	76,088,373	(88,528,355)	308,092	73,479,440	
Work in progress	42,078,481	16,430,090	(38,912,857)	201,834	19,797,548	
Finished goods	92,523,279	51,033,109	(78,962,328)	134,293	64,728,353	
Spare parts	61,776,506	74,648,700	(1,787,188)	63,176	134,701,194	
	<b>281,989,596</b>	<b>218,200,272</b>	<b>(208,190,728)</b>	<b>707,395</b>	<b>292,706,535</b>	

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 8. Inventories (Continued)

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 31 December 2021, the Group had no constrained inventories (31 December 2020: Nil).

### 9. Financial assets purchased under agreements to resell

	31 December 2021	31 December 2020
Bonds	784,606,000	1,346,743,604
Less: Provision for impairment	3,603	18,164
	<b>784,602,397</b>	1,346,725,440

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.

### 10. Loans and advances to customers

	31 December 2021	31 December 2020
Loans	1,650,146,683	2,983,414,614
Discounted notes	3,212,880,800	1,795,992,095
	<b>4,863,027,483</b>	4,779,406,709
Less: Bad debt provision for loans and advances to customers	136,333,518	143,340,270
	<b>4,726,693,965</b>	4,636,066,439

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 10. Loans and advances to customers (Continued)

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

	31 December 2021	31 December 2020
Unsecured loans	<b>4,827,481,811</b>	4,749,355,483
Pledged loans	<b>35,545,672</b>	30,051,226
	<b>4,863,027,483</b>	4,779,406,709

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 31 December 2021, there was no non-performing loan in the Group’s loans and advances to customers.

The movements of provisions for bad debts against loans and advances between January and December 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	<b>143,340,270</b>	-	-	<b>143,340,270</b>
Changes due to the opening balance	-	-	-	-
- Shift to Phase II	-	-	-	-
- Shift to Phase III	-	-	-	-
- Back to Phase II	-	-	-	-
- Back to Phase I	-	-	-	-
Accrual	-	-	-	-
Reversal	<b>(7,006,752)</b>	-	-	<b>(7,006,752)</b>
Closing balance	<b>136,333,518</b>	-	-	<b>136,333,518</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 10. Loans and advances to customers (Continued)

The movements of provisions for bad debts against loans and advances in 2020 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	114,165,040	–	–	114,165,040
Changes due to the opening balance	–	–	–	–
– Shift to Phase II	–	–	–	–
– Shift to Phase III	–	–	–	–
– Back to Phase II	–	–	–	–
– Back to Phase I	–	–	–	–
Accrual	29,175,230	–	–	29,175,230
Reversal	–	–	–	–
Closing balance	143,340,270	–	–	143,340,270

Loans and advances to customers due from related parties as of 31 December 2021 and 31 December 2020 are stated in Note X. 6 to the financial statements.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 11. Other current assets

	<b>31 December 2021</b>	31 December 2020
Prepaid income tax	<b>716,069,983</b>	281,840,409
Deductible value added tax	<b>882,148,142</b>	435,459,098
Debt instrument investments (i)	<b>3,071,616,700</b>	3,263,926,755
	<b>4,669,834,825</b>	3,981,226,262

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

	31 December 2021			31 December 2020		
	Book amount	Provision for impairment	Carrying amount	Book amount	Provision for impairment	Carrying amount
Interbank deposits	<b>3,071,674,065</b>	<b>(57,365)</b>	<b>3,071,616,700</b>	3,264,636,713	(709,958)	3,263,926,755

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 between January and December 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
Changes due to the opening balance	–	–	–	–
– Shift to Phase II	–	–	–	–
– Shift to Phase III	–	–	–	–
– Back to Phase II	–	–	–	–
– Back to Phase I	–	–	–	–
Provided	–	–	–	–
Reversal	(652,593)	–	–	(652,593)
Closing balance	57,365	–	–	57,365

The movements of provisions for bad debts against debt instrument investments in 2020 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	353,000	–	–	353,000
Changes due to the opening balance	–	–	–	–
– Shift to Phase II	–	–	–	–
– Shift to Phase III	–	–	–	–
– Back to Phase II	–	–	–	–
– Back to Phase I	–	–	–	–
Provided	356,958	–	–	356,958
Reversal	–	–	–	–
Closing balance	709,958	–	–	709,958

# Notes to the Financial Statements (Continued)

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

### 12. Long-term receivables

	31 December 2021	31 December 2020
Sales and leaseback receivables	11,142,621	–

Sales and leaseback receivables are the newly added 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 lasee term, As at that date, the Counterparty may repurchase the leased property ar 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

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

### 13. Long-term equity investments

31 December 2021

	Movements during the year									
	Opening balance	Increase	Decrease	Investment income under the equity method	Other comprehensive income	Other equity movement	Cash dividend declared	Provision for impairment	Closing balance	Impairment at the end of the year
Joint ventures										
Maanshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel")	298,485,434	-	-	96,382,090	-	-	(87,500,000)		307,367,524	-
Associates Henan JinMa Energy Co., Ltd. ("Henan JinMa Energy")	772,463,295	-	-	140,459,323	520,765	619,213	(43,200,000)		870,862,596	-
Shenglong Chemical Co., Ltd. ("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 Commercial Factoring Co., Ltd. ("Ouyeel Factoring") (Note1)	158,306,896	-	-	953,768	-	1,147,250	(1,300,284)		159,107,630	-
Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy")	664,859,819	-	-	127,818,098	-	(236,036)	(19,199,030)		773,242,851	-
Anhui Masteel K. Wah New Building Materials Co., Ltd. ("Masteel K. Wah")	103,135,911	-	-	21,455,692	-	-	(7,504,007)		117,087,596	-
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd. ("Ouyeel Blockchain Finance") (Note2)	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 (Note 3)	-	654,570,045	-	702,353	-	290,552	-		655,562,950	-
Anhui Masteel Gas Technology Co., Ltd. (Masteel Gases) ((Note 4)	-	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	-

\* 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)

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

### 13. Long-term equity investments (Continued)

31 December 2020

	Opening balance	Movements 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	Provision for impairment		
Joint ventures										
BOC-Ma Steel	271,695,413	-	-	98,790,021	-	-	(72,000,000)	298,485,434	-	-
Masteel-CMI	501,306	-	(501,306)	-	-	-	-	-	-	-
Associates										
Henan JinMa Energy	707,573,964	-	-	121,038,941	-	1,450,390	(57,600,000)	772,463,295	-	-
Shenglong Chemical	816,220,485	-	-	93,477,209	-	1,296,496	-	910,994,190	-	-
Xinchuang Environmental Protection	66,964,108	-	-	15,362,859	-	(578,635)	(5,130,576)	76,617,756	-	-
Ma-Steel OCI Chemical	147,887,236	-	(144,360,372)	2,886,158	-	899,385	(7,312,407)	-	-	-
Ma-Steel Commercial Factoring	157,570,298	-	-	3,714,912	-	-	(2,978,314)	158,306,896	-	-
Ma-Steel Financial Leasing	85,759,551	-	(81,424,965)	1,053,858	-	-	(5,388,444)	-	-	-
Magang Chemicals & Energy	659,192,523	-	-	32,731,236	-	2,714,893	(29,778,833)	664,859,819	-	-
Masteel K. Wah	103,703,230	-	-	19,691,935	-	-	(20,259,254)	103,135,911	-	-
Ouyeel Blockchain Finance	327,305,595	-	-	20,831,209	-	7,958,142	(40,573,053)	315,521,893	-	-
Phima Intelligence	201,845,959	-	-	4,504,092	-	-	(4,927,238)	201,422,813	-	-
OBEI	-	192,345,404	-	19,052	-	-	-	192,364,456	-	-
	3,546,219,668	192,345,404	(226,286,643)	414,101,482	-	13,740,671	(245,948,119)	3,694,172,463	-	-

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 13. Long-term equity investments (Continued)

Note 1: Ouyeel Factoring and Ma-Steel Commercial Factoring, as the holding company of China Baowu, signed an absorption merger agreement on 28 April 2021. The agreement stipulates that Ouyeel Factoring will absorb and merge Ma-Steel Commercial Factoring, and agree to use 30 June 2020 as the audit and appraisal to determine the equity structure of the parties after the merger and acquisition based on the fixed appraisal value. After the merger, the shareholding ratio of the Group has decreased from 25% for Ma-Steel Commercial Factoring to 16.14% for Ouyeel Factoring. According to the Articles of Association of Ouyeel Factoring, the Group has the right to appoint one director, representing 1/7 of the board seats. The directors of the Group believe that the Group can have a significant impact on the Ouyeel Factoring after the merger, so it is still accounted for as an associated company.

Note 2: Ouyeel Blockchain Finance, an associate of the Group, increased its capital on 31 October 2021. Baosteel Group Corporation, Ouyeel Co., Ltd., Shanxi Taigang Venture Capital Co., Ltd. and other new investors injected a total of RMB839 million to Ouyeel Blockchain Finance, and the Company gave up the capital increase. After the completion of the capital injection, the shareholding (proportion in Ouyeel Blockchain Finance held by) the Group has decreased from 18.31% to 9.88% for Ouyeel Blockchain Finance. According to the Articles of Association of Ouyeel Blockchain Finance, the Group has the right to appoint one director, occupying 1/7 of the board seats. The directors of the Group believe that the Group can have a significant impact on the Ouyeel Blockchain Finance after the capital increase, so it is still accounted for as an associated company.

Note 3: The 49th meeting of the 9th session of the Board of Directors approved the Company and Baoshan Iron and Steel Co., Ltd., Wuhan Iron and Steel Company Limited, Baosteel Zhanjiang Iron & Steel Co., Ltd., Shanghai Meishan Iron & Steel Co., Ltd., and Baosteel Engineering & Technology Group Co., Ltd. would increase their capital in Baowu Water by means of in kind, equity, currency, etc. The audit and appraisal the capital increase parties is 31 January 2021, and the parties agree to determine the shareholding Proportion in Ouyeel Blockchain Finance held by of Baowu Water after the capital injection based on the appraised value after filing. The Company invested with its own water treatment-related fixed assets, and the fair value of the invested fixed assets was RMB655 million. On 1 December 2021, after the capital contribution was completed, the Group's shareholding in Baowu Water was 19.25%. According to the Articles of Association of Baowu Water, the Group has the right to appoint one director, occupying 1/7 of the board seats. The directors of the Group believe that the Group can have a significant impact on the Baowu Water after the capital increase, so it is still accounted for as an associated company.

Note 4: In April 2021, the Group's capital contribution to the Masteel Gases was completed, and the Group held 100% equity of the Masteel Gases. In December 2021, the Company signed an equity transfer agreement with Baowu Clean Energy Co., Ltd. ("Baowu Clean Energy") to transfer its 51% shares of Masteel Gases to Baowu Clean Energy at the end of this year. After the equity transfer completed, the Group loses control over the Masteel Gases. According to the Articles of Association of Masteel Gases, the Group has the right to appoint two directors, representing 2/5 of the board seats. The directors of the Group believe that the Group can still have a significant impact on the Masteel Gases after the equity transfer, so it is accounted for as an associated company.

# Notes to the Financial Statements (Continued)

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

### 14. Other equity instrument investments

**31 December 2021**

	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend	
				Equity instruments derecognised in the year	Equity instruments held
Henan Longyu Energy Co., Ltd. ("Henan Longyu")	10,000,000	41,823,828	51,823,828	-	-
China MCC17 Group Co., Ltd. ("MCC17")	8,554,800	38,271,170	46,825,970	-	(3,570,000)
Beijing Zhonglian Steel Ecommerce Co., Ltd. ("Zhonglian Steel")	1,000,000	(754,054)	245,946	-	-
Anshan Huatai CDQ Engineering Technology Co., Ltd. ("Anshan Huatai")	400,000	186,688	586,688	-	(200,000)
Linhuan Coking	114,500,456	180,735,164	295,235,620	-	(8,099,164)
Masteel Lihua Metal Resources co. Ltd. ("Masteel Lihua")	3,000,000	475,845	3,475,845	-	(85,704)
Huabao Duding (Shanghai) Financial Leasing Co., Ltd. ("Huabao Duding")	82,951,875	5,351,207	88,303,082	-	(2,799,000)
Baowu Clean Energy	155,446,360	-	155,446,360	-	-
	<b>375,853,491</b>	<b>266,089,848</b>	<b>641,943,339</b>	<b>-</b>	<b>(14,753,904)</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 14. Other equity instrument investments (Continued)

31 December 2020

	Cost	Changes in fair value accumulated in other comprehensive income	Provision for impairment	Fair value	Dividend	
					Equity instruments derecognised in the year	Equity instruments held
Henan Longyu	10,000,000	26,271,740	–	36,271,740	–	–
MCC17	8,554,800	52,312,173	–	60,866,973	–	(2,880,000)
Shanghai Luojing	88,767,360	–	(58,130,360)	30,637,000	–	–
Zhonglian Steel	1,000,000	(517,739)	–	482,261	–	–
Anshan Huatai	400,000	796,509	–	1,196,509	–	(100,000)
CFHI Maanshan	16,030,500	–	(14,940,712)	1,089,788	–	–
Guoqi Institute	3,000,000	141,005	–	3,141,005	–	–
Linhan Coking	114,500,456	56,496,255	–	170,996,711	–	(5,400,000)
Masteel Lihua	3,000,000	164,369	–	3,164,369	–	–
Huabao Duding	82,951,875	–	–	82,951,875	–	–
	328,204,991	135,664,312	(73,071,072)	390,798,231	–	(8,380,000)



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 14. Other equity instrument investments (Continued)

As neither the Group participates in the daily operating activities of the above investees, has intention of receiving contractual cash flows, nor does hold them for trading, the above mentioned investments were designated as financial assets measured at fair value through other comprehensive income.

### 15. Investment properties

Investment properties measured using the cost method:

**2021**

	<b>Plant and buildings</b>
Cost:	
Opening balance	<b>77,302,542</b>
Addition	–
Transferred from property, plant and equipment	–
Closing balance	<b>77,302,542</b>
Accumulated depreciation:	
Opening balance	<b>14,797,927</b>
Provided	<b>1,693,011</b>
Transferred from property, plant and equipment	–
Closing balance	<b>16,490,938</b>
Provision for impairment:	
Opening and closing balance	–
Net carrying amount:	
At the ending of the year	<b>60,811,604</b>
At the beginning of the year	<b>62,504,615</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 15. Investment properties (Continued)

Investment properties measured using the cost method: (Continued)

2020

	Plant and buildings
Cost:	
Opening balance	77,630,089
Addition	–
Transferred from property, plant and equipment	(327,547)
Closing balance	77,302,542
Accumulated depreciation:	
Opening balance	12,932,401
Provided	2,066,202
Transferred from property, plant and equipment	(200,676)
Closing balance	14,797,927
Provision for impairment:	
Opening and closing balance	–
Net carrying amount:	
At the ending of the year	62,504,615
At the beginning of the year	64,697,688

### 16. Property, plant and equipment

	31 December 2021	31 December 2020
Property, plant and equipment	<b>28,585,265,256</b>	29,554,236,140
Property, plant and equipment to be disposed of	<b>19,985,640</b>	10,352,310
	<b>28,605,250,896</b>	29,564,588,450

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 16. Property, plant and equipment (Continued)

2021

	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)	-	-	-
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

# Notes to the Financial Statements (Continued)

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

### 16. Property, plant and equipment (Continued)

2020

	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land (Note 1)	Total
Cost:						
At the beginning of the year	27,778,584,942	54,360,555,164	289,052,719	343,207,235	10,980,501	82,782,380,561
Addition	8,766,260	33,051,439	4,958,820	1,408,498	-	48,185,017
Transferred from construction in progress (Note V.17)	687,651,225	2,791,345,062	6,352,215	-	-	3,485,348,502
Reclassification	55,557,927	(64,529,042)	7,090,085	1,881,030	-	-
Disposal	(494,824,231)	(1,429,673,914)	(47,919,406)	(4,415,078)	-	(1,976,832,629)
Transferred to investment properties	327,547	-	-	-	-	327,547
Exchange realignment	331,644	4,929,284	236,216	169,491	294,340	5,960,975
At the end of the year	28,036,395,314	55,695,677,993	259,770,649	342,251,176	11,274,841	84,345,369,973
Accumulated depreciation:						
At the beginning of the year	13,726,165,335	38,553,487,839	213,840,621	261,651,415	-	52,755,145,210
Provided	692,036,440	2,332,999,126	17,352,159	20,257,532	-	3,062,645,257
Reclassification	14,652,267	(16,982,183)	2,006,591	323,325	-	-
Disposal	(348,122,371)	(1,142,494,164)	(42,089,436)	(2,770,358)	-	(1,535,476,329)
Transferred to investment properties	200,676	-	-	-	-	200,676
Exchange realignment	143,162	654,745	851,449	386,236	-	2,035,592
At the end of the year	14,085,075,509	39,727,665,363	191,961,384	279,848,150	-	54,284,550,406
Impairment:						
At the beginning of the year	14,834,602	125,396,018	2,466,591	359,593	-	143,056,804
Provided	91,230,102	395,930,616	60,161	-	-	487,220,879
Disposal	(57,914,918)	(68,622,205)	(60,161)	-	-	(126,597,284)
Exchange realignment	258,533	2,569,032	65,824	9,639	-	2,903,028
At the end of the year	48,408,319	455,273,461	2,532,415	369,232	-	506,583,427
Net carrying amount:						
At the ending of the year	13,902,911,486	15,512,739,169	65,276,850	62,033,794	11,274,841	29,554,236,140
At the beginning of the year	14,037,585,005	15,681,671,307	72,745,507	81,196,227	10,980,501	29,884,178,547

# Notes to the Financial Statements (Continued)

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

### 16. Property, plant and equipment (Continued)

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

As of 31 December 2021, certificates of ownership in respect of 70 buildings of the Group in Mainland China, mainly used for production and operation, with an aggregate cost of RMB1,577,595,176 (31 December 2020: RMB1,116,201,510), 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 31 December 2021, the Group had no idle property, plant and equipment (31 December 2020: Nil).

#### *Property, plant and equipment to be disposed of*

	31 December 2021	31 December 2020
Plant and buildings	<b>6,549,943</b>	1,304,152
Machinery and equipment	<b>12,095,604</b>	6,986,846
Motor vehicles	<b>1,340,093</b>	2,061,312
	<b>19,985,640</b>	10,352,310

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 17. Construction in progress

	31 December 2021	31 December 2020
Construction in progress	<b>10,999,333,300</b>	6,980,279,959

#### *Construction in progress*

	31 December 2021		31 December 2020			
	Carrying amount	Provision for impairment	Carrying amount	Carrying amount	Provision for impairment	Carrying amount
Product quality projects	3,786,404,228	-	3,786,404,228	1,846,460,111	-	1,846,460,111
Energy-saving and environmental protection projects	3,820,740,766	-	3,820,740,766	3,210,490,390	-	3,210,490,390
Equipment advancement and other modification projects	1,844,663,165	-	1,844,663,165	1,078,736,694	-	1,078,736,694
Other projects	1,547,525,141	-	1,547,525,141	844,592,764	-	844,592,764
<b>Total</b>	<b>10,999,333,300</b>	<b>-</b>	<b>10,999,333,300</b>	6,980,279,959	-	6,980,279,959

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## 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	Transferred to	Closing balance RMB	Source of fund	The proportion	Percentage of completion (%)	Capitalised	Capitalised	Capitalised
				to property, plant and equipment (Note V.16) RMB	intangible assets (Note V.19) RMB			of projects investment accounted for budget (%)		interest accumulated RMB	interest in current year RMB	interest rate in the 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	-	-	-
		6,980,279,959	7,049,190,697	(3,030,137,356)	-	10,999,333,300						
Less: impairment		-	-	-	-	-						
		6,980,279,959	7,049,190,697	(3,030,137,356)	-	10,999,333,300						

In 2020, the movements of significant projects were as follows:

Name of projects	Budget RMB'000	Opening balance RMB	Addition RMB	Transferred to	Transferred to	Closing balance RMB	Source of fund	The proportion	Percentage of completion (%)	Capitalised	Capitalised	Capitalised
				to property, plant and equipment (Note V.14) RMB	intangible assets (Note V.17) RMB			of projects investment accounted for budget (%)		interest accumulated RMB	interest in current year RMB	interest rate in the current year (%)
Product quality projects	11,484,437	1,620,800,177	3,233,874,368	(3,008,214,434)	-	1,846,460,111	Internally financed	42%	42%	-	-	-
Energy-saving and environmental protection projects	7,277,788	829,167,194	2,628,153,336	(246,830,140)	-	3,210,490,390	Internally financed	48%	48%	-	-	-
Equipment advancement and other modification projects	4,109,859	615,667,734	633,779,805	(170,710,845)	-	1,078,736,694	Internally financed	30%	30%	-	-	-
Other projects	N/A	194,069,879	710,801,568	(59,593,083)	(685,600)	844,592,764	Internally financed	N/A	N/A	-	-	-
		3,259,704,984	7,206,609,077	(3,485,348,502)	(685,600)	6,980,279,959						
Less: impairment		-	-	-	-	-						
		3,259,704,984	7,206,609,077	(3,485,348,502)	(685,600)	6,980,279,959						

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 18. Right-of-use assets

**2021**

	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 year ended 31 December 2021

Renminbi Yuan

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

### 18. Right-of-use assets (Continued)

2020

	Plant and buildings	Machinery and equipment	Land use rights	Total
Cost				
At the beginning of the year	423,945,762	15,681,935	3,578,032	443,205,729
Addition	-	-	-	-
Disposal	-	-	-	-
At the end of the year	423,945,762	15,681,935	3,578,032	443,205,729
Accumulated depreciation:				
At the beginning of the year	22,663,474	1,568,193	94,159	24,325,826
Provided	22,684,761	1,568,193	154,569	24,407,523
Disposal	-	-	-	-
At the end of the year	45,348,235	3,136,386	248,728	48,733,349
Impairment:				
At the beginning of the year and at the end of the year	-	-	-	-
Net carrying amount:				
At the end of the year	378,597,527	12,545,549	3,329,304	394,472,380
At the beginning of the year	401,282,288	14,113,742	3,483,873	418,879,903

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 19. Intangible assets

2021

	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)	–	(122,244,302)
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
Impairment:					
At the beginning of the year and at the end of the year	–	–	–	–	–
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

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

	30 December 2021	31 December 2020	Reason for not completing the Property Ownership Certificate
Land use rights	25,048,509	41,704,663	The relevant materials for applying the certificate have not been obtained

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 19. Intangible assets (continued)

2020

	Concession rights (Note)	Land use rights	Mining rights	Patent	Total
Cost:					
At the beginning of the year	152,483,993	2,646,285,974	135,387,958	2,301,173	2,936,459,098
Addition	–	92,259,706	–	–	92,259,706
Transferred from construction in progress	–	685,600	–	–	685,600
Disposal	–	(148,654,313)	–	–	(148,654,313)
Exchange realignment	–	–	3,658,909	61,687	3,720,596
At the end of the year	152,483,993	2,590,576,967	139,046,867	2,362,860	2,884,470,687
Accumulated amortisation:					
At the beginning of the year	48,864,604	777,863,644	135,387,958	1,215,930	963,332,136
Provided	6,489,181	68,614,108	–	496,740	75,600,029
Disposal	–	(39,277,386)	–	–	(39,277,386)
Exchange realignment	–	–	3,658,909	32,593	3,691,502
At the end of the year	55,353,785	807,200,366	139,046,867	1,745,263	1,003,346,281
Impairment:					
At the beginning of the year and at the end of the year	–	–	–	–	–
Net carrying amount:					
At the end of the year	97,130,208	1,783,376,601	–	617,597	1,881,124,406
At the beginning of the year	103,619,389	1,868,422,330	–	1,085,243	1,973,126,962

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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. On 25 August 2021, Ma Steel (Hefei) Steel Plates Co., Ltd. ("Hefei Steel Plates"), Baowu Water and Hefei Water Supply signed an equity transfer agreement to transfer 100% of the equity of Hefei Water Supply held by Hefei Steel Plates to Baowu water. The equity transfer was completed on 30 September 2021, so the Group has completed the disposal of the Concession rights this year.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 20. Deferred tax assets/liabilities

Deferred tax assets and deferred liabilities before being offset:

	31 December 2021		31 December 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Asset impairment provision	427,889,632	107,573,448	149,502,912	38,038,481
Sales incentive	181,823,205	45,455,801	213,495,927	53,373,982
Payroll payable	16,343,408	4,565,446	44,698,138	11,703,372
Government grants	264,655,855	66,163,964	271,367,195	67,841,799
Others	188,182,457	47,707,399	260,630,154	65,847,239
	<b>1,078,894,557</b>	<b>271,466,058</b>	939,694,326	236,804,873

	31 December 2021		31 December 2020	
	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	65,473,416	16,368,354	75,737,356	18,934,339
Changes in fair value of other equity instrument investments	266,230,852	66,102,861	135,664,312	33,916,078
Dividends from overseas subsidiaries	405,240,624	34,445,453	–	–
	<b>736,944,892</b>	<b>116,916,668</b>	211,401,668	52,850,417

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 20. Deferred tax assets/liabilities (Continued)

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

	31 December 2021		31 December 2020	
	Offset amount	Net amount	Offset amount	Net amount
Deferred tax assets	<b>99,665,365</b>	<b>171,800,693</b>	33,916,078	202,888,795
Deferred tax liabilities	<b>99,665,365</b>	<b>17,251,303</b>	33,916,078	18,934,339

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

	31 December 2021	31 December 2020
Deductible temporary differences	<b>3,853,803,721</b>	3,785,264,977
Deductible tax losses	<b>633,610,877</b>	1,220,966,171
	<b>4,487,414,598</b>	5,006,231,148

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

	31 December 2021	31 December 2020
To expire in 2021	–	65,700,348
To expire in 2022	<b>4,694,134</b>	6,894,359
To expire in 2023	<b>11,988,109</b>	12,362,353
To expire in 2024	<b>24,315,670</b>	646,845,203
To expire in 2025	<b>14,580,461</b>	14,883,373
To expire in 2026 and subsequent years (Note)	<b>578,032,503</b>	474,280,535
Total	<b>633,610,877</b>	1,220,966,171

Note: As of 31 December 2021, overseas subsidiaries of the Company have deductible tax losses amounting to RMB578,032,503 (31 December 2020: RMB474,280,535) without an expiration date.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 20. Deferred tax assets/liabilities (Continued)

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.

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

	31 December 2021	31 December 2020
Taxable temporary differences (Note)	<b>1,755,117,449</b>	1,646,064,334

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

	31 December 2021	31 December 2020
Demand deposits	<b>5,898,362,065</b>	3,287,215,937
Notice deposits	<b>1,821,877,753</b>	1,066,778,296
Time deposits	<b>1,532,817,473</b>	2,266,137,964
	<b>9,253,057,291</b>	6,620,132,197

Details of customer deposits of Masteel Finance related to the related parties as of 31 December 2021 and 31 December 2020 are disclosed in Note X.6.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 22. Repurchase agreements

	31 December 2021	31 December 2020
Notes	<b>925,465,952</b>	198,480,944

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

	31 December 2021	31 December 2020
Pledged loans (Note 1)	<b>32,638,447</b>	108,365,962
Unsecured loans	<b>8,919,570,598</b>	12,476,569,225
	<b>8,952,209,045</b>	12,584,935,187

Note 1: As of 31 December 2021, the Group pledged the bank acceptance notes of RMB32,638,447 (31 December 2020: RMB108,365,962) for the short-term loan.

As of 31 December 2021, the interest rates of the above short-term loans ranged from 0.350%-3.750% (31 December 2020: 0.690%-4.350%).

As of 31 December 2021 and as of 31 December 2020, the Group had no overdue short-term loans.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 24. Financial liabilities held for trading

	31 December 2021	31 December 2020
Derivative financial liabilities		
Forward foreign exchange contracts	<b>31,663,498</b>	95,968,940

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 2021.

### 25. Notes payable

	31 December 2021	31 December 2020
Bank acceptance notes	<b>3,953,458,712</b>	3,297,446,207

As of 31 December 2021 and 31 December 2020, the age 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 year ended 31 December 2021

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## 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 age analysis of trade payables, based on the invoice date, is as follows:

	31 December 2021	31 December 2020
Within one year	10,379,620,559	7,561,813,731
One to two years	51,751,662	29,631,818
Two to three years	3,264,523	10,103,644
Over three years	3,072,987	10,926,981
	<b>10,437,709,731</b>	7,612,476,174

The amounts due to related parties among the balances of trade payables as of 31 December 2021 and 31 December 2020 are stated in Note X.6 to the financial statements.

As of 31 December 2021, the material trade payables aged over one year were as follows :

	Amount due	Reason for non-settlement
Company 1	10,350,640	Note
Company 2	5,265,800	Note
Company 3	2,902,931	Note
Company 4	2,487,540	Note
Company 5	2,198,783	Note
	<b>23,205,694</b>	

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 27. Contract liabilities

	31 December 2021	31 December 2020
Advances from customers	<b>5,741,241,284</b>	4,377,105,559

As of 30 December of 2021, contract liabilities aged over one year amounting to RMB19,318,171 (31 December 2020: RMB31,818,182), were mainly due to the contracts that were not fully executed.

### 28. Payroll and employee benefits payable

#### 2021

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term employee benefits	<b>480,455,438</b>	<b>4,406,863,866</b>	<b>4,545,796,095</b>	<b>341,523,209</b>
Post-employment benefits (defined contribution plans)	<b>29,130,023</b>	<b>531,591,893</b>	<b>559,104,867</b>	<b>1,617,049</b>
Supplementary retirement benefits due within one year (i) (Note V.36)	<b>2,170,341</b>	<b>1,780,083</b>	<b>2,170,341</b>	<b>1,780,083</b>
One-off termination compensation (ii)	<b>18,345,621</b>	<b>338,969,150</b>	<b>355,474,244</b>	<b>1,840,527</b>
Early retirement benefits due within one year (iii) (Note V.36)	<b>19,246,713</b>	<b>2,763,873</b>	<b>19,246,713</b>	<b>2,763,873</b>
	<b>549,348,136</b>	<b>5,281,968,865</b>	<b>5,481,792,260</b>	<b>349,524,741</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 28. Payroll and employee benefits payable (Continued)

2020

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term employee benefits	419,534,907	3,944,087,156	3,883,166,625	480,455,438
Post-employment benefits (defined contribution plans)	13,380,705	467,271,302	451,521,984	29,130,023
Supplementary retirement benefits due within one year (i) (Note V.36)	1,175,285	2,170,341	1,175,285	2,170,341
One-off termination compensation (ii)	221,209,046	177,756,341	380,619,766	18,345,621
Early retirement benefits due within one year(iii) (Note V.36)	36,676,995	19,246,713	36,676,995	19,246,713
	691,976,938	4,610,531,853	4,753,160,655	549,348,136

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 28. Payroll and employee benefits payable (Continued)

- (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 31 December 2021, there are no plan assets under the benefit plan. The defined benefit payable under the benefit plan was approximately RMB24,277,581(31 December 2020: RMB25,943,263), accounting approximately 0.03% of the total assets of the Group only(31 December 2020: 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.
- (ii) One-off termination compensation is the termination compensation paid by the Company to its employees due to human resource optimisation.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

### 28. Payroll and employee benefits payable (Continued)

- (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 31 December 2021, there were no plan assets under the said early retirement plan, and the defined benefits payable amounted to approximately RMB8,803,883(31 December 2020: RMB74,969,837), accounting for approximately 0.01% of the Group's total assets as of 31 December 2021 only(31 December 2020: 0.09%). 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 year ended 31 December 2021

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

### 28. Payroll and employee benefits payable (Continued)

*Short-term employee benefits:*

**2021**

	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
	<b>480,455,438</b>	<b>4,406,863,866</b>	<b>4,545,796,095</b>	<b>341,523,209</b>

**2020**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses and subsidies	347,961,358	3,201,455,599	3,120,643,968	428,772,989
Welfare	40,041,384	141,986,900	168,134,215	13,894,069
Social insurance	16,836	204,465,091	197,108,109	7,373,818
Including: Medical insurance	10,626	189,326,738	182,451,660	6,885,704
Work-related injury insurance	4,274	11,136,591	10,788,097	352,768
Maternity insurance	1,936	4,001,762	3,868,352	135,346
Housing fund	24,055,257	322,319,367	326,472,337	19,902,287
Labor union fee and employee education fee	7,460,072	73,860,199	70,807,996	10,512,275
	<b>419,534,907</b>	<b>3,944,087,156</b>	<b>3,883,166,625</b>	<b>480,455,438</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 28. Payroll and employee benefits payable (Continued)

Defined contribution plans:

**2021**

	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
	<b>29,130,023</b>	<b>531,591,893</b>	<b>559,104,867</b>	<b>1,617,049</b>

**2020**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	4,839,066	358,505,873	347,690,003	15,654,936
Unemployment insurance	911	10,288,785	9,681,972	607,724
Supplementary pension scheme	8,540,728	98,476,644	94,150,009	12,867,363
	<b>13,380,705</b>	<b>467,271,302</b>	<b>451,521,984</b>	<b>29,130,023</b>

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 year ended 31 December 2021

Renminbi Yuan

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

### 28. Payroll and employee benefits payable (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 2021, the basic pension insurance premiums were paid based on 16% of the Group's employees' basic salary (8% for February to June 2020, and 16% for January and July to December 2020), 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. In 2021, the basic pension insurance premiums payable by the Group amounted to approximately RMB413,477,419(2020: RMB358,505,873), 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. The total amount of the Group's corporate annuity expenses in 2021 was approximately RMB105,543,044(2020: RMB98,476,644), which was recorded as labour costs.

### 29. Taxes payable

	31 December 2021	31 December 2020
Value-added tax	<b>485,389,546</b>	35,921,953
Corporate income tax	<b>121,010,106</b>	223,110,128
Land use tax	<b>130,696,672</b>	104,028,865
Personal income tax	<b>12,140,607</b>	8,849,660
Water conservancy funds	<b>171,864,296</b>	141,317,556
City construction and maintenance tax	<b>26,710,473</b>	4,217,499
Environment protection tax	<b>15,299,911</b>	11,561,885
Other taxes	<b>110,502,368</b>	40,752,181
	<b>1,073,613,979</b>	569,759,727

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 30. Other payables

	31 December 2021	31 December 2020
Dividends payable	6,612,733	6,612,733
Other payables	3,948,286,821	4,116,877,515
	<b>3,954,899,554</b>	4,123,490,248

#### *Dividends payable*

	31 December 2021	31 December 2020
Dividends paid	6,612,733	6,612,733

As of 31 December 2021, 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.

#### *Other payables*

	31 December 2021	31 December 2020
Payable for forfeiting	2,113,943,628	2,087,767,846
Special funds (Note 1)	849,625,962	760,608,867
Payable for construction, maintenance and inspection fees	170,959,064	300,478,896
Sales incentives	380,604,725	383,306,198
Employee settlement for productivity shutting down	152,568,484	152,568,484
Social welfare and housing fund payable	12,421,091	30,199,399
Service fees payable	41,530	27,632,877
Tax risk provision	–	85,000,000
Others	268,122,337	289,314,948
	<b>3,948,286,821</b>	4,116,877,515

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 30. Other payables (Continued)

#### *Other payables (Continued)*

At of 31 December 2021, significant other payables aged over one year were as follows :

	Amount payable	Reason for non-settlement
Company 1	760,608,867	Note
Company 2	152,568,484	Note
Company 3	8,000,000	Note
Company 4	6,440,000	Note
Company 5	3,000,000	Note
	930,617,351	

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

### 31. Non-current liabilities due within one year

	31 December 2021	31 December 2020
Long-term loans due within one year (Note V.34)	1,333,790,955	2,555,949,215
Lease liabilities due within one year (Note V.35)	24,502,378	16,143,630
	1,358,293,333	2,572,092,845

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 32. Accrued liabilities<sup>2</sup>

**2021**

	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 (Note)	14,820,090	9,122,640	–	23,942,730
Others	3,337,918	2,940,761	2,635,971	3,642,708
	<b>26,968,253</b>	<b>15,410,866</b>	<b>4,760,991</b>	<b>37,618,128</b>

**2020**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pending litigation or arbitration	4,225,995	7,139,096	2,554,846	8,810,245
Pending onerous contract (Note)	16,341,471	–	1,521,381	14,820,090
Others	2,097,209	2,635,972	1,395,263	3,337,918
	<b>22,664,675</b>	<b>9,775,068</b>	<b>5,471,490</b>	<b>26,968,253</b>

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 year ended 31 December 2021

Renminbi Yuan

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

### 33. Other current liabilities

	31 December 2021	31 December 2020
Advances for output tax	<b>746,361,366</b>	569,023,723

### 34. Long-term loans

	31 December 2021	31 December 2020
Guaranteed loans (Note)	<b>33,000,000</b>	44,000,000
Unsecured loans	<b>6,753,041,007</b>	6,048,313,553
	<b>6,786,041,007</b>	6,092,313,553
Less: Long-term loans due within one year (Note V.31)	<b>1,333,790,955</b>	2,555,949,215
	<b>5,452,250,052</b>	3,536,364,338

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

As of 31 December 2021, the interest rates of the above long-term loans ranged from 1.20% to 3.40% (31 December 2020: from 1.20% to 4.75%).

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

	31 December 2021	31 December 2020
Within one year or on demand (Note V.31)	<b>1,333,790,955</b>	2,555,949,215
One to two years (inclusive)	<b>1,938,095,192</b>	1,250,000,000
Two to three years (inclusive)	<b>3,467,954,860</b>	2,229,164,338
Three to five years (inclusive)	<b>33,000,000</b>	44,000,000
Over five years	<b>13,200,000</b>	13,200,000
	<b>6,786,041,007</b>	6,092,313,553

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 35. Lease liabilities

	31 December 2021	31 December 2020
Plant and buildings	593,137,239	394,485,318
Motor vehicles	–	13,132,819
Land use rights	3,344,736	3,509,166
	<b>596,481,975</b>	411,127,303
Less: Lease liabilities due within one year (Note V.31)	24,502,378	16,143,630
	<b>571,979,597</b>	394,983,673

### 36. Long-term payroll and employee benefits payable

	31 December 2021	31 December 2020
1. Early retirement benefits (Note 1)	8,803,883	74,969,837
Less : Early retirement benefits due within one year	2,763,873	19,246,713
2. Supplementary retirement benefit (Note 2)	24,277,581	25,943,263
Less: Supplementary retirement benefit due within one year	1,780,083	2,170,341
	<b>28,537,508</b>	79,496,046

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

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

Note 1: Early retirement benefits

2021	Opening balance	Increase during the year	Unrecognized financing expense	Decrease during the year	Closing balance	Less: Due within one year	Closing balance
Early retirement benefits	74,969,837	-	4,805,312	70,971,266	8,803,883	2,763,873	6,040,010

Note 2: Supplementary retirement benefits

2021	Opening balance	Increase	Decrease	Closing balance	Less: Due within one year	Closing balance
Supplementary retirement benefits	25,943,263	504,659	2,170,341	24,277,581	1,780,083	22,497,498

Early retirement benefits expected to be paid by the Group:

	31 December 2021	31 December 2020
Undiscounted value		
Within one year	2,763,873	19,246,713
One to two years	2,339,992	16,134,657
Two to three years	1,804,913	14,611,344
Over three years	2,214,999	30,102,329
	9,123,777	80,095,043
Financing expense unrecognised	(319,894)	(5,125,206)
	8,803,883	74,969,837
Less: Due within one year	2,763,873	19,246,713
	6,040,010	55,723,124

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 37. Deferred revenue

2021

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

2020

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Compensation of land purchasing and storage (Note)	525,206,124	278,107,198	803,313,322	–
Government grants	877,077,563	57,574,528	61,702,810	872,949,281
	<b>1,402,283,687</b>	<b>335,681,726</b>	<b>865,016,132</b>	<b>872,949,281</b>

Note: The compensation for disposal of land use rights was counted into deferred income, which was received from Hefei Land Reserve Center by Ma Steel (Hefei). The remaining land has been delivered in 2020, and the relevant deferred income has been transferred into the asset disposal income.



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 37. Deferred revenue (Continued)

As of 31 December 2021, liabilities related to government grants were as follows:

	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 CCPP 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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37. Deferred revenue (Continued)

As of 31 December 2021, liabilities related to government grants were as follows: (Continued)

	Opening balance	Increase during the year	Included in other income	Other changes	Closing balance	Related to assets/ income
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
<b>Total</b>	<b>872,949,281</b>	<b>104,521,143</b>	<b>(57,661,841)</b>	<b>(8,384,117)</b>	<b>911,424,466</b>	

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 37. Deferred revenue (Continued)

As of 31 December 2020, liabilities related to government grants were as follows:

	Opening balance	Increase during the year	Included in other income	Closing balance	Related to assets/income
Subsidy funds for 4# blast furnace project	167,238,659	-	(8,624,004)	158,614,655	assets
Technological transformation fund for Phase II silicon steel	73,041,669	-	(4,400,000)	68,641,669	assets
Subsidy for the hot-rolled 1580 project	32,868,750	-	(1,980,000)	30,888,750	assets
New-zone Thermal Power Plant CAPP system engineering	18,129,972	-	(4,312,000)	13,817,972	assets
EMU steel wheel production line project	28,374,990	-	(2,200,000)	26,174,990	assets
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	11,244,500	-	(567,600)	10,676,900	assets
Subsidy for a thin plate project	44,729,530	-	(4,728,493)	40,001,037	assets
Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT)	11,697,759	-	(590,484)	11,107,275	assets
Alloy bar production line refinement project of electric furnace plant	30,381,720	-	(1,483,680)	28,898,040	assets
Subsidy for Maanshan railway industry (Maanshan)	24,136,100	-	(2,100,000)	22,036,100	assets
Comprehensive utilization of gas for power generation of a thermal power plant	21,426,823	-	(1,090,760)	20,336,063	assets
Intelligent manufacturing special fund	16,626,561	-	(1,373,439)	15,253,122	
Subsidies for galvanization projects	11,563,083	-	(906,908)	10,656,175	assets
Special fund for the strong foundation project of the Ministry of Industry and Information Technology	22,580,000	-	-	22,580,000	assets

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 37. Deferred revenue (Continued)

As of 31 December 2020, liabilities related to government grants were as follows: (Continued)

	Opening balance	Increase during the year	Included in other income	Closing balance	Related to assets/income
Coking plant 8# coke oven flue gas desulfurisation and denitration project	–	1,280,000	(28,160)	1,251,840	assets
Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area	–	5,000,000	(18,333)	4,981,667	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	–	3,200,000	(336,023)	2,863,977	assets
Desulfurisation and denitration system engineering of sintering machine in Anhui Changjiang Iron and Steel	–	8,540,000	–	8,540,000	assets
Others	363,037,447	33,154,528	(26,962,926)	369,229,049	assets
<b>Total</b>	<b>877,077,563</b>	<b>57,574,528</b>	<b>(61,702,810)</b>	<b>872,949,281</b>	

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 38. Share capital

**31 December 2021**

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 restrictions							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-
3. Other domestically owned shares	-	-	-	100	100	100	(note)
Including: Shares owned by domestic natural persons	-	-	-	100	100	100	(note)
Sub-total	-	-	-	100	100	100	(note)
B. Shares without selling restrictions							
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	(note)
C. Total	7,700,681,186	100.0	-	-	-	7,700,681,186	100.0

Note : During the Reporting period, Mr. Mao Zhanhong, the deputy general manager of the Company, purchased 100 A shares of the Company, Representing 0.0000013% of the total share capital of the Company. There were 7,700,681,086 shares outstanding without any restrictions, representing 99.9999987% of the total share capital of the Company.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 38. Share capital (Continued)

31 December 2020

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 restrictions							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-
3. Other domestically owned shares	-	-	-	-	-	-	-
Including: Shares owned by domestic natural persons	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-
B. Shares without selling restrictions							
1. A shares	5,967,751,186	77.5	-	-	-	5,967,751,186	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	-	-	-	7,700,681,186	100.0
C. Total	7,700,681,186	100.0	-	-	-	7,700,681,186	100.0

Other than H share dividends which are paid in Hong Kong dollars, all shares, including A shares and H shares, have the same right to the Company's operating results and voting rights. The par value for each A share or H share is RMB1.00.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 39. Capital reserve

#### 31 December 2021

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

Note: The decreased share premium in the current period was due to the other equity changes caused by equity dilution of Ouyeel Factoring and Ouyeel Blockchain Finance, the Company's associate.

#### 31 December 2020

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	8,333,840,683	–	–	8,333,840,683
Others	19,659,078	7,958,142	–	27,617,220
Total	8,353,499,761	7,958,142	–	8,361,457,903

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 40. 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 2020	Increase/ (decrease)	31 December 2020	Increase/ (decrease)	31 December 2021
Other comprehensive income that may not be reclassified to profit or loss:					
Change in fair value of other equity instrument investments	24,992,545	76,755,689	101,748,234	98,238,753	199,986,987
Other comprehensive income that will be reclassified to profit or loss:					
Changes in the fair value of other debt investments	–	–	–	470,700	470,700
Other comprehensive income to be reclassified to profit or loss under the equity method	(2,745,469)	–	(2,745,469)	933,291	(1,812,178)
Exchange differences arising from foreign currency translation	(122,007,880)	(146,668)	(122,154,548)	(64,219,592)	(186,374,140)
	(99,760,804)	76,609,021	(23,151,783)	35,423,152	12,271,369



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 40. Other comprehensive income (Continued)

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

**2021**

	Amount before tax	Less: charged to other comprehensive income before and reclassified to profit or loss in the current year	Less: charged to other comprehensive income before and reclassified to retained earnings in the current year	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	130,425,536	-	8,878,150	(32,186,783)	107,116,903	-
Other comprehensive income that will be reclassified to profit or loss:						
Changes in the fair value of other debt investments	470,700	-	-	-	470,700	-
Other comprehensive income using the equity method that may be reclassified to profit and loss	933,291	-	-	-	933,291	-
Exchange differences arising from foreign currency translation	(64,219,592)	-	-	-	(64,219,592)	-
	<b>67,609,935</b>	<b>-</b>	<b>8,878,150</b>	<b>(32,186,783)</b>	<b>44,301,302</b>	<b>-</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 40. Other comprehensive income (Continued)

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

2020

	Amount before tax	Less: charged to other comprehensive income before and reclassified to profit or loss in the current year	Less: charged to other comprehensive income before and reclassified to retained earnings in the current year	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	29,269,847	73,071,072	-	(25,585,230)	76,755,689	-
Other comprehensive income that will be reclassified to profit or loss:						
Exchange differences arising from foreign currency translation	(146,668)	-	-	-	(146,668)	-
	29,123,179	73,071,072	-	(25,585,230)	76,609,021	-

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 41. Special reserve

2021

	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

2020

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Safety fund	35,484,176	103,187,073	(101,375,635)	37,295,614

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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 42. Surplus reserve

2021

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

2020

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory reserve (Note i)	3,960,901,258	35,874,686	–	3,996,775,944
Discretionary surplus reserve (Note ii)	529,154,989	–	–	529,154,989
Reserve fund (Note iii)	95,685,328	–	–	95,685,328
Enterprise expansion fund (Note iii)	65,510,919	–	–	65,510,919
	<b>4,651,252,494</b>	<b>35,874,686</b>	<b>–</b>	<b>4,687,127,180</b>

- (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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 42. Surplus reserve (Continued)

- (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.

### 43. General reserve

	31 December 2021	31 December 2020
General reserve (Note)	<b>300,334,506</b>	248,156,969

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.

### 44. Retained earnings

	2021	2020
Retained earnings at beginning of the period/year	<b>7,374,557,923</b>	5,966,218,930
Net profit attributable to owners of the parent	<b>5,332,253,043</b>	1,982,638,821
Less: Transfer to surplus reserve	<b>887,815</b>	35,874,686
Transfer to general reserve	<b>52,177,537</b>	(77,629,353)
Other comprehensive income carried forward to retained earnings	<b>(8,878,150)</b>	–
Distribute to shareholders (Note V.65)	<b>1,001,088,554</b>	616,054,495
Retained earnings at the end of the year	<b>11,661,535,210</b>	7,374,557,923

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 45. Revenue and cost of sales

	2021		2020	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	<b>111,050,222,245</b>	<b>97,199,964,487</b>	80,184,384,897	73,085,061,849
Other operating income	<b>2,800,967,134</b>	<b>1,729,718,883</b>	1,429,766,286	1,297,276,347
	<b>113,851,189,379</b>	<b>98,929,683,370</b>	81,614,151,183	74,382,338,196

Revenue is presented as follows:

	2021	2020
Revenue from contracts with customers	<b>113,430,105,315</b>	81,208,129,331
Rental income	<b>9,040,295</b>	27,171,458
Interest income	<b>412,043,769</b>	378,850,394
	<b>113,851,189,379</b>	81,614,151,183

Timing of revenue recognition from contracts with customers:

	2021	2020
At a point in time		
Sale of steel products	<b>104,307,531,260</b>	74,870,888,468
Sale of other products	<b>8,628,557,023</b>	6,085,120,923
Over time		
Processing	<b>345,574,778</b>	169,274,142
Packaging services	<b>92,365,922</b>	55,980,132
Others	<b>56,076,332</b>	26,865,666
	<b>113,430,105,315</b>	81,208,129,331

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

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

### 45. Revenue and cost of sales (Continued)

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

	2021	2020
Revenue from contracts with customers	<b>4,377,105,559</b>	3,300,265,491

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

	2021	2020
Within one year	<b>5,741,241,284</b>	4,377,105,559

*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 XIII.2.

### 46. Taxes and surcharges

	2021	2020
City construction and maintenance tax	<b>158,407,288</b>	80,782,454
Land usage tax	<b>96,486,155</b>	96,691,806
Education surcharge	<b>117,590,172</b>	58,817,434
Property tax	<b>111,413,142</b>	107,115,588
Environment protection tax	<b>44,103,531</b>	57,723,717
Stamp duty	<b>80,265,369</b>	51,690,891
Other taxes	<b>52,691,474</b>	83,708,445
	<b>660,957,131</b>	536,530,335

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 47. Selling expenses

	2021	2020
Transportation fees	<b>40,249,150</b>	55,588,040
Employee benefits	<b>160,128,840</b>	120,725,529
Insurance premium	<b>13,326,879</b>	15,081,019
Others	<b>86,393,216</b>	71,521,823
	<b>300,098,085</b>	262,916,411

### 48. General and administrative expenses

	2021	2020
Employee benefits	<b>471,774,616</b>	746,374,035
Employee termination benefits	<b>338,969,150</b>	181,334,667
Office expenses	<b>280,658,425</b>	259,818,320
Amortisation of intangible assets	<b>52,367,708</b>	48,120,509
Depreciation of property, plant and equipment	<b>94,373,405</b>	82,881,926
Travel and entertainment expenses	<b>16,785,408</b>	19,503,828
Maintenance expenses	<b>81,421,321</b>	78,652,759
Auditor's remuneration	<b>6,256,051</b>	9,498,256
Others	<b>46,176,758</b>	90,442,832
	<b>1,388,782,842</b>	1,516,627,132



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 49. R&D expenses

	2021	2020
Material and power expenses	<b>3,380,942,782</b>	1,162,206,609
Employee benefits	<b>287,225,494</b>	299,325,030
Depreciation of property, plant and equipment	<b>551,946,272</b>	190,242,412
Testing and processing expenses	<b>73,750,484</b>	47,282,407
Outsourced research expenses	<b>52,724,730</b>	55,879,139
Others	<b>159,988,131</b>	58,241,240
	<b>4,506,577,893</b>	1,813,176,837

### 50. Financial expenses

	2021	2020
Interest expense (Note)	<b>653,603,557</b>	643,235,325
Less: Interest income	<b>29,644,120</b>	43,291,465
Exchange gain/(loss)	<b>(9,782,465)</b>	(64,724,018)
Others	<b>17,571,039</b>	18,356,742
	<b>631,748,011</b>	553,576,584

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

### 51. Other income

	2021	2020
Government grants related to daily operating activities	<b>124,158,588</b>	86,480,514
Refund of withholding personal income tax commission	<b>913,800</b>	499,352
	<b>125,072,388</b>	86,979,866

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 51. Other income (Continued)

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

	2021	2020	Related to assets/income
Refund of land usage tax	–	1,326,610	income
Tax refund of financial settlement account	–	140,000	income
Settlement support incentive fund	–	810,000	income
Advanced enterprises rising and energy-saving technology reform fund	–	1,225,000	income
Industrial policy award	–	1,500,000	income
Preferential tax policies for development zones	–	3,625,865	income
Industrial export subsidy	–	1,398,000	income
Industry support policy incentives to promote manufacturing upgrades	<b>11,846,000</b>	–	income
Economic and Information Bureau Incentive of Dangtu	<b>1,000,000</b>	–	income
Special funds for base guidance	<b>1,090,000</b>	–	income
Tax refund	<b>4,809,162</b>	–	income
Support Fund from Town Government of Yangxing	<b>1,940,000</b>	–	income
Government support funds	<b>26,575,719</b>	–	income
Manufacturing Upgrade Policy County Matching Funds	<b>1,132,750</b>	–	income
Special fund for development of Maanshan Bureau of Commerce	–	3,734,600	income
Intelligent manufacturing special fund	<b>1,373,439</b>	1,373,439	assets
Subsidy funds for 4# blast furnace project	<b>8,624,004</b>	8,624,004	assets
Subsidy for a thin plate project	<b>4,728,493</b>	4,728,493	assets
Technological transformation fund for phase II silicon steel	<b>4,400,000</b>	4,400,000	assets
New-zone thermal power plant CCGP system engineering	<b>4,312,000</b>	4,312,000	assets
EMU steel wheel production line project	<b>2,200,000</b>	2,200,000	assets
Subsidy for the hot-rolled 1580 project	<b>1,980,000</b>	1,980,000	assets
Alloy bar production line refinement project of electric	<b>1,483,680</b>	1,483,680	assets

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 51. Other income (Continued)

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

	2021	2020	Related to assets/income
Comprehensive utilization of gas for power generation of a thermal power plant	<b>1,090,760</b>	1,090,760	assets
Subsidy for Maanshan railway industry (Maanshan)	<b>2,100,000</b>	2,100,000	assets
Subsidies for galvanization projects	<b>1,244,361</b>	906,908	assets
Other grants related to income	<b>18,103,116</b>	11,017,629	income
Other grants related to assets	<b>24,125,104</b>	28,503,526	assets
	<b>124,158,588</b>	86,480,514	

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 52. Investment income

	2021	2020
Investment income from long-term equity investments under the equity method	<b>690,501,616</b>	414,021,154
Gain from disposal of subsidiaries that lose control	<b>83,779,998</b>	–
Gain from disposal of subsidiaries	<b>24,143,097</b>	–
Gain from disposal of financial assets held for trading	<b>21,797,251</b>	92,154,957
Gain from dividend income of other equity investments in duration	<b>14,753,904</b>	8,380,000
Gain from disposal of associates	–	19,108,539
	<b>834,975,866</b>	533,664,650

### 53. Gain/(loss) on the changes in fair value

	2021	2020
Financial assets held for trading	<b>20,468,089</b>	21,016,294
Including: Derivative financial instruments	<b>200,370</b>	(1,392,070)
Financial liabilities held for trading	<b>64,305,442</b>	(93,710,190)
	<b>84,773,531</b>	(72,693,896)

### 54. Credit impairment Gain/(loss)

	2021	2020
Bad debt impairment	<b>(2,773,475)</b>	48,001,969
Debt instrument investment impairment	<b>(652,593)</b>	356,958
Provision – loan commitment	<b>(519,732)</b>	(77,814)
Impairment losses for financial assets purchased under agreement to resell	<b>(14,561)</b>	(5,113)
Other debt investments impairment	<b>470,700</b>	–
	<b>(3,489,661)</b>	48,276,000

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 55. Asset impairment losses

	2021	2020
Provision for inventories	<b>1,337,467,241</b>	210,488,500
Impairment of property, plant and equipment	–	487,220,879
Impairment of other equity instrument investments	–	73,071,072
	<b>1,337,467,241</b>	770,780,451

### 56. Gain from disposal of assets

	2021	2020
Gain on disposal of property, plant and equipment	<b>219,770,738</b>	66,506,223
Gain on disposal of intangible assets	<b>3,965,614</b>	522,568,733
	<b>223,736,352</b>	589,074,956

### 57. Non-operating income

	2021	2020	Included in 2021 non- recurring gains and losses
Government grants not related to the ordinary course of business	<b>15,059,208</b>	381,601,233	<b>15,059,208</b>
Others	<b>23,669,552</b>	20,975,788	<b>23,669,552</b>
	<b>38,728,760</b>	402,577,021	<b>38,728,760</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 57. Non-operating income (Continued)

The government grants not related to the ordinary course of business are as follows:

	2021	2020
Compensation for settlement of employees	<b>14,700,249</b>	236,486,123
Compensation for “Three Supplies and Property Management”(“三供一業”)	–	13,689,408
Compensation for termination of Masteel (Hefei) Iron & Steel Co., Ltd	–	130,867,400
Others	<b>358,959</b>	558,302
	<b>15,059,208</b>	381,601,233

### 58. Non-operating expenses

	2021	2020	Included in 2021 non- recurring gains and losses
Charity donation	<b>2,148,922</b>	2,362,220	<b>2,148,922</b>
Penalty expenditure	<b>12,667,311</b>	4,227,080	<b>12,667,311</b>
Scrap losses of property, plant and equipment	<b>371,604,496</b>	177,364,028	<b>371,604,496</b>
Others	<b>3,901,464</b>	4,711,989	<b>3,901,464</b>
	<b>390,322,193</b>	188,665,317	<b>390,322,193</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 59. 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:

	2021	2020
Raw materials and consumables used	<b>91,597,598,706</b>	64,735,528,032
Changes in inventories of finished goods and work in progress	<b>(1,664,781,241)</b>	(192,047,223)
Employee benefits	<b>5,277,929,568</b>	4,602,007,590
Depreciation and amortisation	<b>3,232,288,636</b>	3,164,719,011
Transport and inspection fees	<b>1,781,740,560</b>	1,678,186,823
Repair and maintenance expenses	<b>2,397,916,117</b>	1,967,466,459
Testing and processing expenses	<b>73,750,484</b>	47,282,407
Outsourced research expenses	<b>52,724,730</b>	55,879,139
Office expenses	<b>298,826,491</b>	286,810,079
Others	<b>2,077,148,139</b>	1,629,226,259
	<b>105,125,142,190</b>	77,975,058,576

### 60. Income tax expense

	2021	2020
Mainland China current income tax expense	<b>987,382,463</b>	493,938,520
Hong Kong current income tax expense	<b>3,163,366</b>	12,217,437
Overseas current income tax expense	<b>34,590,414</b>	14,735,133
Deferred tax expense	<b>(2,781,717)</b>	(18,003,680)
	<b>1,022,354,526</b>	502,887,410

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 60. Income tax expense (Continued)

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

	2021	2020
Profit before tax	<b>7,016,329,171</b>	3,080,866,517
Tax at the applicable tax rate of 25% (Note)	<b>1,754,082,293</b>	770,216,629
Effect of different tax rates of subsidiaries	<b>330,094</b>	(9,220,416)
Non-deductible expenses	<b>18,446,995</b>	18,696,718
Adjustments in respect of current income tax of previous periods	<b>82,987,225</b>	(12,046,686)
Other tax preference	<b>(564,446,570)</b>	(154,660,118)
Income not subject to tax	<b>(1,726,888)</b>	(13,647,332)
Unrecognised deductible temporary difference and tax losses	<b>116,734,932</b>	222,652,274
Utilised previous years' tax losses	<b>(209,901,919)</b>	(215,578,288)
Share of profit or loss of joint ventures and associates	<b>(174,151,636)</b>	(103,525,371)
<b>Tax charge at the Group's effective rate</b>	<b>1,022,354,526</b>	502,887,410
The Group's effective rate	<b>15%</b>	16%

Note: The Group's income tax has been provided at the rate on the estimated taxable profits arising in the PRC during the year. 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 year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 61. Earnings per share

	2021 cent/share	2020 cent/share
Basic earnings per share		
Continuing operations	<b>69.24</b>	25.75
Diluted earnings per share		
Continuing operations	<b>69.24</b>	25.75

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 31 December 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:

	2021	2020
Earnings		
Profit attributable to owners of the parent		
Continuing operations	<b>5,332,253,043</b>	1,982,638,821
Number of shares		
Weighted average number of ordinary shares in issue during the year	<b>7,700,681,186</b>	7,700,681,186

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 62. Notes to the statement of cash flows

	2021	2020
(1) Cash received relating to other operating activities:		
Government grants	148,200,407	80,864,901
Employee relocation compensation received from the government	14,700,249	236,486,123
Compensation for “Three Supplies and Property Management”(“三供一業”)	–	13,689,408
Interest income	29,644,120	43,089,692
Decrease in deposits of notes, letters of credit and guarantees	–	275,858,225
Others	12,414,508	35,655,108
	<b>204,959,284</b>	<b>685,643,457</b>
(2) Cash paid relating to other operating activities:		
Increase in deposits for notes, credit and guarantee	321,002,799	–
Office expenses	45,386,407	50,001,914
Safety fund	71,474,415	118,562,107
Bank charges	16,545,456	17,578,872
Travel and entertainment expenses	24,652,200	31,141,445
Insurance expenses	20,792,621	28,291,194
Environmental improvement fee	20,718,046	33,833,912
Research and development expenses	159,988,131	58,241,240
Others	127,672,634	143,191,732
	<b>808,232,709</b>	<b>480,842,416</b>
(3) Cash paid relating to other investing activities:		
Payment of steel futures deposits	17,443,494	73,705,396
(4) Cash paid relating to other financing activities:		
Lease liability expenditure	53,810,424	35,534,097
Notes discounted	75,727,516	18,950,672
	<b>129,537,940</b>	<b>54,484,769</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Supplements to the statement of cash flows

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

	2021	2020
Net profit	<b>5,993,974,645</b>	2,577,979,107
Add: Provision for bad debts	<b>1,334,497,312</b>	819,134,265
Loan commitment expected losses	<b>(519,732)</b>	(77,814)
Depreciation of property, plant and equipment	<b>3,138,030,576</b>	3,062,645,257
Amortisation of right-of-use assets	<b>35,019,903</b>	24,407,523
Amortisation of intangible assets	<b>57,545,146</b>	75,600,029
Amortisation of investment properties	<b>1,693,011</b>	2,066,202
Amortisation of deferred revenue	<b>(57,661,841)</b>	(61,702,810)
Disposal gain on property, plant and equipment, intangible assets and other long-term assets	<b>(223,736,352)</b>	(589,074,956)
Increase in special reserve	<b>8,608,360</b>	334,990
Financial expenses	<b>625,459,506</b>	578,309,534
Investment income	<b>(834,975,866)</b>	(533,664,650)
(Gain)/loss on fair value changes	<b>(84,773,531)</b>	72,693,896
Increase in deferred tax assets	<b>(1,098,681)</b>	(15,437,694)
Decrease in deferred tax liabilities	<b>(1,683,036)</b>	(2,565,986)
Increase in inventories	<b>(2,897,718,006)</b>	(337,827,737)
Decrease in receivables from operating activities	<b>918,672,325</b>	4,376,423,378
Increase/(decrease) in payables from operating activities	<b>8,763,142,693</b>	(7,278,727,889)
<b>Net cash flows from operating activities</b>	<b>16,774,476,432</b>	2,770,514,645
Endorsement of bank acceptance bills received for the sale of goods and the provision of services	<b>32,221,015,758</b>	16,727,181,017

Note: The Group had no significant non-cash investing and financing activities (2020: Nil).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 63. Supplements to the statement of cash flows (Continued)

#### (2) Cash and cash equivalents

Net changes of cash and cash equivalents:

	2021	2020
Ending balance of cash	<b>4,223,061,890</b>	3,123,596,841
Less: Opening balance of cash	<b>3,123,596,841</b>	7,239,650,634
Add: Ending balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase in cash and cash equivalents	<b>1,099,465,049</b>	(4,116,053,793)

	31 December 2021	31 December 2020
Cash		
Including: Cash on hand	<b>43,411</b>	190,580
Balances in banks without restrictions	<b>4,223,018,479</b>	3,123,406,261
Ending balance of cash and cash equivalents	<b>4,223,061,890</b>	3,123,596,841

# Notes to the Financial Statements (Continued)

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## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 64. Restricted assets

	31 December 2021	31 December 2020	
Cash and bank balances(Note V.1)	<b>2,444,791,724</b>	2,124,638,433	(i)
Notes receivable(Note V.3)	<b>32,638,447</b>	–	(ii)
Financing receivables (Note V.5)	–	108,365,962	(ii)
	<b>2,477,430,171</b>	2,233,004,395	

- (i) As of 31 December 2021, the Group's restricted cash and bank balances included cash deposits as collateral amounting to RMB1,506,393,169 (31 December 2020: RMB1,185,390,370) 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 RMB938,398,555 (31 December 2020: RMB939,248,063).
- (ii) As of 31 December 2021, the Group pledged the bank acceptance notes of RMB32,638,447 (31 December 2020: RMB108,365,962) for the short-term loan.

### 65. 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 been paid by 31 December 2021 and were included in the financial statements.

On 23 March 2022, the 58th meeting of the 9th session of the Board of Directors of the Company approved the 2021 final cash dividend of RMB0.35 per share (tax included) to shareholders for 7,700,681,186 shares amounting to RMB2,695,238,415. The profit distribution plan will be submitted for approval in the annual general meeting of the Company. Before the approval of the 2021 final dividend, the dividend will not be the liabilities of the Company and therefore was not included in the current year's financial statements.

# Notes to the Financial Statements (Continued)

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## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 66. Monetary items denominated in foreign currencies

	31 December 2021			31 December 2020		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash and bank balances						
USD	127,298,810	6.3757	811,619,023	151,691,652	6.5249	989,772,860
EUR	17,685,850	7.2197	127,686,531	30,217,787	8.0250	242,497,741
AUD	38,301,834	4.6220	177,031,077	37,229,891	5.0163	186,756,302
HKD	8,426,061	0.8176	6,889,147	39,630,345	0.8416	33,352,898
CAD	445,213	5.0046	2,228,113	2,094,874	5.1161	10,717,585
AED	366,109	1.7361	635,602	660,940	1.7761	1,173,896
ZAR	13,205,203	0.4004	5,287,363	1,269,433	0.4458	565,913
GBP	177	8.6064	1,523	177	8.8903	1,574
JPY	8	0.0554	–	3,983	0.0632	252
			<b>1,131,378,379</b>			<b>1,464,839,021</b>
Trade receivables						
EUR	26,771,768	7.2197	193,284,133	19,255,534	8.0250	154,525,660
USD	10,455,488	6.3757	66,661,055	19,346,045	6.5249	126,231,009
AUD	1,027,250	4.6220	4,747,950	478,917	5.0163	2,402,391
HKD	9,360,496	0.8176	7,653,142	108,778	0.8416	91,548
AED	–	1.7361	–	1,279	1.7761	2,272
			<b>272,346,280</b>			<b>283,252,880</b>
Other receivables						
EUR	5,810,430	7.2197	41,949,561	1,196,972	8.0250	9,605,700
HKD	180,443	0.8176	147,530	533,765	0.8416	449,217
AED	–	1.7361	–	19,758	1.7761	35,092
USD	1,001	6.3757	6,382	4,151	6.5249	27,085
AUD	3,392	4.6220	15,678	21	5.0163	105
			<b>42,119,151</b>			<b>10,117,199</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

### 66. Monetary items denominated in foreign currencies (Continued)

	31 December 2021			31 December 2020		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Trade payables						
EUR	34,174,208	7.2197	246,727,529	10,747,471	8.0250	86,248,455
USD	13,570,624	6.3757	86,522,227	103,504	6.5249	675,353
AUD	–	4.6220	–	45,600	5.0163	228,743
JPY	724,303,080	0.0554	40,137,255	–	0.0632	–
HKD	83,950	0.8176	68,638	–	0.8416	–
AED	–	1.7361	–	–	1.7761	–
			<b>373,455,649</b>			<b>87,152,551</b>
Other payables						
AUD	–	4.6220	–	11,380	5.0163	57,085
HKD	4,029,613	0.8176	3,294,612	4,029,613	0.8416	3,391,322
EUR	1,826,632	7.2197	13,187,735	1,745,367	8.0250	14,006,570
USD	14,393,096	6.3757	91,766,063	319,969,325	6.5249	2,087,767,849
AED	709	1.7361	1,231	32,500	1.7761	57,723
			<b>108,249,641</b>			<b>2,105,280,549</b>
Short-term loan						
USD	185,626,570	6.3757	1,183,499,322	272,281,371	6.5249	1,776,608,718

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## VI. CHANGE IN THE SCOPE OF CONSOLIDATION

### 1. Newly established subsidiary

In 2021, there were no newly established subsidiaries.

### 2. Disposal of a subsidiary

Names of subsidiaries	Changes of consolidation scope
Masteel Gases	Disposal and loss of control, becoming an associated company
Hefei Water Supply	Disposal
Anhui Jiangbei Steel Materials Quality Supervision and Inspection Co., Ltd. (“Jiangbei Steel Materials Quality Supervision and Inspection”)	Disposal

### 3. Changes in scope of consolidation for other reasons

Names of subsidiaries	Changes of consolidation scope
Anhui Ma Steel Antirust Material Technology Co., Ltd.	Deregistration
Maanshan (Changchun) Iron and Steel Sales Co., Ltd.	Deregistration
Hefei Steel Plates	Absorbed and merged by Ma Steel (Hefei) Iron & Steel Co., Ltd.



# Notes to the Financial Statements (Continued)

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## 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 attributable to the company (%)	
					Direct	Indirect
<b>Subsidiaries acquired by establishment or investment</b>						
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	-
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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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	Place of operation	Place of registration	Business nature	Paid-in capital	Percentage of equity attributable to the company (%)	
					Direct	Indirect
<b>Subsidiaries acquired by establishment or investment (Continued)</b>						
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 MiddleEast	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	-
<b>Subsidiaries acquired not under common control</b>						
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	-
<b>Subsidiary acquired under common control</b>						
<b>Masteel Finance</b>	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)

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

Subsidiaries which had material non-controlling interests are as follows:

	31 December 2021	31 December 2020
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:

	2021	2020
Anhui Chang Jiang Iron and Steel	586,433,941	359,428,701
Ma Steel (Hefei)	8,008,252	197,588,702
Masteel Finance	26,231,041	24,939,506

Dividends paid to non-controlling interests:

	2021	2020
Anhui Chang Jiang Iron and Steel	205,200,000	270,000,000
Ma Steel (Hefei)	–	–
Masteel Finance	21,084,247	6,835,590

Cumulative balances of non-controlling interests at the balance sheet date:

	31 December 2021	31 December 2020
Anhui Chang Jiang Iron and Steel	2,960,649,450	2,579,098,511
Ma Steel (Hefei)	881,631,064	872,102,909
Masteel Finance	306,518,773	301,329,617

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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.

	Anhui Chang jiang Iron and Steel	Ma steel (Hefei)	Masteel Finance
<b>31 December 2021 or 2021</b>			
Current assets	<b>6,584,146,858</b>	<b>2,311,881,662</b>	<b>18,703,861,302</b>
Non-current assets	<b>5,220,338,385</b>	<b>2,546,288,650</b>	<b>3,127,253,978</b>
<b>Total assets</b>	<b>11,804,485,243</b>	<b>4,858,170,312</b>	<b>21,831,115,280</b>
Current liabilities	<b>(5,180,770,175)</b>	<b>(1,766,758,461)</b>	<b>(18,417,096,283)</b>
Non-current liabilities	<b>(44,494,068)</b>	<b>(51,304,733)</b>	<b>(8,254,850)</b>
<b>Total liabilities</b>	<b>(5,225,264,243)</b>	<b>(1,818,063,194)</b>	<b>(18,425,351,133)</b>
Revenue	<b>21,294,940,138</b>	<b>7,172,017,879</b>	<b>520,930,304</b>
Net profit	<b>1,303,186,536</b>	<b>27,614,663</b>	<b>291,456,006</b>
Total comprehensive income	<b>1,303,186,536</b>	<b>27,614,663</b>	<b>291,456,006</b>
Net cash flows from operating activities	<b>1,805,422,157</b>	<b>(26,108,487)</b>	<b>4,860,799,546</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 Changjiang Iron and Steel	Ma steel (Hefei)	Masteel Finance
31 December 2020 or 2020			
Current assets	6,112,819,520	2,022,010,684	13,959,235,216
Non-current assets	4,749,944,904	2,780,333,415	3,326,033,658
<b>Total assets</b>	<b>10,862,764,424</b>	<b>4,802,344,099</b>	<b>17,285,268,874</b>
Current liabilities	(5,084,339,773)	(1,724,491,374)	(13,915,854,891)
Non-current liabilities	(47,094,626)	(70,601,316)	(21,307,128)
<b>Total liabilities</b>	<b>(5,131,434,399)</b>	<b>(1,795,092,690)</b>	<b>(13,937,162,019)</b>
Revenue	15,831,921,317	5,229,833,552	455,897,604
Net profit	798,730,447	681,340,350	277,105,622
Total comprehensive income	798,730,447	681,340,350	277,105,622
Net cash flows from operating activities	1,076,704,713	472,600,215	3,023,178,655

# Notes to the Financial Statements (Continued)

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## 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 (Note1)	Anhui, PRC	Anhui, PRC	Service industry	RMB122,381,990	16.34	-	Equity method
Ouyeel Factoring (Note2)	Shanghai, PRC	Shanghai, PRC	Service industry	RMB1,000,000,000	16.14	-	Equity method
Ouyeel Blockchain Finance (Note3)	Anhui, PRC	Anhui, PRC	Trading	RMB1,822,694,660	9.88	-	Equity method
Masteel K. Wah	Anhui, PRC	Anhui, PRC	Manufacturing	USD19,574,333	30	-	Equity method
Magang Chemicals & Energy	Anhui, PRC	Anhui, PRC	Manufacturing	RMB1,333,333,333	45	-	Equity method
Phima Intelligence (Note4)	Anhui, PRC	Anhui, PRC	Information technology service industry	RMB361,093,720	-	18.19	Equity method
OBEI (Note5)	Shanghai, PRC	Shanghai, PRC	Trading	RMB4,000,000,000	11	-	Equity method
Masteel Gas	Anhui, PRC	Anhui, PRC	Manufacturing	RMB270,000,000	49	-	Equity method
Baowu Water (Note6)	Shanghai, PRC	Shanghai, PRC	Manufacturing	RMB2,498,524,399	19.25	-	Equity method

# Notes to the Financial Statements (Continued)

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

- Note 1: As of 31 December 2021, 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 31 December 2021, 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 31 December 2021, 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 31 December 2021, 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 31 December 2021, 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 31 December 2021, the Group held 19.25% equity interests of Baowu Water. The directors believed that the Company was able to exercise significant influence over Baowu Water through one director designated by the Company in Baowu Water, although the equity interest in it was less than 20%. Thus, the equity investment in Baowu Water was accounted for as an associate.

# Notes to the Financial Statements (Continued)

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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, which has been adjusted for all the accounting policy differences and reconciled to the carrying amount of the financial statements is as follows.

	2021	2020
Current assets	<b>615,693,833</b>	542,221,622
Non-current assets	<b>83,343,530</b>	134,380,064
<b>Total assets</b>	<b>699,037,363</b>	676,601,686
Current liabilities	<b>84,302,316</b>	79,630,819
Non-current liabilities	—	—
<b>Total liabilities</b>	<b>84,302,316</b>	79,630,819
Equity attributable to owners of the parent	<b>614,735,047</b>	596,970,867
The Group's share of net assets	<b>307,367,524</b>	298,485,434
Adjustment	—	—
<b>The carrying value of the investment</b>	<b>307,367,524</b>	298,485,434
Revenue	<b>616,127,115</b>	596,736,110
Income tax expenses	<b>65,814,709</b>	67,256,917
Net profit	<b>192,764,180</b>	197,580,042
Other comprehensive income	—	—
<b>Total comprehensive income</b>	<b>192,764,180</b>	197,580,042
Dividends received	<b>87,500,000</b>	72,000,000



# Notes to the Financial Statements (Continued)

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

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:

<b>JinMa Energy</b>	<b>2021</b>	<b>2020</b>
Current assets	<b>3,460,781,120</b>	3,466,688,858
Non-current assets	<b>4,937,905,007</b>	2,834,569,781
<b>Total assets</b>	<b>8,398,686,127</b>	6,301,258,639
Current liabilities	<b>2,873,585,067</b>	1,836,790,076
Non-current liabilities	<b>1,212,812,515</b>	507,753,477
<b>Total liabilities</b>	<b>4,086,397,582</b>	2,344,543,553
Non-controlling interests	<b>1,073,677,178</b>	1,084,036,413
Equity attributable to owners of the parent	<b>3,238,611,367</b>	2,872,678,673
The Group's share of net assets	<b>870,862,596</b>	772,463,295
Adjustment	—	—
<b>The carrying value of the investment</b>	<b>870,862,596</b>	772,463,295
Revenue	<b>7,742,072,426</b>	7,852,503,934
Income tax expense	<b>176,271,321</b>	196,110,725
Net profit	<b>490,180,235</b>	475,458,763
Total comprehensive income	<b>490,180,235</b>	475,458,763
Dividends received	<b>43,200,000</b>	57,600,000

# 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)

Shenglong Chemical	2021	2020
Current assets	<b>2,561,081,865</b>	2,207,517,672
Non-current assets	<b>2,074,601,845</b>	1,551,752,727
<b>Total assets</b>	<b>4,635,683,710</b>	3,759,270,399
Current liabilities	<b>1,249,836,790</b>	872,452,512
Non-current liabilities	<b>45,988,739</b>	39,071,122
<b>Total liabilities</b>	<b>1,295,825,529</b>	911,523,634
Non-controlling interests	–	–
<b>Equity attributable to owners of the parent</b>	<b>3,339,858,181</b>	2,847,746,765
The Group's share of net assets	<b>1,068,420,632</b>	910,994,190
Adjustment	–	–
<b>The carrying value of the investment</b>	<b>1,068,420,632</b>	910,994,190
Revenue	<b>4,094,093,951</b>	4,493,324,291
Income tax expense	<b>191,986,378</b>	84,972,167
<b>Net profit</b>	<b>615,158,909</b>	292,207,593
<b>Total comprehensive income</b>	<b>615,158,909</b>	292,207,593
Dividends received	<b>38,391,561</b>	–

# 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)

<b>Magang Chemicals &amp; Energy</b>	<b>2021</b>	<b>2020</b>
Current assets	<b>930,430,398</b>	730,435,276
Non-current assets	<b>1,431,957,373</b>	1,118,747,341
<b>Total assets</b>	<b>2,362,387,771</b>	1,849,182,617
Current liabilities	<b>175,930,942</b>	92,618,001
Non-current liabilities	<b>197,733,251</b>	8,692,220
<b>Total liabilities</b>	<b>373,664,193</b>	101,310,221
Non-controlling interests	<b>268,999,992</b>	268,999,992
Equity attributable to owners of the parent	<b>1,719,723,586</b>	1,478,872,404
The Group's share of net assets	<b>773,875,614</b>	665,492,582
Adjustment	<b>(632,763)</b>	(632,763)
<b>The carrying value of the investment</b>	<b>773,242,851</b>	664,859,819
Revenue	<b>2,391,835,000</b>	2,204,768,430
Income tax expense	<b>8,219,309</b>	21,758,975
Net profit	<b>284,040,218</b>	72,736,080
<b>Total comprehensive income</b>	<b>284,040,218</b>	72,736,080
Dividends received	<b>19,199,030</b>	29,778,833

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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	2021	2020
Current assets	<b>12,811,885,482</b>	8,110,500,640
Non-current assets	<b>1,393,043,300</b>	652,996,063
<b>Total assets</b>	<b>14,204,928,782</b>	8,763,496,703
Current liabilities	<b>8,196,494,142</b>	6,083,575,678
Non-current liabilities	<b>1,055,343,976</b>	176,439,952
<b>Total liabilities</b>	<b>9,251,838,118</b>	6,260,015,630
Non-controlling interests	<b>1,500,497,364</b>	814,534,448
Equity attributable to owners of the parent	<b>3,452,593,300</b>	1,688,946,625
The Group's share of net assets	<b>341,116,219</b>	309,246,127
Adjustment	<b>6,275,766</b>	6,275,766
<b>The carrying value of the investment</b>	<b>347,391,985</b>	315,521,893
Revenue	<b>88,516,530,683</b>	35,461,865,022
Income tax expense	<b>143,900,460</b>	94,649,544
Net profit	<b>463,366,017</b>	295,634,481
<b>Total comprehensive income</b>	<b>463,366,017</b>	295,634,481
Dividends received	<b>51,676,858</b>	40,573,053

# 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 summarised financial information of the associates that are not individually material to the Group are as follows:

	2021	2020
Associates		
The carrying value of the Group's investments	<b>1,791,598,307</b>	731,847,832
Total shown as below (calculated according to the respective equity holding percentage)		
Net profit	<b>42,718,098</b>	47,232,866
Other comprehensive income	–	–
Total comprehensive income	<b>42,718,098</b>	47,232,866

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## 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:

#### 31 December 2021

Financial assets

	Financial assets at fair value through profit or loss			Financial assets at fair value through other comprehensive income		Total
	According to		Financial assets measured at amortised cost	According to		
	CAS	Designated		CAS	Designated	
Cash and bank balances	-	-	6,667,853,614	-	-	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
Debt instrument investments	-	-	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 year ended 31 December 2021

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## 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 (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	Total
	According to CAS	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 year ended 31 December 2021

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 2020

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			According to		
	CAS	Designated		CAS	Designated	
Cash and bank balances	-	-	5,346,108,774	-	-	5,346,108,774
Financial assets held for trading	2,028,957,057	-	-	-	-	2,028,957,057
Trade receivables	-	-	1,043,606,041	-	-	1,043,606,041
Financing receivables	-	-	-	7,072,160,166	-	7,072,160,166
Other receivables	-	-	404,691,801	-	-	404,691,801
Financial assets purchased under agreements to resell	-	-	1,346,725,440	-	-	1,346,725,440
Loans and advances to customers	-	-	4,636,066,439	-	-	4,636,066,439
Debt instrument investments	-	-	3,263,926,755	-	-	3,263,926,755
Other equity instrument investments	-	-	-	-	390,798,231	390,798,231
	2,028,957,057	-	16,041,125,250	7,072,160,166	390,798,231	25,533,040,704



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 2020 (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	Total
	According to CAS	Designated		
Deposits and balances from banks and other financial institutions	–	–	6,620,132,197	6,620,132,197
Repurchase agreements	–	–	198,480,944	198,480,944
Short-term loans	–	–	12,584,935,187	12,584,935,187
Financial liabilities held for trading	95,968,940	–	–	95,968,940
Notes payable	–	–	3,297,446,207	3,297,446,207
Trade payables	–	–	7,612,476,174	7,612,476,174
Other payables	–	–	4,119,253,844	4,119,253,844
Non-current liabilities due within one year	–	–	2,572,092,845	2,572,092,845
Long-term loans	–	–	3,536,364,338	3,536,364,338
Lease liabilities	–	–	394,983,673	394,983,673
	95,968,940	–	40,936,165,409	41,032,134,349

### 2. Offsetting of financial instruments

2021, there were no offsetting arrangements for account receivables (2020: Nil).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Transfer of financial assets

#### *Financial assets transferred but not yet fully derecognised*

As of 31 December 2021, the Group endorsed (but not yet fully derecognised) bank acceptance notes to its suppliers with a carrying amount of RMB407,203,860 for settlement of trade payables (31 December 2020: RMB49,609,600), and the bank acceptance notes discounted to banks which were not derecognised amounted to RMB32,638,447 (31 December 2020: RMB108,365,962). As of 31 December 2021, 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 31 December 2021, the carrying amount of trade payables settled by the Group through them amounted to RMB407,203,860 (31 December 2020: RMB49,609,600). As of 31 December 2021, the Group pledged the bank acceptance notes of RMB32,638,447 (31 December 2020: RMB108,365,962) for the short-term loan.

#### *Transferred financial assets fully derecognised but with continuing involvement*

As of 31 December 2021, the Group endorsed (and fully derecognised) bank acceptance notes to its suppliers with a carrying amount of RMB14,918,681,048 (31 December 2020: RMB8,039,033,075) for settlement of trade payables, and the bank acceptance notes discounted to banks which were fully derecognised amounted to RMB1,567,018,182 (31 December 2020: RMB850,788,800). As of 31 December 2021, 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.

In 2021, 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 year.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 year ended 31 December 2021

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

### 4. Financial instrument risks (Continued)

#### *Credit risk (Continued)*

The Group's other financial assets comprise 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 7% (2020: 9%) and 32% (2020: 29%) 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 year ended 31 December 2021

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 year ended 31 December 2021

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## 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Credit risk (Continued)*

Parameters of expected credit losses measurement

Depending on whether credit risk has increased significantly or whether impairment has occurred, the Group measures loss allowance for different instruments at an amount equal to 12-month expected credit losses or equal to lifetime expected credit losses. The key parameters for measuring expected credit losses include default probability, default loss rate and default risk exposure. Based on the external credit rate applied in credit risk management, the Group will consider the quantitative analysis of historical statistics (such as the credit rate of the counterparty, the guarantee method, the nature of collateral and the repayment style), as well as forecast information to establish the model for default probability, default loss rate and default risk exposure.

Definition:

- Default probability is probability that a debtor fails to fulfil its repayment duty in 12 months or in the rest of the expected lifetime. The Group's default probability is based on an external credit rate and adjusted by carefully chosen forecasting information, to reflect debtors' probability of default under current macro-economy conditions;
- Default loss rate is the Group's expectation on the level of loss if default risk exposed and caused losses. Default loss rate varies with the types of trading counterparty, the ways of recourse and priority and the nature of collaterals. Default loss rate is the loss percentage of exposure when default occurs and is calculated based on 12-month expected credit losses or lifetime expected credit losses;
- Default risk exposure is the amount to be recovered by the Group when default incurs during the next 12 months or the rest of the expected lifetime.

Forecasting information is used in both the assessment of whether the credit risk has increased significantly and calculation of expected credit losses. The Group identifies key economic indicators that will influence the credit risk of different businesses and expected credit losses by analysing historical statistics.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Credit risk (Continued)*

Parameters of expected credit losses measurement (Continued)

These indicators will have different impacts on the default probability and default loss rate for different types of businesses. In the process, the Group will apply management judgment. Based on the result of judgment, the Group will forecast those indicators every half a year and apply regression analysis to determine the impact of the indicators on the default probability and loss rate.

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 are disclosed in Note V.4 and 7.

The carrying amount of financial assets by the credit risk level is disclosed as follows:

#### **31 December 2021**

	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	–	–	–
	<b>8,683,700,908</b>	<b>–</b>	<b>35,545,672</b>	<b>–</b>



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## 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:  
(continued)

31 December 2020

	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	2,864,838,087	–	29,100,263	–
Discounted notes	1,742,128,089	–	–	–
Financial assets purchased under agreements to resell	1,346,725,440	–	–	–
Debt instrument investments	3,263,926,755	–	–	–
	9,217,618,371	–	29,100,263	–

#### *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 31 December 2021, 86% of the Group's debts were due within 1 year (31 December 2020: 90%).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## 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:

#### **31 December 2021**

	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
<b>Total</b>	<b>39,101,294,276</b>	<b>2,133,495,842</b>	<b>3,578,814,434</b>	<b>140,647,553</b>	<b>639,950,541</b>	<b>45,594,202,646</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 2020

	Within 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total
Customer deposits	6,620,132,197	-	-	-	-	6,620,132,197
Repurchase agreements	198,480,944	-	-	-	-	198,480,944
Short-term loans	12,584,935,187	-	-	-	-	12,584,935,187
Financial liabilities held for trading	95,968,940	-	-	-	-	95,968,940
Notes payable	3,297,446,207	-	-	-	-	3,297,446,207
Trade payables	7,612,476,174	-	-	-	-	7,612,476,174
Other payables	4,119,253,844	-	-	-	-	4,119,253,844
Non-current liabilities due within one year	2,572,092,845	-	-	-	-	2,572,092,845
Long-term loans	293,483,247	1,323,522,262	2,276,297,101	44,536,800	13,613,600	3,951,453,010
Lease liabilities	19,977,760	35,713,579	35,713,579	71,427,158	439,705,451	602,537,527
Total	37,414,247,345	1,359,235,841	2,312,010,680	115,963,958	453,319,051	41,654,776,875

#### *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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (Continued)

### 4. Financial instruments risk (Continued)

#### *Market risk (Continued)*

Interest rate risk (Continued)

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).

	<b>Increase/(decrease) in basis points</b>	<b>Increase/(decrease) in net profit</b>
2021		
RMB	<b>50</b>	<b>(15,655,469)</b>
USD	<b>50</b>	<b>(1,258,133)</b>
RMB	<b>(50)</b>	<b>15,655,469</b>
USD	<b>(50)</b>	<b>1,258,133</b>
2020		
RMB	50	(18,626,556)
USD	50	(609,118)
RMB	(50)	18,626,556
USD	(50)	609,118

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, Australian dollars. And Hong Kong dollars. Fluctuations of the exchange rates of Renminbi against these foreign currencies can affect the Group's results of operations.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Market risk (Continued)*

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.66 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 net profit	Increase/ (decrease) in other comprehensive income, net of tax	Increase/ (decrease) in equity
2021				
Depreciation of RMB to USD	1%	(3,635,659)	39,236	(3,596,423)
Depreciation of RMB to EUR	1%	461,546	2,602,340	3,063,886
Depreciation of RMB to AUD	1%	–	2,230,055	2,230,055
Depreciation of RMB to HKD	1%	(425)	4,504,652	4,504,227
Appreciation of RMB to USD	(1%)	3,635,659	(39,236)	3,596,423
Appreciation of RMB to EUR	(1%)	(461,546)	(2,602,340)	(3,063,886)
Appreciation of RMB to AUD	(1%)	–	(2,230,055)	(2,230,055)
Appreciation of RMB to HKD	(1%)	425	(4,504,652)	(4,504,227)

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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
2020				
Depreciation of RMB to USD	1%	(13,820,032)	50,755	(13,769,277)
Depreciation of RMB to EUR	1%	1,080,906	3,880,097	4,961,003
Depreciation of RMB to AUD	1%	–	2,009,923	2,009,923
Depreciation of RMB to HKD	1%	212,719	4,643,229	4,855,948
Appreciation of RMB to USD	(1%)	13,820,032	(50,755)	13,769,277
Appreciation of RMB to EUR	(1%)	(1,080,906)	(3,880,097)	(4,961,003)
Appreciation of RMB to AUD	(1%)	–	(2,009,923)	(2,009,923)
Appreciation of RMB to HKD	(1%)	(212,719)	(4,643,229)	(4,855,948)

### 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 years of 2021 and 2020, capital management objectives, policies or procedures of the Group did not change.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 and bank balances. Capital refers to total capital attributable to owners of the parent. The Group's gearing ratio at the end of the Reporting Period was as follows:

	31 December 2021	31 December 2020
Customer deposits	9,253,057,291	6,620,132,197
Repurchase agreements	925,465,952	198,480,944
Short-term loans	8,952,209,045	12,584,935,187
Financial liabilities held for trading	31,663,498	95,968,940
Notes payable	3,953,458,712	3,297,446,207
Trade payables	10,437,709,731	7,612,476,174
Payroll and employee benefits payable	349,524,741	549,348,136
Other payables	3,954,899,554	4,123,490,248
Other current liabilities	746,361,366	569,023,723
Non-current liabilities due within one year	1,358,293,333	2,572,092,845
Long-term loans	5,452,250,052	3,536,364,338
Lease liabilities	571,979,597	394,983,673
Long-term employee benefits payable	28,537,508	79,496,046
Less: Cash and bank balances	6,667,853,614	5,346,108,774
Net liabilities	39,347,556,766	36,888,129,884
Capital attributable to owners of the parent	32,752,858,934	28,386,124,992
Capital and net liabilities	72,100,415,700	65,274,254,876
Gearing ratio	55%	57%

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## IX. DISCLOSURE OF FAIR VALUE

### 1. Financial assets and liabilities measured at fair value

**31 December 2021**

	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
	<b>6,197,737,369</b>	<b>6,348,038,832</b>	<b>1,099,359,274</b>	<b>13,645,135,475</b>
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 year ended 31 December 2021

Renminbi Yuan

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 1. Financial assets and liabilities measured at fair value (Continued)

31 December 2020

	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	11,640,010	–	2,017,317,047	2,028,957,057
Financing receivables	–	7,072,160,166	–	7,072,160,166
Other equity instrument investments	–	300,451,194	90,347,037	390,798,231
	11,640,010	7,372,611,360	2,107,664,084	9,491,915,454
Financial liabilities				
Recurring fair value measurement for				
financial liabilities held for trading	95,968,940	–	–	95,968,940

The Group's level 1 fair value measurement items mainly include interbank deposits, forward foreign exchange contracts and futures contracts. The fair value of interbank deposits was determined by the settlement price of the interbank market on the last trading date in 2021. The fair value of forward foreign exchange contracts was determined by the forward foreign exchange rate on the last trading day of December 2021. The fair value of the future contracts was determined by the settlement price of the Dalian Commodity Exchange, Shanghai Commodity Exchange and Zhengzhou Commodity Exchange on the last trading date in 2021.

The Group's level 2 fair value measurement items mainly include unlisted equity investment, debt instrument investments 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 31 December 2021 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, 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 year ended 31 December 2021

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	Valuation technique	Unobservable inputs	Scope/Weighted average
Debt instrument investment -trust products	31 December 2021:	205,260,823	Discounted cash flow mode	Expected Rate of return	4.50%
	31 December 2020:	915,577,043			4.00%-4.50%
Debt instrument investments – financial products	31 December 2021:	802,319,524	Discounted cash flow mode	Expected Rate of return	3.02%-3.06%
	31 December 2020:	1,101,740,004			2.99%-3.10%
Other equity instrument investments	31 December 2021:	91,778,927	Comparison method of listed companies	Liquidity discount	24%
	31 December 2020:	90,347,037			22%

The following table presents the changes in level 3 items:

2021

	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 year ended 31 December 2021

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)

2020

	Total gains or losses during current period						Closing balance	Assets still held on 31 December 2020 are included in changes in unrealized gains or losses in profit and loss for 2020-changes in fair value
	Opening balance	Gains or losses included in the income statements	Gains or losses included in other comprehensive income	Purchase	Sale	Settle		
Debt instrument investment								
-trust products	<b>803,333,254</b>	<b>37,801,838</b>	-	<b>900,000,000</b>	-	<b>(825,558,049)</b>	<b>915,577,043</b>	<b>15,577,043</b>
Debt instrument investments – financial products	1,219,015,119	55,601,457	-	1,090,000,000	-	(1,262,876,572)	1,101,740,004	11,740,004
Other equity instrument investments	11,358,564	-	(3,963,402)	82,951,875	-	-	90,347,037	-
	<b>2,033,706,937</b>	<b>93,403,295</b>	<b>(3,963,402)</b>	<b>2,072,951,875</b>	-	<b>(2,088,434,621)</b>	<b>2,107,664,084</b>	<b>27,317,047</b>

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 2. Financial assets and liabilities disclosed at fair value

**31 December 2021**

	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

**31 December 2020**

	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	-	3,671,337,168	-	3,671,337,168
Lease liabilities	-	394,983,673	-	394,983,673
	-	4,066,320,841	-	4,066,320,841

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Financial liabilities				
Long-term loans	<b>5,452,250,052</b>	3,536,364,338	<b>5,278,412,932</b>	3,671,337,168

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 31 December 2021, the default risk for the long-term loans was evaluated as not significant.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS

### 1. Parent company

Name of parent	Place of registration	Business nature	Registered capital <i>RMB</i>	Share of equity interests <i>(%)</i>	Share of voting rights <i>(%)</i>
The Holding	Anhui, PRC	Manufacturing	6,298,290,000	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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 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
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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (Continued)

Name	Relationship with the Company
Masteel Group Design and Research Institute Co., Ltd.	Controlled by the Holding
Maanshan 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
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



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (Continued)

Name	Relationship with the Company
Anhui Vocational College of Metallurgy and Technology	Controlled by the Holding
Masteel (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 Supervision and Inspection Co., Ltd.	Controlled by the Holding
Shanghai MA Steel International Trade Company Limited	Controlled by the Holding
Shanxi Fuma Carbon Material Technology Co., Ltd.	Controlled by the Holding
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd. (Note 1)	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
Shanghai Masteel Engineering Technology Co., Ltd.	Controlled by the Holding
AI Robot(Shanghai) Co., Ltd.	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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (Continued)

Name	Relationship with the Company
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
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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (Continued)

Name	Relationship with the Company
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 year ended 31 December 2021

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
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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (Continued)

Name	Relationship with the Company
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
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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (Continued)

Name	Relationship with the Company
BAOSTEEL SINGAPORE PTE LTD.	Controlled by the ultimate controlling party
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
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
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: In November 2021, Masteel Fuyuan Metal Resources Co., Ltd. was renamed as Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.; the related party transactions and the balance of related party transactions are listed under Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.

Note 2: Baowu Water became an associate company of the Group in December 2021, so the balance of related parties this year is disclosed under the associate company. The balance of related parties at the end of the previous year is disclosed under the company controlled by the ultimate controller.

Note 3: Ouyeel Factoring became an associate company of the Group in April 2021, so the balance of related parties this year is disclosed under the associate company. The balance of related parties at the end of the previous year is disclosed under the company controlled by the ultimate controller.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## 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 (24) disclosed below, except for the transactions under items (16) to (19), 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	2021	2020
BAOSTEEL RESOURCES INTERNATIONAL COMPANY LIMITED	(ii)	<b>7,685,904,247</b>	–
Anhui Masteel Mining Resources Group Co., Ltd.	(i)	<b>4,257,589,387</b>	74,313,398
Baowu Raw Material Supply Co., Ltd.	(ii)	<b>3,110,179,624</b>	1,109,783,102
Baosteel Resources Holdings(Shanghai) Co., Ltd.	(ii)	<b>1,672,390,082</b>	578,245,478
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.	(i)	<b>428,315,935</b>	–
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	(i)	<b>200,122,103</b>	–
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	(ii)	<b>130,076,684</b>	–
Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	(i)	<b>113,493,960</b>	30,738,097
The Holding	(i)	<b>44,252,759</b>	3,986,573,575
Anhui Wanbao Mining Limited Co., Ltd.	(i)	<b>1,481,623</b>	–
		<b>17,643,806,404</b>	5,779,653,650

- (i) The terms for the purchases of iron ore from the Holding were determined in accordance with an agreement dated 15 August 2018 entered into between the Company and the Holding. The agreement stipulated that the price should be determined based on the Platts Index.
- (ii) The terms for the purchases of iron ore from China Baowu were determined in accordance with the Daily Related Party Transaction Agreement dated 7 May 2020 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 year ended 31 December 2021

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	2021	2020
Magang (Group) Logistics Co., Ltd.	(iii)	<b>1,135,347,438</b>	557,111,058
Ruitai Masteel New Material Technology Co., Ltd.	(iii)	<b>977,237,029</b>	1,083,445,856
Xinchuang Environmental Protection	(iii)	<b>688,339,615</b>	485,121,569
Anhui Masteel Equipment Maintenance Co., Ltd.	(iii)	<b>599,016,916</b>	592,194,981
Shanghai Ouyeel Material Technology Co., Ltd.	(iii)	<b>496,524,381</b>	–
Masteel Heavy Machinery Manufacturing Co., Ltd.	(iii)	<b>480,984,167</b>	453,776,806
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	(iii)	<b>358,779,478</b>	–
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	(iii)	<b>356,970,797</b>	–
Masteel Automobile Transportation Service Co., Ltd.	(iii)	<b>300,528,687</b>	361,344,544
Phima Intelligence	(iii)	<b>199,878,022</b>	276,770,125
Anhui Zhonglian Shipping Co., Ltd.	(iii)	<b>193,934,827</b>	147,285,801
Shanghai Baosight Software Co., Ltd.	(iii)	<b>193,347,912</b>	98,262,424
Baowu Water Technology Co., Ltd.	(iii)	<b>176,241,650</b>	45,798,895
Baowu Heavy Industry Co., Ltd.	(iii)	<b>128,726,138</b>	252,186,002
Baowu Equipment Intelligent Technology Co., Ltd.	(iii)	<b>113,536,964</b>	36,005,476
Masteel Transportation Equipment Manufacturing Co., Ltd.	(iii)	<b>83,601,539</b>	111,485,780
The Holding	(iii)	<b>59,578,768</b>	1,602,759
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.	(iii)	<b>48,572,188</b>	47,555,510
Baoshan Iron & Steel Co., Ltd.	(iii)	<b>37,360,296</b>	47,294,753
Ma Steel Gongchang United Roller Co., Ltd.	(iii)	<b>36,171,537</b>	56,292,073
Magang Chemicals & Energy	(iii)	<b>7,358,491</b>	6,902,589
Magang (Group) Holding Company Limited Assets Management Company	(iii)	–	64,851,581
Others	(iii)	<b>665,800,316</b>	480,667,072
		<b>7,337,837,156</b>	5,205,955,654



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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

- (iii) 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.

#### (3) Agency fees paid to related parties

	Note	2021	2020
Ma Steel International Trade and Economic Co., Ltd.	(iv)	<b>77,997,623</b>	17,728,170
Ouyeel Blockchain Finance	(iv)	<b>1,167,420</b>	8,252,303
Shanghai Ouyeel Material Technology Co., Ltd.	(iv)	–	185,730
		<b>79,165,043</b>	26,166,203

- (iv) 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) Rental expenses

	Note	2021	2020
The Holding	(v)	<b>51,277,733</b>	33,028,286

- (v) The Holding leased a building to the Group and the rental was determined by terms mutually agreed between the Group and the Holding based on the market prices.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 and construction services

	Note	2021	2020
Baowu Heavy Industry Co., Ltd	(iv)	<b>347,848,745</b>	1,191,899,714
Masteel Group Design and Research Institute Co., Ltd.	(iv)	<b>324,353,468</b>	143,069,867
Shanghai Baosight Software Co., Ltd.	(iv)	<b>312,070,194</b>	301,568,082
Shanghai Baosteel Engineering & Technology Co., Ltd.	(iv)	<b>203,561,291</b>	189,597,897
Phima Intelligence	(iv)	<b>189,328,583</b>	78,268,275
Maanshan Iron Construction Group Co., Ltd.	(iv)	<b>114,911,829</b>	67,151,298
Xinchuang Environmental Protection	(iv)	<b>96,461,857</b>	230,356,668
Anhui Masteel Equipment Maintenance Co., Ltd.	(iv)	<b>36,171,510</b>	18,884,193
Anhui Magang Limin Construction and Installation Co., Ltd.	(iv)	<b>26,392,687</b>	–
Maanshan Jia Hua Commodity Concrete Co., Ltd.	(iv)	<b>23,354,185</b>	57,229,242
Masteel Heavy Machinery Manufacturing Co., Ltd.	(iv)	<b>18,137,081</b>	1,238,748
Masteel Group Kang Cheng Building and Installing Co., Ltd.	(iv)	<b>18,122,708</b>	–
Masteel Automobile Transportation Service Co., Ltd.	(iv)	<b>185,269</b>	3,539,823
Others	(iv)	<b>78,890,683</b>	58,856,990
		<b>1,789,790,090</b>	2,341,660,797

- (iv) 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 year ended 31 December 2021

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	2021	2020
Ouyeel Blockchian Finance	(vi)	<b>9,556,717,926</b>	5,499,822,142
Shanxi Taigang Stainless Steel Co.,Ltd	(vi)	<b>1,544,141,401</b>	–
OBEI	(vi)	<b>1,453,082,950</b>	18,913,121
Magang Chemicals & Energy	(vi)	<b>1,321,859,225</b>	1,302,762,235
		<b>13,875,801,502</b>	6,821,497,498

- (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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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 and other goods

	Note	2021	2020
Ma Steel Powder Metallurgy Co., Ltd.	(iv)	<b>198,620,459</b>	125,025,745
Xinchuang Environmental Protection	(iv)	<b>81,607,016</b>	48,905,272
Shanghai Baosteel Magnetic Industry Co., Ltd.	(iv)	<b>52,810,385</b>	11,815,203
Masteel Heavy Machinery Manufacturing Co., Ltd.	(iv)	<b>43,528,705</b>	16,717,305
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	(iv)	<b>36,200,260</b>	–
Ma-Steel OCI Chemical Co., Ltd.	(iv)	<b>22,856,039</b>	3,699,590
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.	(iv)	<b>19,025,426</b>	18,476,484
Baowu Water Technology Co., Ltd.		<b>18,422,102</b>	–
Ruitai Masteel New Material Technology Co., Ltd.	(iv)	<b>11,198,705</b>	6,528,788
The Holding	(iv)	<b>7,643,350</b>	120,640
Phima Intelligence	(iv)	<b>5,452,430</b>	6,091,473
Maanshan Jia Hua Commodity Concrete Co., Ltd.	(iv)	<b>4,067,467</b>	11,222,420
Baowu Heavy Industry Co., Ltd	(iv)	<b>3,335,020</b>	4,028,924
Ma Steel Gongchang United Roller Co., Ltd.	(iv)	<b>2,911,855</b>	2,541,197
Anhui Masteel Equipment Maintenance Co., Ltd.	(iv)	<b>2,308,301</b>	3,090,502
Masteel Transportation Equipment Manufacturing Co., Ltd.	(iv)	<b>2,057,461</b>	3,117,902
Ohters	(iv)	<b>31,783,860</b>	28,250,218
		<b>543,828,841</b>	289,631,663

(iv) 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 year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY 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	2021	2020
Baowu Heavy Industry Co., Ltd.	(iv)	<b>561,017,031</b>	242,375,137
Shanghai Ouyeel Material Technology Co., Ltd.	(iv)	<b>219,473,708</b>	–
Shanghai Baosteel Trading Co., Ltd.	(iv)	<b>125,214,497</b>	32,489,447
Beijing Baosteel North Trade Co., Ltd.	(iv)	<b>36,381,928</b>	–
Baoshan Iron & Steel Co., Ltd.	(iv)	<b>29,806,070</b>	–
Maanshan Iron Construction Group Co., Ltd.	(iv)	<b>25,624,304</b>	50,739,911
Anhui BRC & Masteel Weldmesh Co., Ltd.	(iv)	<b>20,144,081</b>	88,011,413
Shenyang Baosteel Northeast Trading Co., Ltd.	(iv)	<b>12,575,640</b>	5,010,123
Guangzhou Baosteel South Trade Co., Ltd	(iv)	<b>11,401,663</b>	30,396,851
Ma Steel International Trade and Economic Co., Ltd.	(iv)	–	850,472
Others	(iv)	<b>55,653,699</b>	5,889,020
		<b>1,097,292,621</b>	455,762,374

- (iv) 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 year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY 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	2021	2020
Magang Chemicals & Energy	(vii)	<b>1,757,637,723</b>	1,498,872,022
Masteel K. Wah	(vii)	<b>811,706,173</b>	688,141,990
OBEI	(vii)	<b>23,925,097</b>	–
Ouyeel Blockchain Finance	(vii)	<b>12,205,747</b>	10,403,991
		<b>2,605,474,740</b>	2,197,418,003

(vii) The transactions with the abovementioned 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

	Note	2021	2020
Magang Chemicals & Energy	(iv)	<b>11,068,800</b>	22,285,800
Anhui Masteel Surface Engineering Technology Co., Ltd.	(iv)	<b>611,844</b>	611,844
Phima Intelligence	(iv)	<b>165,000</b>	165,000
		<b>11,845,644</b>	23,062,644

(iv) 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 year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY 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	2021	2020
The Holding	(viii)	<b>41,333,245</b>	60,897,489
Magang Chemicals & Energy	(viii)	<b>8,093,486</b>	8,745,539
Anhui Masteel Luo He Mining Co., Ltd.	(viii)	<b>7,321,940</b>	2,697,209
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	(viii)	<b>6,733,264</b>	1,955,799
Ouyeel Blockchain Finance	(viii)	<b>6,603,372</b>	3,801,125
Baowu Heavy Industry Co., Ltd.	(viii)	<b>6,496,318</b>	8,310,997
Anhui Masteel Mining Resources Group Co., Ltd.	(viii)	<b>4,054,587</b>	4,214,313
Maanshan Jia Hua Commodity Concrete Co., Ltd.	(viii)	<b>3,007,654</b>	2,834,201
Magang (Group) Logistics Co., Ltd.	(viii)	<b>2,882,278</b>	1,990,234
Ma Steel International Trade and Economic Co., Ltd.	(viii)	<b>2,353,134</b>	1,562,891
Xinchuang Environmental Protection Masteel Heavy Machinery Manufacturing Co., Ltd.	(viii)	<b>1,992,278</b>	1,675,877
Masteel Group Kang Tai Land Development Co., Ltd.	(viii)	<b>1,635,090</b>	–
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	(viii)	<b>1,450,033</b>	–
Masteel Automobile Transportation Service Co., Ltd.	(viii)	<b>1,147,953</b>	–
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	(viii)	<b>1,145,562</b>	–
Ruitai Masteel New Material Technology Co., Ltd.	(viii)	<b>207,756</b>	475,352
Magang Group Biding and Consulting Co., Ltd.	(viii)	<b>157,334</b>	1,404,586
Magang (Group) Holding Company Limited Assets Management Company	(viii)	–	1,105,772
Ma-Steel Financial Leasing	(viii)	–	319,580
Ma-Steel Commercial Factoring	(viii)	–	68,905
Others	(viii)	<b>12,588,975</b>	11,028,943
		<b>111,235,808</b>	115,082,362

(viii) 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% (2020: 0.42% to 2.18%).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY 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	2021	2020
Ouyeel Blockchain Finance	(ix)	<b>64,418,872</b>	32,747,158
The Holding	(ix)	<b>49,061,845</b>	73,210,350
Anhui Masteel Mining Resources Group Co., Ltd.	(ix)	<b>21,969,699</b>	36,802,744
Masteel Chengxing Metal Resources Co., Ltd.	(ix)	<b>8,528,205</b>	6,108,860
Anhui Masteel Luo He Mining Co., Ltd.	(ix)	<b>1,517,893</b>	2,879,873
Masteel Zhixin Resources Technology Co., Ltd.	(ix)	<b>928,725</b>	–
Anhui BRC & Masteel Weldmesh Co., Ltd.	(ix)	<b>624,114</b>	1,433,285
Ma Steel Powder Metallurgy Co., Ltd.	(ix)	<b>553,166</b>	1,445,023
Baowu Heavy Industry Co., Ltd.	(ix)	<b>87,209</b>	4,415,331
Masteel K. Wah	(ix)	<b>31,091</b>	26,871
Others	(ix)	<b>8,414,636</b>	13,852,180
		<b>156,135,455</b>	172,921,675

- (ix) 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 year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (13) Purchases of land from related parties

	Note	2021	2020
Anhui Masteel chemical energy technology Co. Ltd	(x)	–	21,684,011

(x) The transactions with Anhui Masteel chemical energy technology Co. Ltd was conducted based on the valuation result of the fair value of the land.

#### (14) Sale of land to related parties

	Note	2021	2020
Magang (Group) Logistics Co., Ltd.	(xi)	<b>7,240,500</b>	32,763,900
Masteel Automobile Transportation Service Co., Ltd.	(xi)	–	8,084,900
		<b>7,240,500</b>	40,848,800

(xi) The transactions with Magang (Group) Logistics Co., Ltd. and Masteel Automobile Transportation Service Co., Ltd. were conducted based on the valuation result of the fair value of the land.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (15) Equity transactions with related parties

The 53rd meeting of the 9th session of the Board of Directors approved the Company increased the investment of Baowu Clean Energy with the 51% equity of Masteel Gases held by the Company. In December 2021, the Company and Baowu Clean Energy signed an equity transfer agreement, agreeing to transfer 51% of Masteel Gases equity held by the Company to Baowu Clean Energy. At the end of December 2021, the Company completed the equity transfer and delivery.

The 53rd meeting of the 9th session of the Board of Directors approved the transfer of 100% equity interest in Jiangbei Steel Materials Quality Supervision and Inspection held by Ma Steel (Hefei) to Anhui Jiangnan Iron and Steel Material Quality Supervision and Inspection Co., Ltd. (“Jiangnan Iron and Steel Material Quality Supervision and Inspection”). In November 2021, Ma Steel (Hefei), Jiangbei Steel Materials Quality Supervision and Inspection and Jiangnan Iron and Steel Material Quality Supervision and Inspection signed an equity transfer contract, agreed that Ma Steel (Hefei) will transfer 100% of its equity in Jiangbei Steel Materials Quality Supervision and Inspection to Jiangnan Iron and Steel Material Quality Supervision and Inspection. In December 2021, Ma Steel (Hefei) completed the equity transfer and delivery.

The 49th meeting of the 9th session of the Board of Directors approved the Company and Baoshan Iron and Steel Co., Ltd., Wuhan Iron and Steel Company Limited, Baosteel Zhanjiang Iron & Steel Co., Ltd., Shanghai Meishan Iron & Steel Co., Ltd., and Baosteel Engineering & Technology Group Co., Ltd. would increase their investment in Baowu Water by means of in kind, equity, currency, etc. On 1 December, after the capital contribution was completed, the Group’s shareholding in Baowu Water was 19.25%.

The 48th meeting of the 9th session of the Board of Directors approved Hefei Plate to transfer its 100% equity interest in Hefei Water Supply to Baowu Water. In August 2021, Hefei Steel Plates, Baowu Water and Hefei Water Supply signed an equity transfer agreement to transfer 100% of the equity of Hefei Water Supply held by Hefei Steel Plates to Baowu Water. In September 2021, Hefei Steel Plates completed the equity transfer and delivery.

Ouyeel Commercial Factoring Co., Ltd and Maanshan Iron & Steel Commercial Factoring, as the company controlled by China Baowu, signed an absorption merger agreement on 28 April 2021. The agreement stipulates that Ouyeel Commercial Factoring Co., Ltd will absorb and merge Maanshan Iron & Steel’s commercial factoring, and agreed to use 30 June 2020 as the audit and appraisal to determine the equity structure after the merger of the two parties based on the recorded evaluation value. After the merger, the Group’s shareholding ratio has decreased from 25% in Maanshan Iron & Steel’s commercial factoring to 16.14% in Ouyeel Commercial Factoring Co., Ltd.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

(16) *Purchases of products and services from joint ventures and associates of the Company and the Subsidiaries of China Baowu*

	Note	2021	2020
Henan JinMa Energy	(xii)	<b>678,604,522</b>	899,875,307
Maanshan BOC-Ma Steel Gases Company Limited	(xii)	<b>603,277,457</b>	589,721,644
Maanshan Gangchen Industrial Co., Ltd.	(xii)	<b>142,050,977</b>	45,177,491
Shenglong Chemical	(xii)	<b>53,918,668</b>	1,813,398
Jiangsu Gongchang Roll Joint Stock Co., Ltd.	(xii)	<b>39,460,342</b>	–
Qinghai Kaiyuan Metal Material Co., Ltd.	(xii)	<b>34,841,392</b>	–
Anhui Qingyang Baohong MINING& RESOURCE Co., Ltd.	(xii)	<b>25,517,220</b>	–
Taicang Wugang Wharf Co., Ltd.	(xii)	<b>14,893,988</b>	21,631,086
Shanghai Baoneng Information Technology Co., Ltd.	(xii)	<b>8,678,512</b>	–
Wuhan Weishi Engineering Supervision Co., Ltd.	(xii)	<b>1,827,613</b>	–
Shanghai Baosteel Engineering Consulting Co., Ltd.	(xii)	<b>857,658</b>	–
MCC South Engineering Technology Co., Ltd.	(xii)	<b>605,000</b>	32,760,849
		<b>1,604,533,349</b>	1,590,979,775

(xi) The terms for trading, 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 year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

(17) *Sales of products and provision of services to joint ventures and associates of the Company and the Subsidiaries of China Baowu*

	Note	2021	2020
Maanshan Gangchen Industrial Co., Ltd.	(xiii)	<b>403,237,044</b>	896,048,144
Maanshan BOC-Ma Steel Gases Company Limited	(xiii)	<b>274,040,891</b>	267,777,940
Anhui Keda Smart Energy Technology Co., Ltd.	(xiii)	<b>49,120,799</b>	97,556,270
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	(xiii)	<b>3,757,516</b>	–
CRM East China Co., Ltd.	(xiii)	<b>232,079</b>	–
Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.	(xiii)	<b>465,814</b>	–
Henan JinMa Energy	(xiii)	<b>93,853</b>	–
Ma-Steel OCI Chemical Co., Ltd.	(xiii)	–	16,793,618
		<b>730,947,996</b>	1,278,175,972

(xiii) The terms for trading, 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (18) Interest paid for financial services to the joint venture and associates of the Company and subsidiaries of China Baowu

	Note	2021	2020
Maanshan BOC-Ma Steel Gases Company Limited	(xiv)	<b>4,989,893</b>	4,800,956
Maanshan Gangchen Industrial Co., Ltd.	(xiv)	<b>183,880</b>	404,444
Ma-Steel OCI Chemical Co., Ltd.	(xiv)	–	7,788
		<b>5,173,773</b>	5,213,188

(xiv) 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% during the year of 2021 (2020:0.42% to 2.18%).

#### (19) Financial service income received from joint venture and associates of the Company and subsidiaries of China Baowu

	Note	2021	2020
Maanshan Gangchen Industrial Co., Ltd.	(xv)	<b>686,230</b>	2,171,955

(xv) 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.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (20) Guarantee provided by a related party

##### 2021

	Note	Guarantee's name	Guarantee amount	Start date	End date	Has guarantee expired or not
The Holding	(xvi)	The Company	RMB33 million	2015.10	2025.10	Not yet as of the approval date of the report

##### 2020

	Note	Guarantee's name	Guarantee amount	Start date	End date	Has guarantee expired or not
The Holding	(xvi)	The Company	RMB44 million	2015.10	2025.10	Not yet as of the approval date of the report

(xvi) During the year, the Holding did not guarantee additional certain bank loans of the Group (2020: Nil) without attached conditions. The Holding had guaranteed part of the bank loans without attached conditions amounting to approximately RMB33 million as of 31 December 2021 (31 December 2020: approximately RMB44 million).

(21) According to the financial service agreement signed by Masteel Finance and the Holding on 15 August 2018, Masteel Finance provided financing services and deposit transactions to the Group and its subsidiaries, and from 1 January 2019 to 31 December 2021, the highest daily outstanding loan should be no more than RMB3.17 billion, other financial service charge should be no more than RMB0.2 billion.

As of 31 December 2021, the highest daily deposit balance was RMB10.904 billion (2020: RMB11.296 billion); the highest average daily deposit balance on a monthly basis was RMB9.900 billion (2020: RMB10.864 billion); the highest daily loan balance was RMB2.875 billion (2020: RMB2.921 billion); and the highest average daily loan balance on a monthly basis was RMB2.873 billion (2020: RMB2.895 billion).

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (22) Remuneration of key management

The total amount of key management remuneration (including forms of cash, benefits in kind and others) totally amounted to RMB7,692,699 during the current year (2020: RMB7,532,162), which excluded the remuneration paid to independent directors and independent supervisors.

#### (23) Directors' and supervisors' emoluments\*

	2021	2020
Fees	<b>447,368</b>	447,368
Other emoluments:		
Salaries, allowances and benefits in kind	<b>1,466,763</b>	605,821
Performance-related bonuses	<b>1,343,447</b>	4,012,342
Pension scheme contributions	<b>112,479</b>	113,439
	<b>2,922,689</b>	4,731,602
	<b>3,370,057</b>	5,178,970

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (23) Directors' and supervisors' emoluments\* (Continued)

##### (i) Independent directors and independent supervisors

The fees paid to independent directors and independent supervisors during the year were as follows:

	2021	2020
<b>Independent directors</b>		
Ms. Zhang Chunxia	100,000	100,000
Ms. Zhu Shaofang	100,000	100,000
Mr. Wang Xianzhu	100,000	100,000
	<b>300,000</b>	300,000
<b>Independent supervisors</b>		
Ms. Yang Yada	73,684	73,684
Mr. Qin Tongzhou	73,684	73,684
	<b>147,368</b>	147,368
	<b>447,368</b>	447,368

There was no other emoluments excepts the above fees paid to the independent directors and independent supervisors during the year (2020: Nil).



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (23) Directors' and supervisors' emoluments\* (Continued)

##### (ii) Non-independent directors and non-independent supervisors

2021	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
<b>Executive directors</b>					
Mr. Ding Yi (Note 1)	-	-	-	-	-
Mr. Zhang Wenyang (Note 2)	-	157,125	10,000	10,315	177,440
Mr. Ren Tianbao	-	648,000	547,496	36,876	1,232,372
	-	805,125	557,496	47,191	1,409,812
<b>Non-executive director</b>					
Mr. Qian Haifan (Note 3)	-	-	-	-	-
	-	-	-	-	-
<b>Supervisors</b>					
Mr. Zhang Xiaofeng	-	604,104	603,957	36,876	1,244,937
Mr. Zhang Qianchun (Note 1)	-	-	-	-	-
Ms. Geng Jingyan	-	57,534	181,994	28,412	267,940
	-	661,638	785,951	65,288	1,512,877
	-	1,466,763	1,343,447	112,479	2,922,689

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (23) Directors' and supervisors' emoluments\* (Continued)

##### (ii) Non-independent directors and non-independent supervisors (Continued)

Note 1: In 2021, the remuneration of Mr. Ding Yi and Mr. Zhang Qianchun was paid by the Holding rather than the Company.

Note 2: On 16 March 2021, the 41th meeting of the 9th session of the Board of Directors approved that Mr. Zhang Wenyang would no longer serve as a director of the company. The above remuneration of Mr. Zhang Wenyang is the remuneration as the role of executive director.

Note 3: As of 19 March 2021, Mr. Qian Haifan was no longer a non-executive director of the Company. In 2021, the remuneration of Mr. Qian Haifan was paid by the Holding rather than the Company.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (23) Directors' and supervisors' emoluments\* (Continued)

##### (ii) Non-independent directors and non-independent supervisors (Continued)

2020	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
<b>Executive directors</b>					
Mr. Ding Yi (Note 1)	-	-	-	-	-
Mr. Zhang Wenyang (Note 2)	-	117,333	805,889	26,549	949,771
Mr. Ren Tianbao	-	128,000	876,034	28,963	1,032,997
Mr. Wang Qiangmin (Note 3)	-	146,667	1,003,789	-	1,150,456
	-	392,000	2,685,712	55,512	3,133,224
<b>Non-executive director</b>					
Mr. Qian Haifan (Note 1)	-	-	-	-	-
	-	-	-	-	-
<b>Supervisors</b>					
Mr. Zhang Xiaofeng	-	144,000	985,538	28,963	1,158,501
Mr. Yan Kailong (Note 4)	-	46,000	259,392	14,482	319,874
Mr. Zhang Qianchun (Note 1)	-	-	-	-	-
Ms. Geng Jingyan (Note 4)	-	23,821	81,700	14,482	120,003
	-	213,821	1,326,630	57,927	1,598,378
	-	605,821	4,012,342	113,439	4,731,602

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (23) Directors' and supervisors' emoluments\* (Continued)

##### (ii) Non-independent directors and non-independent supervisors (Continued)

Note 1: In 2020, the remuneration of Mr. Ding Yi, Mr. Qian Haifan, and Mr. Zhang Qianchun was paid by the Holding rather than the Company.

Note 2: On 18 December 2020, the 39th meeting of the 9th session of the Board of Directors approved that Mr. Zhang Wenyang would no longer serve as a director of the company, and was re-designated as the general manager of the Company. The above remuneration of Mr. Zhang Wenyang is the remuneration as the role of executive director.

Note 3: As of 20 November 2020, Mr. Wang Qiangmin was no longer an executive director of the Company.

Note 4: As of 29 June 2020, Mr. Yan Kailong was no longer a supervisor of the Company. On 29 June 2020, the Joint Meeting of Workers' Congress of the Company selected Ms. Geng Jingyan as a supervisor of the 9th session Board of Directors.

#### (24) Five highest paid individuals\*

Two of the highest paid employees during the year were directors or supervisors (2020: four), details of whose remuneration are stated in Note X.5 (23) above. Details of the remuneration of the other three highest paid employee (non-director, non-supervisor) in 2021 are as follows (2020: one):

	2021	2020
The Group		
Salaries, allowances and benefits in kind	<b>1,644,347</b>	128,000
Performance-related bonuses	<b>2,395,042</b>	879,165
Pension scheme contributions	<b>73,752</b>	28,963
	<b>4,113,141</b>	1,036,128

In 2021, the remuneration of the remaining three non-director and non-supervisor, highest paid employee, fell within the band of HKD1,500,000 to HKD1,900,000.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties

	31 December 2021		31 December 2020	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivables				
The Holding and its subsidiaries				
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	46,513,779	31,483,613	–	–
Masteel Heavy Machinery Manufacturing Co., Ltd.	17,679,689	176,797	2,011,196	102,501
Ma Steel Powder Metallurgy Co., Ltd.	9,670,153	96,702	12,203,388	122,034
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	8,648,318	86,483	–	–
Anhui Masteel Equipment Maintenance Co., Ltd.	452,964	4,530	755,641	7,556
The Holding	29,074	18,674	42,772	9,538
Xinchuang Environmental Protection	–	–	11,318,310	113,183
Baowu Heavy Industry Co., Ltd.	–	–	367,185	3,672
Masteel Automobile Transportation Service Co., Ltd.	–	–	82,250	822
Others entities controlled by the Holding	3,393,670	246,384	2,298,542	59,812
	<b>86,387,647</b>	<b>32,113,183</b>	29,079,284	419,118

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021		31 December 2020	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivables (Continued)				
The ultimate controlling party and its subsidiaries				
Baoshan Iron & Steel Co., Ltd.	5,092,362	50,924	–	–
Baowu Water Technology Co., Ltd.	–	–	1,881,062	18,811
Nanjing Meibao New Building Material Co., Ltd.	–	–	1,430,832	14,308
Baosteel Special Steel Long Products Co., Ltd.	–	–	282,848	2,828
Wuhan Iron and Steel Co., Ltd.	–	–	186,043	1,860
Others companies controlled by the ultimate controlling party	1,992,839	19,928	–	–
	<b>7,085,201</b>	<b>70,852</b>	3,780,785	37,807
Associates and joint ventures of the Group				
Magang Chemicals & Energy	80,608,529	806,085	1,596,624	92,395
Maanshan BOC-Ma Steel Gases Company Limited	26,022,491	260,225	22,342,488	223,425
Baowu Water Technology Co., Ltd.	6,400,175	64,002	–	–
Ouyeel Commercial Factoring Co., Ltd	4,027,014	40,270	–	–
Ouyeel Blockchain Finance	2,716,317	1,634	1,347,676	13,477
Masteel K. Wah	–	–	8,366,504	83,665
	<b>119,774,526</b>	<b>1,172,216</b>	33,653,292	412,962
Associate of The Holding				
Anhui Keda Smart Energy Technology Co., Ltd.	3,795,934	37,959	–	–
Ma-Steel OCI Chemical Co., Ltd.	1,866,772	18,668	–	–
CRM East China Co., Ltd.	14,113	141	–	–
Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.	513	5	–	–
	<b>5,677,332</b>	<b>56,773</b>	–	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021		31 December 2020	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivables (Continued)				
Associates of the ultimate controller of the Group				
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	9,356	94	–	–
Other receivables				
The parent company of the Group				
Masteel Automobile Transportation Service Co., Ltd.	13,832,802	138,328	–	–
The Holding	120,000	120,000	120,000	57,600
Baowu Heavy Industry Co., Ltd.	120,964	1,210	–	–
Phima Intelligence	7,439	74	–	–
	<b>14,081,205</b>	<b>259,612</b>	120,000	57,600
The ultimate controlling party of the Group				
China Baowu	–	–	117,250,400	–
Shanghai Ouye Purchasing Information Technology Co., Ltd.	20,558	206	–	–
	<b>20,558</b>	<b>206</b>	117,250,400	–
Joint venture of the Group				
Magang Chemicals & Energy	–	–	411,280	4,113

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021	31 December 2020
Dividends receivable		
Associates the Group		
Ouyeel Blockchain Finance	55,226,911	29,935,553
Ouyeel Commercial Factoring Co., Ltd	1,300,284	–
	<b>56,527,195</b>	29,935,553
Associate of The Holding		
Ma-Steel OCI Chemical Co., Ltd.	–	3,312,407
Prepayments		
The Holding and its subsidiaries		
Ma Steel International Trade and Economic Co., Ltd.	381,474,775	249,895,323
Masteel Group Design and Research Institute Co., Ltd.	7,570,780	–
Phima Intelligence	7,496,844	–
Masteel Heavy Machinery Manufacturing Co., Ltd.	2,668,532	–
Baowu Heavy Industry Co., Ltd.	–	20,142,995
Others entities controlled by the Holding	1,416,448	593,356
	<b>400,627,379</b>	270,631,674
The ultimate controlling party and its subsidiaries		
Shanghai Baosight Software Co., Ltd.	20,580,000	–
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	15,424,284	–
Shanghai Ouyeel Material Technology Co., Ltd.	7,775,670	–
Shanghai Baosteel Steel Products Trading Co., Ltd.	1,599,983	5,468,067
Baowu Raw Material Supply Co., Ltd.	–	28,746,332
Others companies controlled by the ultimate controlling party	2,070,335	1,599,643
	<b>47,450,272</b>	35,814,042



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021		31 December 2020	
	Carrying amount	Provision	Carrying amount	Provision
Loans and advances to customers				
The Holding and its subsidiaries				
Anhui Masteel Mining Resources Group Co., Ltd.	1,228,981,782	34,454,136	728,000,000	19,040,548
The Holding	300,000,000	8,410,410	1,699,617,104	44,452,805
Masteel Chengxing Metal Resources Co., Ltd.	273,656,249	7,671,871	251,540,567	6,578,943
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	119,228,663	3,342,540	118,105,125	3,088,992
Masteel Zhixin Resources Technology Co., Ltd.	101,949,056	2,858,111	–	–
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.	77,287,947	2,166,744	–	–
Anhui Zhonglian Shipping Co., Ltd.	61,755,786	1,731,305	28,851,282	754,594
Masteel Heavy Machinery Manufacturing Co., Ltd.	11,905,668	333,772	31,775,333	831,071
Anhui BRC & Masteel Weldmesh Co., Ltd.	10,000,000	280,347	20,000,000	523,092
Masteel Lihua Metal Resources Co., Ltd.	20,000,000	560,694	38,386,002	1,003,971
Baowu Heavy Industry Co., Ltd.	7,603,121	213,151	143,261,479	3,746,947
Guizhou Xinchuan Environmental Protections Co., Ltd.	3,716,597	104,194	1,967,000	51,446
Ruitai Masteel New Material Technology Co., Ltd.	–	–	104,186,658	2,724,960
Anhui Masteel Luo He Mining Co., Ltd.	–	–	80,000,000	2,092,368
Other entities controlled by the Holding	47,397,833	1,328,785	83,406,230	2,181,456
	<b>2,263,482,702</b>	<b>63,456,060</b>	3,329,096,780	87,071,193
Associate of the Group Ouyeel Blockchain Finance	1,982,900,174	55,590,012	1,394,706,375	36,477,987
Associate of the ultimate controlling party of the Group Maanshan Gangchen Industrial Co.,Ltd	18,000,000	504,625	14,759,700	386,034

# Notes to the Financial Statements (Continued)

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Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021	31 December 2020
Trade payables		
The Holding and its subsidiaries		
Anhui Masteel Mining Resources Group Co., Ltd.	<b>411,810,432</b>	85,169,971
Masteel Chengxing Metal Resources Co., Ltd.	<b>354,493,131</b>	299,065,260
Baowu Heavy Industry Co., Ltd.	<b>172,517,579</b>	319,830,299
Ruitai Masteel New Material Technology Co., Ltd.	<b>167,661,507</b>	163,713,382
Masteel Heavy Machinery Manufacturing Co., Ltd.	<b>125,638,936</b>	138,535,472
Magang (Group) Logistics Co., Ltd.	<b>110,077,623</b>	–
Phima Intelligence	<b>95,277,574</b>	107,205,172
Anhui Masteel Equipment Maintenance Co., Ltd.	<b>93,990,556</b>	54,371,473
Anhui Masteel Surface Technology Co., Ltd.	<b>88,579,993</b>	21,863,011
Xinchuang Environmental Protection	<b>52,300,971</b>	87,806,022
Ma Steel International Trade and Economic Co., Ltd.	<b>39,063,121</b>	11,411,277
Anhui Zhonglian Shipping Co., Ltd.	<b>38,162,679</b>	25,772,270
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	<b>35,160,975</b>	–
Masteel Transportation Equipment Manufacturing Co., Ltd.	<b>32,007,631</b>	37,249,074
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	<b>27,613,565</b>	–
Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	<b>22,604,861</b>	–
Masteel Automobile Transportation Service Co., Ltd.	<b>9,953,550</b>	25,302,935
Masteel Group Design and Research Institute Co., Ltd.	<b>9,168,433</b>	60,618,245
The Holding	<b>229,663</b>	512,848,193
Other entities controlled by the Holding	<b>145,903,098</b>	95,981,259
	<b>2,032,215,878</b>	2,046,743,315

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021	31 December 2020
Trade payables (Continued)		
The ultimate controlling party and its subsidiaries		
Baosteel Resources Holdings(Shanghai) Co., Ltd.	<b>271,870,230</b>	91,121,540
BAOSTEEL RESOURCES INTERNATIONAL COMPANY LIMITED	<b>70,759,048</b>	–
Shanghai Baosight Software Co., Ltd.	<b>75,078,210</b>	28,132,244
Baowu Raw Material Supply Co., Ltd.	<b>50,546,750</b>	–
Baowu Equipment Intelligent Technology Co., Ltd.	<b>36,541,046</b>	37,797,420
Baoshan Iron & Steel Co., Ltd.	<b>7,967,250</b>	13,633,745
Other entities controlled by the ultimate controlling party	<b>69,402,822</b>	38,338,008
	<b>582,165,356</b>	209,022,957
Joint ventures and associates of the Group		
Ouyeel Commercial Factoring Co., Ltd	<b>600,529,270</b>	18,913,121
Ouyeel Blockchain Finance	<b>322,749,145</b>	544,386,683
Maanshan BOC-Ma Steel Gases Company Limited	<b>58,450,420</b>	59,343,489
Henan JinMa Energy	<b>18,732,037</b>	11,770,392
Magang Chemicals & Energy	<b>3,588,597</b>	22,442,070
Shenglong Chemical	<b>843</b>	–
	<b>1,004,050,312</b>	656,855,755

# Notes to the Financial Statements (Continued)

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## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021	31 December 2020
Trade payables (Continued)		
Associate of The Holding		
Jiangsu Gongchang Roll Joint Stock Co., Ltd.	<b>10,257,130</b>	–
Joint ventures and associates of the ultimate controlling party of the Group		
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	<b>5,037,506</b>	–
Qinghai Kaiyuan Metal Material Co., Ltd.	<b>3,707,740</b>	–
Taicang Wugang Wharf Co., Ltd.	<b>3,402,449</b>	2,075,368
MCC South Engineering Technology Co., Ltd.	<b>3,400,896</b>	7,784,622
Maanshan Gangchen Industrial Co., Ltd.	<b>217,897</b>	3,095,651
General Electric (Wuhan) Automation Co., Ltd.	–	2,728,950
Shanxi Ax Taigang Roll Co., Ltd.	–	844,928
	<b>15,766,488</b>	16,529,519
Other payables		
The Holding and its subsidiaries		
Magang (Group) Logistics Co., Ltd.	<b>24,870,518</b>	–
Baowu Heavy Industry Co., Ltd.	<b>270,000</b>	310,000
Xinchuang Environmental Protection	<b>100,000</b>	329,363
Masteel Automobile Transportation Service Co., Ltd.	–	585,000
Anhui Masteel Equipment Maintenance Co., Ltd.	–	78,865
Other entities controlled by the Holding	<b>1,202,600</b>	2,490,321

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021	31 December 2020
	<b>26,443,118</b>	3,793,549
Other payables (Continued)		
The ultimate controlling party and its subsidiaries		
Shanghai Baosteel Engineering & Technology Co., Ltd	<b>50,000</b>	170,000
Ouyeel Commercial Factoring Co., Ltd	–	48,303,444
Baoshan Iron and Steel Co., Ltd	–	8,268,000
Others	–	50,378
	<b>50,000</b>	56,791,822
Joint venture and associates of the Group		
Magang Chemicals & Energy	<b>16,007,703</b>	–
Maanshan BOC-Ma Steel Gases Company Limited	–	70,000
	<b>16,007,703</b>	70,000
Associate of the ultimate controlling party of the Group		
Qinghai Kaiyuan Metal Material Co., Ltd.	<b>200,000</b>	–
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	<b>100,000</b>	–
	<b>300,000</b>	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021	31 December 2020
Contract liabilities		
The Holding and its subsidiaries		
Baowu Heavy Industry Co., Ltd	<b>103,003,843</b>	41,541,552
Shanghai Baosteel Magnetic Industry Co., Ltd.	<b>9,333,814</b>	3,148,821
An Hui Masteel Zhang Zhuang Mining Co., Ltd.	<b>1,897,972</b>	2,185,715
Anhui BRC & Masteel Weldmesh Co., Ltd.	<b>1,129,634</b>	3,491,741
Maanshan Iron Construction Group Co., Ltd.	<b>632,056</b>	3,541,164
Shanghai Baosteel Trading Co., Ltd.	–	4,391,725
Other entities controlled by the Holding	<b>4,662,986</b>	6,614,738
	<b>120,660,305</b>	64,915,456
The ultimate controlling party and its subsidiaries		
Bsteel Online Co., Ltd.	<b>37,844,288</b>	–
Shanghai Iron & Steel Exchange Co., Ltd.	<b>17,793,050</b>	5
Baosteel Metals Co., Ltd.	<b>847,500</b>	–
Ouyeel Cloud Commerce Co., Ltd.	<b>742,622</b>	23,811,881
Baowu Equipment Intelligent Technology Co., Ltd.	<b>379,158</b>	–
Wuhan Baosteel Huazhong Trade Co., Ltd.	<b>50,585</b>	–
Shanghai Ouyeel Material Technology Co., Ltd.	<b>33,904</b>	6,131,166
Guangzhou Baosteel Southern Trading Co., Ltd.	–	3,160,761
Chengdu Baosteel Western Trading Co., Ltd.	–	470,000
Baosteel Magnetic Industry (Jiangsu) Co., Ltd.	–	344,441
Wuhu Veisko Material Technology Co., Ltd.	–	36,289
	<b>57,691,107</b>	33,954,543

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021	31 December 2020
Contract liabilities (Continued)		
Joint ventures and associates of the Group		
Masteel K. Wah	15,785,187	1,408,603
Ouyeel Blockchain Finance	1,440,150	38,504
Shenglong Chemical	–	6,048,869
Maanshan BOC-Ma Steel Gases Company Limited	–	11
	<b>17,225,337</b>	7,495,987
Associates of the ultimate controller of the Group		
Maanshan Gangchen Industrial Co., Ltd	69,797,299	13,844,640
Changzhou Baoling Heavy Industry Machinery Co., Ltd	2,091	2,363
	<b>69,799,390</b>	13,847,003

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021	31 December 2020
Customer deposits		
The Holding and its subsidiaries		
The Holding	<b>1,484,795,408</b>	1,716,949,668
Anhui Masteel Mining Resources Group Co., Ltd.	<b>1,082,991,889</b>	184,250,712
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	<b>917,103,611</b>	297,184,557
Anhui Masteel Luo He Mining Co., Ltd.	<b>800,166,333</b>	468,767,683
Baowu Heavy Industry Co., Ltd.	<b>416,335,146</b>	539,083,050
Ma Steel International Trade and Economic Co., Ltd.	<b>229,081,565</b>	182,022,772
Xinchuang Environmental Protection	<b>203,230,290</b>	158,289,072
Masteel Heavy Machinery Manufacturing Co., Ltd.	<b>139,537,893</b>	138,019,204
Masteel Group Kang Tai Land Development Co., Ltd.	<b>137,000,872</b>	170,431,800
Magang (Group) Logistics Co., Ltd.	<b>136,201,489</b>	87,963,322
Masteel Automobile Transportation Service Co., Ltd.	<b>119,992,689</b>	73,847,515
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	<b>71,100,043</b>	107,368,170
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	<b>26,606,555</b>	138,781,859
Masteel Chengxing Metal Resources Co., Ltd.	<b>5,811,012</b>	177,519,082
Magang Group Biding and Consulting Co., Ltd.	–	56,666,678
Other entities controlled by the Holding	<b>881,908,676</b>	667,242,375
	<b>6,651,863,471</b>	5,164,387,519



# Notes to the Financial Statements (Continued)

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Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2021	31 December 2020
Customer deposits (Continued)		
Joint venture and associates of the Group		
Magang Chemicals & Energy	<b>644,720,694</b>	476,343,141
Ouyeel Blockchain Finance	<b>500,615,261</b>	163,633,248
Masteel K. Wah	<b>304,026,836</b>	264,179,089
Maanshan BOC-Ma Steel Gases Company Limited	<b>264,735,963</b>	8,642
Masteel Gases	<b>101,631,711</b>	–
Baowu Water Technology Co., Ltd.	<b>1,355,586</b>	–
	<b>1,817,086,051</b>	904,164,120
Associate of the Holding		
Ma-Steel OCI Chemical Co., Ltd.	<b>567,271</b>	566,566
Joint venture of the ultimate controlling party of the Group		
Maanshan Gangchen Industrial Co., Ltd.	<b>8,035,886</b>	22,117,230

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 31 December 2021, 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 31 December 2021, the Group had no investment commitment to related parties.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## XI. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### *Capital commitments*

	<b>31 December 2021</b>	31 December 2020
Contracted, but not provided for		
Capital commitments	<b>5,880,526,676</b>	4,340,098,936
Investment commitments	–	261,624,096
	<b>5,880,526,676</b>	4,601,723,032

#### *Loan commitments*

	<b>31 December 2021</b>	31 December 2020
Acceptance bill	<b>539,775,018</b>	874,657,721

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 year ended 31 December 2021

Renminbi Yuan

## XI. 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 eight companies listed overseas corporation” (Guo Shui Han [2007] No. 664) in June 2007, with stated claims that the relevant local tax bureaus must correct immediately the expired tax incentives of the nine Hong Kong listed companies. The income tax difference between the results of the previously expired preferential rate and the applicable rate should be treated in accordance with the relevant provisions of the “People’s Republic of China Administration of Tax Collection Law”.

The Company was one of the nine companies mentioned above and used a 15% preferential tax rate in the previous years. Then, the Company and the tax authorities had a comprehensive communication and according to the tax authorities, the applicable corporate income tax rate in 2007 was 33%, which was adjusted from the original 15%. The Company has not been charged of prior period income taxes arising from difference in income tax rates.

In view of above, the director of the Company believed that it is uncertain whether the tax authorities will chase the difference between the previous period’s income tax at this stage, and the final result of this matter cannot be estimated reliably. Therefore, the financial statements have not made any preparation or adjustments related to the income tax differences.

#### *Pending litigation*

As of 31 December 2021, the Group and the Company did not have significant pending litigations.

## XII. EVENTS AFTER THE BALANCE SHEET DATE

On 23 March 2022, the 58th meeting of the 9th session of the Board of Directors of the Company approved the 2021 final cash dividend at RMB0.35 (tax included) per share to shareholders. The dividend distribution proposal is still subject to approval of the shareholders at the 2021 Annual General Meeting of the Company.

Apart from above, until the approval date of 2021 annual 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 year ended 31 December 2021

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## XIII. 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. In 2021, the rental income recognised by the Group was RMB9,040,295. According to lease contracts, the future minimum lease receivables under non-cancellable leases are as follows:

	31 December 2021	31 December 2020
Remaining lease period		
Within 1 year, inclusive	<b>2,541,115</b>	2,813,050
1 to 2 years, inclusive	<b>995,562</b>	2,088,028
2 to 3 years, inclusive	<b>838,028</b>	995,562
Over 3 years	<b>2,793,427</b>	3,631,455
	<b>7,168,132</b>	9,528,095

#### *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:

	2021	2020
Interest expense on lease liabilities	<b>30,316,846</b>	21,395,500
Expenses relating to short-term leases expense accounting for applying the simplified approach	<b>7,301,642</b>	11,786,253
Expenses relating to leases of low-value assets accounting for applying the simplified approach (other than short-term leases)	<b>215,341</b>	486,595
Total cash flow for leases	<b>61,327,407</b>	47,806,945

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIII. 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

	2021	2020
Sale of steel products	<b>101,018,981,400</b>	72,060,209,513
Sale of steel billets and pig iron	<b>3,288,549,860</b>	2,810,678,955
Sale of coke by-products	<b>114,833,530</b>	60,960,162
Others	<b>6,627,857,455</b>	5,252,536,267
	<b>111,050,222,245</b>	80,184,384,897

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Operating segment information (Continued)

Geographical information

External principal operating income

	2021	2020
Mainland China	<b>106,255,795,328</b>	76,889,123,103
Overseas and Hong Kong	<b>4,794,426,917</b>	3,295,261,794
	<b>111,050,222,245</b>	80,184,384,897

Non-current assets

	31 December 2021	31 December 2020
Mainland China	<b>46,978,671,717</b>	42,348,121,435
Overseas and Hong Kong	<b>145,347,640</b>	232,462,146
	<b>47,124,019,357</b>	42,580,583,581

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 year ended 31 December 2021

Renminbi Yuan

## XIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 3. Other financial information\*

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Current assets	<b>43,258,837,008</b>	37,536,871,175	<b>18,535,200,091</b>	17,976,633,760
Less: Current liabilities	<b>46,815,116,614</b>	43,197,228,140	<b>30,990,272,271</b>	31,420,897,950
Net current liabilities	<b>(3,556,279,606)</b>	(5,660,356,965)	<b>(12,455,072,180)</b>	(13,444,264,190)

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Total assets	<b>91,207,743,018</b>	80,711,141,782	<b>64,927,459,707</b>	59,766,515,948
Less: Current liabilities	<b>46,815,116,614</b>	43,197,228,140	<b>30,990,272,271</b>	31,420,897,950
Total assets less current liabilities	<b>44,392,626,404</b>	37,513,913,642	<b>33,937,187,436</b>	28,345,617,998

### 4. Employee costs (excluding directors' and supervisors' remuneration) (Note X.5 (23))

	2021	2020
Wages and salaries	<b>3,476,161,804</b>	3,196,390,068
Welfare	<b>927,444,484</b>	742,631,557
Pension scheme contributions (Note)	<b>531,984,073</b>	470,625,595
Employee termination benefits	<b>338,969,150</b>	187,181,400
	<b>5,274,559,511</b>	4,596,828,620

Note: As of 31 December 2021 and 31 December 2020, no contribution was capitalised or waived to reduce the Group's liability to pay pension scheme contributions in the future.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## XIV. 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 age of trade receivables, based on the invoice date, is analysed below:

	31 December 2021	31 December 2020
Within one year	1,948,347,100	2,138,930,202
One to two years	216,515,542	217,441,131
Two to three years	217,288,373	10,151,630
Over three years	33,205,538	35,930,324
	<b>2,415,356,553</b>	2,402,453,287
Less: Provisions for bad debts	<b>44,605,266</b>	46,636,353
	<b>2,370,751,287</b>	2,355,816,934

The movements of the provision for bad debts were as follows :

	Opening balance	Increase	Reversal	Write-back	Write-off	Other changes	Closing balance
2021	46,636,353	8,481,463	(3,828,044)	-	(6,351,633)	(332,873)	44,605,266
2020	39,323,552	7,312,801	-	-	-	-	46,636,353



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

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## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 1. Trade receivables (Continued)

The trade receivables balances were analysed as follows:

	31 December 2021				31 December 2020					
	Carrying amount		Provision for bad debts		Carrying amount		Provision for bad debts		Book Value	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)		
Assessed bad debt provision individually	1,942,175,637	80	-	-	1,942,175,637	1,946,530,044	81	-	-	1,946,530,044
Assessed bad debt provision in portfolios based on credit risk characteristics	473,180,916	20	(44,605,266)	9	428,575,650	455,923,243	19	(46,636,353)	10	409,286,890
	<b>2,415,356,553</b>	<b>100</b>	<b>(44,605,266)</b>		<b>2,370,751,287</b>	<b>2,402,453,287</b>	<b>100</b>	<b>(46,636,353)</b>		<b>2,355,816,934</b>

The provision for bad debts applying other method by the Company was as follows:

	31 December 2021			31 December 2020		
	Carrying amount	Expected credit loss percentage	Expected credit loss during lifetime	Carrying amount	Expected credit loss percentage	Expected credit loss during lifetime
	expected to default	(%)		expected to default	(%)	
Trade receivables to subsidiaries	1,942,175,637	-	-	1,946,530,044	-	-

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 1. Trade receivables (Continued)

The Company's provision for bad debts of trade receivables analysed by age was as follows:

	31 December 2021			31 December 2020		
	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	415,873,250	1	(4,158,733)	397,270,418	1	(3,972,704)
One to two years	11,655,036	16	(1,864,806)	12,750,391	16	(2,040,063)
Two to three years	12,626,612	44	(5,555,709)	10,151,630	48	(4,872,782)
Over three years	33,026,018	100	(33,026,018)	35,750,804	100	(35,750,804)
<b>Total</b>	<b>473,180,916</b>		<b>(44,605,266)</b>	<b>455,923,243</b>		<b>(46,636,353)</b>

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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 1. Trade receivables (Continued)

The top five trade receivables classified by debtor were as follows:

*31 December 2021*

	Relationship with the Company	Ending balance	Age	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%	–
		<b>1,974,183,321</b>		<b>82%</b>	<b>(806,085)</b>

*31 December 2020*

	Relationship with the Company	Ending balance	Age	Percentage of trade receivables	Ending balance of provision
Company 1	Subsidiary	1,057,017,137	Within two years	44%	–
Company 2	Subsidiary	475,556,879	Within two years	20%	–
Company 3	Subsidiary	99,422,946	Within one year	4%	–
Company 4	Subsidiary	99,358,794	Within one year	4%	–
Company 5	Subsidiary	81,572,131	Within one year	3%	–
		<b>1,812,927,887</b>		<b>75%</b>	–

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables

	31 December 2021	31 December 2020
Dividends receivable	56,527,195	33,247,960
Other receivables	204,287,564	337,784,807
	<b>260,814,759</b>	371,032,767

#### *Dividends receivable*

	31 December 2021	31 December 2020
Associate- Ma-Steel OCI Chemical	–	3,312,407
Associate- Ouyeel Blockchain Finance	55,226,911	29,935,553
Associate- Ouyeel Factoring	1,300,284	–
	<b>56,527,195</b>	33,247,960

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### *Other receivables*

An age analysis of the other receivables is as follows:

	31 December 2021	31 December 2020
Within one year	201,294,455	341,071,355
One to two years	902,478	4,584,117
Two to three years	2,675,690	540,000
Over three years	59,149,366	410,799,576
	<b>264,021,989</b>	756,995,048
Less: Provision for bad debts	59,734,425	419,210,241
	<b>204,287,564</b>	337,784,807

Other receivables classified by nature:

	31 December 2021	31 December 2020
Due from trading companies	68,393,549	488,317,627
Guarantee for steel futures	138,290,419	120,846,925
Prepayments of custom duties and VAT	37,523,667	105,140,963
Others	19,814,354	42,689,533
	<b>264,021,989</b>	756,995,048
Less: Provision for bad debts	59,734,425	419,210,241
	<b>204,287,564</b>	337,784,807

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. 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:

#### **31 December 2021**

	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses	Phase III Credit-impaired financial assets (Lifetime expected credit losses)	Total
As at 1 January 2021	941,199	8,349,590	409,919,452	419,210,241
Changes due to the opening balance	-	-	-	-
- Shift to Phase II	-	-	-	-
- Shift to Phase III	-	-	-	-
- Back to Phase II	-	-	-	-
- Back to Phase I	-	-	-	-
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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. 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)

31 December 2020

	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses	Phase III Credit-impaired financial assets (Lifetime expected credit losses)	Total
As at 1 January 2020	77,406	7,779,647	403,317,627	411,174,680
Changes in during the year	–	–	–	–
– Shift to Phase II	–	–	–	–
– Shift to Phase III	–	–	–	–
– Back to Phase II	–	–	–	–
– Back to Phase I	–	–	–	–
Accrual	863,793	569,943	6,601,825	8,035,561
Reversal	–	–	–	–
Other changes	–	–	–	–
Closing balance	941,199	8,349,590	409,919,452	419,210,241

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### *Other receivables (Continued)*

The movements of the provision for bad debts were as follows:

	Opening balance	Increase	Reversal	Write-back	Write-off	Closing balance
2021	419,210,241	570,659	(587,980)	(53,400)	(359,405,095)	59,734,425
2020	411,174,680	8,035,561	–	–	–	419,210,241

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

	Balance	Ratio to total other receivables (%)	Nature	Ageing	Balance of bad debts
Company 1	76,234,732	29	Guarantee for steel futures	Within 1 years	–
Company 2	62,053,687	24	Guarantee for steel futures	Within 1 years	–
Company 3	45,390,133	17	Due from trading companies	More than 3 years	(45,390,133)
Company 4	17,392,518	7	Guarantee	Within 1 years	(173,925)
Company 5	13,832,802	5	Due from trading companies	Within 1 years	(138,328)
	214,903,872	82			(45,702,386)



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### *Other receivables (Continued)*

As of 31 December 2020, the top five other receivables were as follows:

	Balance	Ratio to total other receivables (%)	Nature	Ageing	Balance of bad debts
Company 1	132,058,434	17	Due from trading companies	More than 3 years	(132,058,434)
Company 2	127,685,368	17	Due from trading companies	More than 3 years	(127,685,368)
Company 3	85,000,000	11	Due from trading companies	Within 1 years	-
Company 4	64,936,247	9	Guarantee for steel futures	Within 1 years	-
Company 5	60,939,960	8	Due from trading companies	More than 3 years	(60,939,960)
	470,620,009	62			(320,683,762)

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term equity investments

	31 December 2021	31 December 2020
Long-term investments under the equity method		
Joint ventures (i)	<b>307,367,524</b>	298,485,434
Associates (i)	<b>4,624,595,194</b>	3,187,478,456
Long-term investments under the cost method		
Subsidiaries (ii)	<b>9,076,444,687</b>	9,036,379,687
Subtotal	<b>14,008,407,405</b>	12,522,343,577
Less: Provision for impairment	<b>761,333,226</b>	761,333,226
Total	<b>13,247,074,179</b>	11,761,010,351

In the opinion of the directors, there was no material restriction on the realisation of investments as of 31 December 2021.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term equity investments (Continued)

#### (i) Investments in joint ventures and associates

31 December 2021

	Changes during the year									Impairment at the end of the year
	Opening balance	Increase	Decrease	Investment income under the equity method	Other comprehensive income	Other equity movement	Cash dividend declared	Provision for impairment	Ending balance	
Joint ventures										
Maanshan BOC-Ma Steel Gases Company Limited	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	-
Ma-Steel OCI Chemical	158,306,896	-	-	953,768	-	1,147,250	(1,300,284)	-	159,107,630	-
Ma-Steel Commercial Factoring (Note)	665,492,582	-	-	127,818,098	-	(236,036)	(19,199,030)	-	773,875,614	-
Magang Chemicals & Energy	101,993,153	-	-	21,455,692	-	-	(7,504,007)	-	115,944,838	-
Masteel K.Wah.	192,364,456	247,654,596	-	1,779,600	412,526	(19,553,293)	-	-	422,657,885	-
Ouyeel Chain Gold	309,246,128	-	-	81,905,521	-	1,641,429	(51,676,858)	-	341,116,220	-
Baowu Water Technology Co., Ltd.	-	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	-

Note: Please refer to Note V.13 for details.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term equity investments (Continued)

#### (i) Investments in joint ventures and associates (Continued)

31 December 2020

	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	271,695,413	-	-	98,790,021	-	-	(72,000,000)	-	298,485,434	-
MASTEEL-CMI	501,306	-	(501,306)	-	-	-	-	-	-	-
Associates										
Henan JinMa Energy	707,573,964	-	-	121,038,941	-	1,450,390	(57,600,000)	-	772,463,295	-
Shenglong Chemical	816,220,485	-	-	93,477,209	-	1,296,496	-	-	910,994,190	-
Shanghai Iron and Steel Electronic	66,964,108	-	-	15,362,859	-	(578,635)	(5,130,576)	-	76,617,756	-
Xinchuang Environmental Protection	147,887,236	-	(144,360,372)	2,886,158	-	899,385	(7,312,407)	-	-	-
Ma-Steel OCI Chemical	157,570,298	-	-	3,714,912	-	-	(2,978,314)	-	158,306,896	-
Ma-Steel Commercial Factoring	659,825,286	-	-	32,731,236	-	2,714,893	(29,778,833)	-	665,492,582	-
Magang Chemicals & Energy	102,560,472	-	-	19,691,935	-	-	(20,259,254)	-	101,993,153	-
Masteel K.Wah.	-	192,345,404	-	19,052	-	-	-	-	192,364,456	-
Masteel Scrap	321,029,830	-	-	20,831,209	-	7,958,142	(40,573,053)	-	309,246,128	-
	3,251,828,398	192,345,404	(144,861,678)	408,543,532	-	13,740,671	(235,632,437)	-	3,485,963,890	-

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term equity investments (Continued)

#### (ii) Investments in subsidiaries

31 December 2021

	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
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

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term equity investments (Continued)

#### (ii) Investments in subsidiaries

31 December 2021

	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 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 Antitrust(Note 1)	3,060,000	-	(3,060,000)	-	-	-	-	-
Mascomental	127,368,631	-	-	-	-	127,368,631	-	-
Masteel Middle East	5,476,450	-	-	-	-	5,476,450	-	-
Changchun Sales(Note 2)	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)	-	-	-	-
<b>Total</b>	<b>8,275,046,461</b>	<b>323,125,000</b>	<b>(13,060,000)</b>	<b>(270,000,000)</b>	<b>-</b>	<b>8,315,111,461</b>	<b>(761,333,226)</b>	<b>735,689,726</b>

Note 1: The 53th meeting of the 9th Board of Directors of the company reviewed and approved the liquidation report of Ma Steel Antitrust a subsidiary of the Company Ma Steel Antitrust was deregistered this year.

Note 2: The 51th meeting of the 9th Board of Directors of the Company reviewed and approved the liquidation report of Changchun Sales a subsidiary of the Company, and the Changchun Sales was cancelled this year.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term equity investments (Continued)

#### (ii) Investments in subsidiaries (Continued)

31 December 2020

	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	-	14,000,000
Ma Steel (Cihu)	48,465,709	-	-	-	-	48,465,709	-	18,400,000
Ma Steel (Guangzhou)	93,058,200	-	-	-	-	93,058,200	-	1,830,754
Ma Steel (HK)	52,586,550	-	-	-	-	52,586,550	-	28,380,805
MG Trading	1,573,766	-	-	-	-	1,573,766	-	-
Holly Industrial	21,478,316	-	-	-	-	21,478,316	-	9,058,794
Ma Steel (Jinhua)	90,000,000	-	-	-	-	90,000,000	-	-
Ma Steel (Australia)	126,312,415	-	-	-	-	126,312,415	-	-
Ma Steel (Hefei)	1,775,000,000	-	-	-	-	1,775,000,000	-	137,284,000
Ma Steel (Hefei) Processing	85,596,489	-	-	-	-	85,596,489	-	10,720,000
Ma Steel (Yangzhou) Processing	116,462,300	-	-	-	-	116,462,300	-	-
Wuhu Technique	106,500,000	-	-	-	-	106,500,000	-	266,987
Chongqing Material	175,000,000	-	-	-	-	175,000,000	-	7,000,000
Anhui Chang Jiang Iron and Steel	1,234,444,444	-	-	-	-	1,234,444,444	-	330,000,000
Masteel Finance	1,843,172,609	-	-	-	-	1,843,172,609	-	69,115,410
Hefei Materials	140,000,000	-	-	-	-	140,000,000	-	7,000,000
MG-VALDUNES(Notes VII.1) (Note 1)	439,915,772	157,524,000	-	-	(162,166,013)	435,273,759	(761,333,226)	-
Ma Steel Hangzhou Sales	10,000,000	-	-	-	-	10,000,000	-	9,000,000
Ma Steel Wuxi Sales	10,000,000	-	-	-	-	10,000,000	-	6,000,000
Ma Steel Nanjing Sales	10,000,000	-	-	-	-	10,000,000	-	7,000,000
Ma Steel Wuhan Sales (Note 2)	10,000,000	-	(10,000,000)	-	-	-	-	-

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term equity investments (Continued)

#### (ii) Investments in subsidiaries

31 December 2020

	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 Shanghai Sales	10,000,000	-	-	-	-	10,000,000	-	28,000,000
Ma Steel Rail Transportation	1,522,317,563	-	-	-	-	1,522,317,563	-	-
Ma Steel Oubang Color-coated (Notes 3)	10,050,000	-	(10,050,000)	-	-	-	-	-
Masteel America	3,298,375	-	-	-	-	3,298,375	-	-
Ma Steel Antitrust	3,060,000	-	-	-	-	3,060,000	-	-
Mascomental	127,368,631	-	-	-	-	127,368,631	-	-
Meite Metallurgical Power (Notes 4)	500,000	-	(500,000)	-	-	-	-	-
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	-	-
Wuhan Material (Notes VII.1)	85,000,000	74,375,000	-	-	-	159,375,000	-	-
<b>Total</b>	<b>8,225,863,474</b>	<b>231,899,000</b>	<b>(20,550,000)</b>	<b>-</b>	<b>(162,166,013)</b>	<b>8,275,046,461</b>	<b>(761,333,226)</b>	<b>683,056,750</b>



# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 3. Long-term equity investments (Continued)

#### (ii) Investments in subsidiaries (Continued)

31 December 2020 (Continued)

- Note 1: MG-VALDUNES, a wholly-owned subsidiary of the Company, has been in a state of continuous loss since it was acquired 2014. As 31 December 2020, the management affirmed that the Company's long-term investment of MG-VALDUNES had impairment indication. According to the assessment of an independent third-party valuer, the Company has the preparation of calculating the assets devalue RMB162,166,013 to long-term equity investment of MG-VALDUNES. As of the balance sheet date, the accumulated amount of the Company's impairment provision against MG-VALDUNES is RMB761,333,226.
- Note 2: At the thirty-eighth meeting of the ninth Board of Directors, the company reviewed and approved the liquidation report of subsidiary Ma steel Wuhan Sales Company a subsidiary of the Company, and Ma steel Wuhan Sales Company was deregistered in this year.
- Note 3: The thirty-seventh meeting of the ninth Board of Directors of the company deliberated and approved the company's investment subsidiary Ma steel Oubang color plate company liquidation report, Ma steel Oubang color plate in this year's cancellation.
- Note 4: The 39th meeting of the Ninth Board of Directors of the Company reviewed and approved the liquidation report of Metallurgical Power Company, and Metallurgical Power Company was deregistered in this year.

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 4. Revenue and cost of sales

	2021		2020	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	<b>94,114,178,329</b>	<b>85,099,732,171</b>	66,398,085,401	62,099,133,875
Other operating income	<b>2,371,755,772</b>	<b>1,496,843,478</b>	1,134,946,266	1,245,088,508
	<b>96,485,934,101</b>	<b>86,596,575,649</b>	67,533,031,667	63,344,222,383

Revenue from contracts with customers:

	2021	2020
Sales of products	<b>96,475,383,347</b>	67,504,565,530
Rental income	<b>10,550,754</b>	28,466,137
	<b>96,485,934,101</b>	67,533,031,667

Timing of revenue recognition from contracts with customers:

	2021	2020
Recognise at a point in time		
Sales of steel products	<b>91,235,326,259</b>	63,659,262,771
Sales of other products	<b>5,185,491,215</b>	3,819,731,772
Recognise over time		
Sales of services	<b>38,036,553</b>	23,074,155
Other	<b>16,529,320</b>	2,496,832
	<b>96,475,383,347</b>	67,504,565,530

# Notes to the Financial Statements (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## XIV. 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:

	2021	2020
Sales of products	<b>2,953,248,444</b>	2,144,589,928

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:

	2021	2020
Within one year	<b>4,313,631,584</b>	2,953,248,444

### 5. Investment income

	2021	2020
Investment income from long-term investments under the equity method	<b>684,410,285</b>	408,543,532
Investment income from long-term investments under the cost method	<b>735,689,726</b>	683,056,750
Gain from disposal of subsidiaries	<b>3,441,871</b>	7,262,894
Gain from disposal of subsidiaries that lose control	<b>17,746,360</b>	–
Gain from disposal of associates	–	17,581,629
Investment income from other equity instrument investments in duration	<b>11,869,164</b>	8,380,000
Gain from disposal of financial assets held for trading	<b>(107,717,582)</b>	15,146,313
	<b>1,345,439,824</b>	1,139,971,118

As at the balance sheet date, there was no significant restriction imposed upon the remittance of the Company's investment income.

# Supplementary information appendices

For the year ended 31 December 2021

Renminbi Yuan

## 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.

2021

### Items of non-recurring gains or losses

Loss from disposal of non-current assets	(143,399,924)
Government grants recognised in during 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)	139,217,796
Employee termination compensation	(338,969,150)
Gain from disposal of subsidiaries	24,143,097
Gain from disposal of subsidiaries	83,779,998
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	121,324,686
Net non-operating income or expenses other than the above items	483,635
	(113,419,862)
Income tax effect	(33,448,560)
Non-controlling interests effect (net of tax)	1,065,375
Net effect of non-recurring gains or losses	(81,036,677)

### Net profit attributable to owners of the parent excluding non-recurring gains or losses

Net profit attributable to owners of the parent	5,332,253,043
Less: net effect of non-recurring gains or losses	(81,036,677)
Net profit attributable to owners of the parent excluding non-recurring gains or losses	5,413,289,720

# Supplementary information appendices (Continued)

For the year ended 31 December 2021

Renminbi Yuan

## 2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

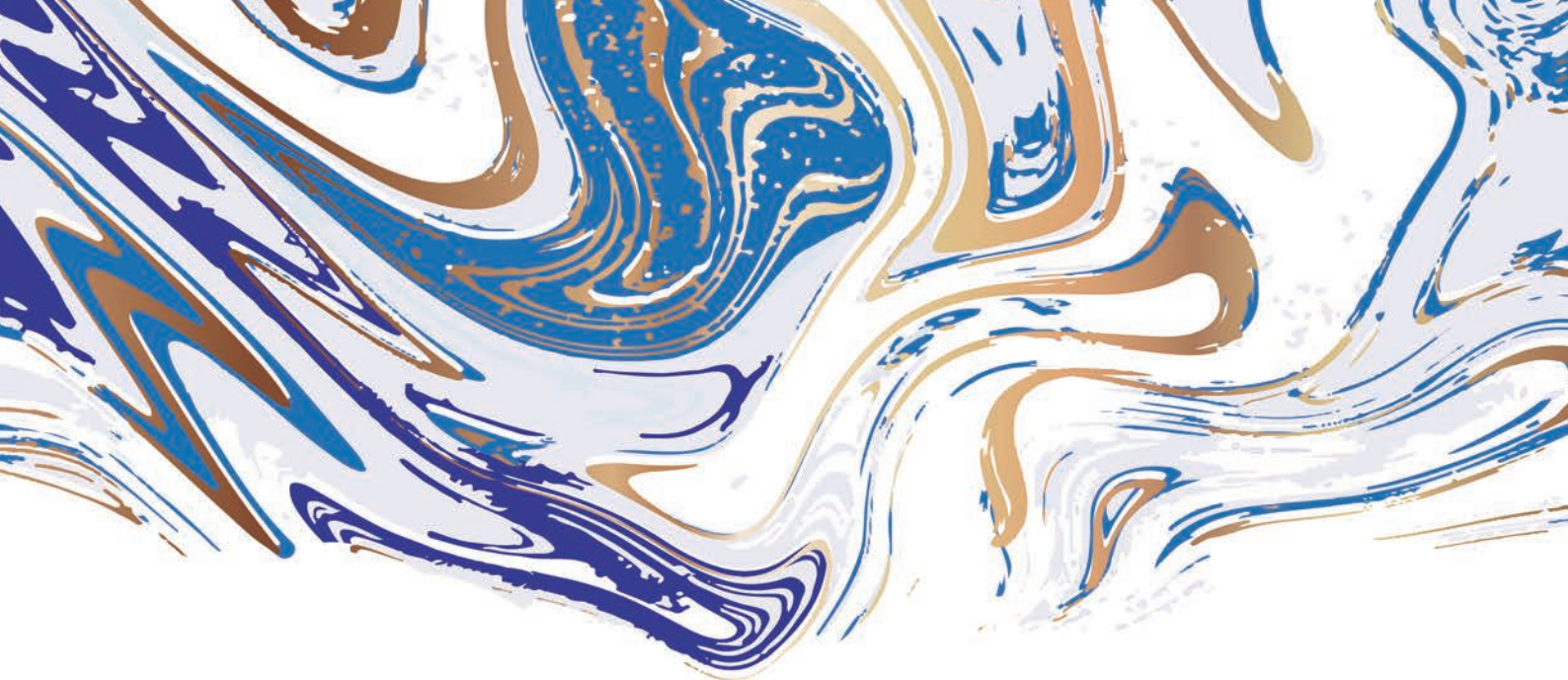
2021

	Return on weighted average net assets (%)	Earnings per share (cent/share)	
		Basic	Diluted
Net profit attributable to owners of the parent	17.44	69.24	69.24
Net profit attributable to owners of the parent excluding non-recurring gains or losses	17.71	70.30	70.30

2020

	Return on weighted average net assets (%)	Earnings per share (cent/share)	
		Basic	Diluted
Net profit attributable to owners of the parent	7.17	25.75	25.75
Net profit attributable to owners of the parent excluding non-recurring gains or losses	5.37	19.29	19.29

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.



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MA STEEL **Maanshan Iron & Steel Company Limited**