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

(Stock Code: 00323)

2022 ANNUAL RESULTS ANNOUNCEMENT

I. IMPORTANT NOTICE

- 1 This annual report summary is abstracted from the full text of that of current year's annual report. To fully understand the business performance, financial position and future development plans of the Company, investors shall carefully read the full Annual Report published on the website of Shanghai Stock Exchange and other media designated by the China Securities Regulatory Commission as well as the website of The Stock Exchange of Hong Kong Limited.
- 2 The board of directors, 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.
- 3 All directors attended the board meeting.
- 4 Ernst & Young Hua Ming LLP issued an auditor's report containing a standard unqualified opinion on the annual financial statements of the Company.
- 5 Profit distribution plan or plan for the capitalization of capital reserve during the reporting period proposed by the Board

The Board suggests 2022 final dividend of RMB0.02 per share (tax included) shall be distributed and retained earnings will be carried forward to the year of 2023. No capital reserve shall be transferred to share capital. The distribution plan is going to be submitted to the Annual General Meeting for approval.

II. BASIC INFORMATION OF THE COMPANY

1. Company Profile

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

Secretary of the Board of Directors

Joint Company Secretary

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2. Introduction of the Company's Major Businesses 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 can be roughly divided into four types, i.e. excellent special steel, wheels and axles, long products and plates.

- Excellent special steel: Major products include continuous casting round billets, special steel bar and industrial wire rod.
- Wheels and axles: Major products include train wheels, axles and rings.
- Long products: Major products include section steel and wire rod.
- Plates: Major products include thin plates and plates of moderate thickness. The thin plates are divided into hot and cold-rolled thin plates, galvanized plates and coilcoating plates.

During the reporting period, the Company created and innovated a “base management + brand operation” business model suitable for its own development based on its strategic positioning, established a partnership with six domestic steel mills based on brand operation of steel products, and reached cooperation in the fields such as product technical support, information sharing, production base management and product sales, based on the principle of win-win cooperation, which had a positive impact on the brand influence and comprehensive competitiveness of the Company. Except above-mentioned, during the reporting period, the major businesses, main products and their usages, operation modes, major driving factors of performance of the Company did not experience substantial changes.

3. Major Accounting Data and Financial Indicators of the Company

3.1 Major Accounting Data and Financial Indicators for the Past Three Years

Unit: million RMB

	2022	2021	Increase/ decrease compared to previous year (%)	2020
Total assets	96,887	91,208	6.23	80,711
Revenue	102,154	113,851	-10.27	81,614
Net profit attributable to owners of the parent	-858	5,332	-116.09	1,983
Net profit excluding non-recurring gains or losses attributable to owners of the parent	-1,111	5,413	-120.53	1,486
Net assets attributable to owners of the parent	29,195	32,753	-10.86	28,386
Net cash flows from operating activities	6,642	16,774	-60.41	2,771
Basic earnings per share (RMB/share)	-0.115	0.692	-116.62	0.258
Diluted earnings per share (RMB/share)	-0.115	0.692	-116.62	0.258
Return on net assets (weighted average) (%)	-2.77	17.44	Decreased by 20.21 percentage points	7.17

3.2 Major Accounting Data by Quarter during the Reporting Period

Unit: million RMB

	1st Quarter (Jan-Mar)	2nd Quarter (Apr-Jun)	3rd Quarter (Jul-Sep)	4th Quarter (Oct-Dec)
Revenue	26,580	29,787	22,944	22,843
Net profit attributable to owners of the parent	1,253	174	-763	-1,522
Net profit excluding non-recurring gains or losses attributable to owners of the parent	1,131	10	-588	-1,664
Net cash flows from operating activities	1,637	1,741	2,628	636

4. Share Capital and Shareholders

4.1 Numbers of Shareholders and Shareholding of the Top Ten Shareholders

Unit: Share

Total number of shareholders as at the end of the reporting period (<i>unit</i>)	165,408
Total number of shareholders as at the end of last month prior to the report date (<i>unit</i>)	161,250

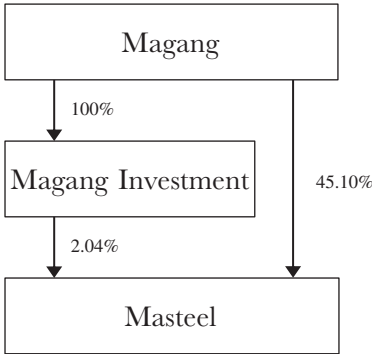
Shareholding of the top ten shareholders

Name of Shareholder (Full Name)	Increase/Decrease during the reporting period	No. of Shares at the end of the reporting period	Percentage (%)	No. of Shares under Restricted Condition for Sales	Pledged or Frozen Situations		Shareholder Nature
					Share Status	Number	
Magang (Group) Holding Company Limited	-	3,506,467,456	45.10	-	None	-	State-owned shareholder
HKSCC Nominees Limited	-1,684,030	1,716,644,520	22.08	-	Unknown	Unknown	Unknown
Magang Group Investment Limited	-	158,282,159	2.04	-	None	-	State-owned shareholder
Central Huijin Investment Ltd.	-	139,172,300	1.79	-	Unknown	Unknown	State-owned shareholder
Hong Kong Securities Clearing Company Limited	-58,167,886	119,307,546	1.53	-	Unknown	Unknown	Unknown
China Merchants Bank Ltd. – SSE Dividend Index ETF	Unknown	93,493,727	1.20	-	Unknown	Unknown	Unknown
China Life Pension Strategy No. 4 Equity Pension Product – Industrial and Commercial Bank of China Limited	Unknown	34,531,120	0.44	-	Unknown	Unknown	Unknown
Beijing Guoxing Real Estate Management Co., Ltd.	12,395,793	32,463,300	0.42	-	Unknown	Unknown	Unknown
Zhang Wu	3,300,000	26,300,000	0.34	-	Unknown	Unknown	Unknown
Agricultural Bank of China Limited – CSI 500 ETF	Unknown	20,776,496	0.27	-	Unknown	Unknown	Unknown

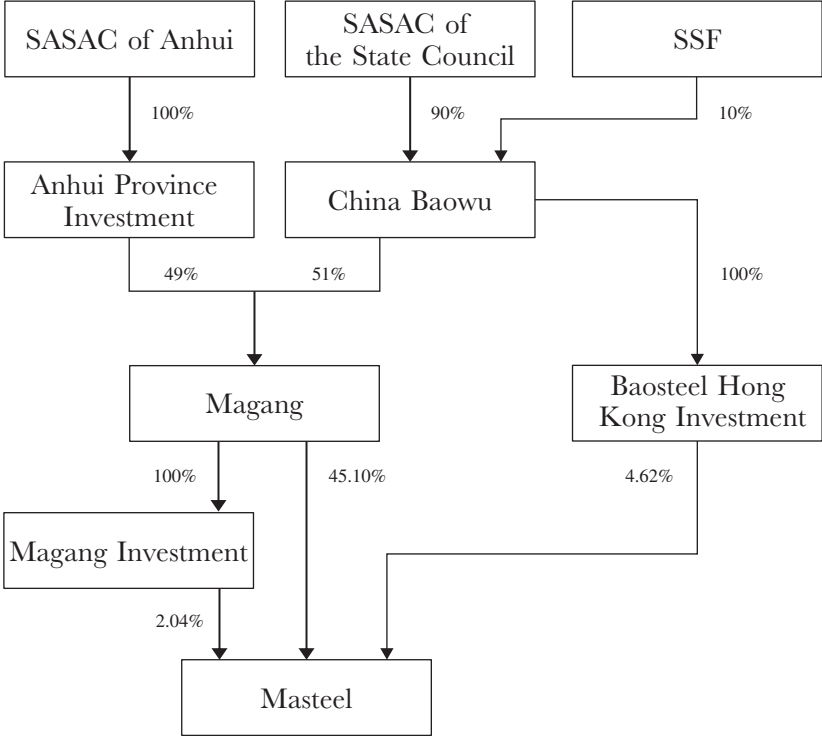
Notes on the above shareholders' Connected relation or concerted action As at the end of the reporting period, Magang (Group) Holding Company Limited is the controlling shareholder of Magang Group Investment Limited, and they are persons acting in concert. Magang (Group) Holding Company Limited has no connected 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 connected relation among other foregoing shareholders and whether they are persons acting in concert.

Note: As at the end of the reporting period, HKSCC Nominees Limited held 1,716,644,520 H Shares of the Company, which were held on behalf of its customers, including 358,950,000 H Shares of the Company held on behalf of Baosteel Hong Kong Investment Company Limited.

4.2 Block Diagram of Property Rights and Control Relationships between the Company and Controlling Shareholder



4.3 Block Diagram of Property Rights and Control Relationships between the Company and Actual Controllers



III. MANAGEMENT DISCUSSION AND ANALYSIS

1. Steel industry during the reporting period

In 2022, in the face of a stormy international environment and the difficult and onerous task of domestic reform, development and stability, China has taken into account both domestic and international considerations, balanced development and security, adhered to the general principle of seeking progress while maintaining stability, implemented the new development philosophy completely, accurately and comprehensively, accelerated the construction of a new development pattern, focused on promoting high-quality development, and tightened macro-control to cope with the impact of factors beyond expectations. GDP grew by 3.0% over the previous year, or less than the previous year, and the overall economic and social situation remained stable.

Affected by the economic downturn, the investment in real estate development decreased by 10.0% over the previous year, representing a decrease of 14.9 percentage points; in respect of the industrial added value of other major steel-consuming industries, except for automobile industry, which increased by 6.3%, representing a year-on-year increase of 0.8 percentage point, general machinery manufacturing decreased by 1.2%, representing a year-on-year decrease of 13.6 percentage points, special-purpose machinery manufacturing increased by 3.6%, representing a year-on-year decrease of 9 percentage points, and electrical machinery and equipment manufacturing increased by 11.9%, representing a year-on-year decrease of 4.9 percentage points, indicating weakening downstream demand in the steel industry. Due to global inflationary pressure and the Russia-Ukraine conflict, energy prices have risen and the steel costs are high. As a result of the influence coming from environmental protection and production restriction, etc., in 2022, China produced 864 million tonnes of pig iron and 1.018 billion tonnes of crude steel, respectively, representing a year-on-year decrease of 0.8% and 1.7%, respectively; and 1.34 billion tonnes of steel, representing a year-on-year increase of 0.3%. Steel enterprises respond actively, and strove to maintain a dynamic balance between supply and demand. According to the statistics of CISA, the total profit of key member steel enterprises of the statistics recorded a year-on-year decrease of 72.27%, with the gearing ratio increased.

Steel prices generally fluctuated downwards and recovered slightly at the end of the year. The annual average value of the composite steel price index (CSPI) for the Chinese domestic market was 122.78 points, representing a year-on-year decrease of 13.55%. In particular, the average value of price index for long products was 128.33 points, representing a year-on-year decrease of 12.01%; and the average value of price index for plates was 121.40 points, representing a year-on-year decrease of 14.18%.

Iron ore prices showed a fluctuating trend. The average value of China's iron ore price index was 435.63 points, down 24.4% year-on-year. The price of coking coal was at a high level. At the end of 2022, the Mysteel coking coal composite index was 2,275.7 points, up 13.8% from the beginning of the year. During the reporting period, the average value of the Mysteel coking coal composite index was 2,319.5 points, a year-on-year increase of 23.6%.

2. Major Business Performance during the Reporting Period

The year 2022 was extremely challenging and extraordinary for the development of the Company. In the face of the severe and complex domestic and international situation and the impact of multiple factors beyond expectations, we actively explored practical paths that were in line with the actual situation of the Company and promoted high-quality development of the Company, insisted on grasping and taking advantage of the trend, followed the law of development and implemented strategic priorities; adhered to a problem-oriented and systematic approach, comprehensively implemented the new development philosophy, focused on the main tasks and quickly promoted priorities, and strived to strengthen our bodies and improve quality and efficiency. However, the operating performance fell short of expectations due to factors such as the reduction of crude steel production capacity for environmental protection in the Yangtze River Delta, the downward fluctuations in steel prices and the high raw material costs.

During the reporting period, the Group produced 17.78 million tonnes of pig iron, 20.0 million tonnes of crude steel and 19.89 million tonnes of steel products, representing year-on-year decrease of 2.48%, 4.59% and 2.69%, respectively (of which the Company produced 14.31 million tonnes of pig iron, 15.67 million tonnes of crude steel and 15.61 million tonnes of steel products, representing year-on-year decrease of 0.12%, 4.57% and 0.74%, respectively). During the reporting period, as calculated in accordance with the PRC Accounting Standards for Business Enterprises, the Group's revenue amounted to RMB102,154 million, representing a year-on-year decrease of 10.27%; the net loss attributable to shareholders of the parent amounted to RMB858 million, representing a year-on-year decrease of 116.09%; and basic earnings per share amounted to RMB-0.115, representing a year-on-year decrease of 116.62%. As at the end of the reporting period, the Group's total assets amounted to RMB96,887 million, representing a year-on-year increase of 6.23%; and the net assets attributable to owners of the parent amounted to RMB29,195 million, representing a year-on-year decrease of 10.86%.

The main work included:

(I) **Working hard to maintain steady growth.** The Company strengthened its “safety, balance, stability and efficiency” operating strategy, comprehensively conducted benchmarking and sought for the ultimate efficiency to continuously improve the quality of its lean operation. Firstly, the “three reduction and two improvement” were carried out in depth. The Company quickly implemented the “three cost reduction and two efficiency improvement” plan and coordinated the planning of 21 work measures; actively responded to the rapidly changing market challenges, established a daily analysis and weekly adjustment mechanism, and formulated and implemented 35 measures in eight aspects of the operation improvement task from August to December. Secondly, the production lines were operated with the utmost efficiency. The Company strengthened the “consistent” management of the manufacturing system and further improved the efficiency of key production lines, breaking daily production records 156 times and monthly production records 46 times throughout the year; the daily output of the three converters at the No. 4 Steel Rolling Plant remained stable at over 90 furnaces per day, and the output of the 2250 production line exceeded 6 million tonnes, the best level of similar equipment in the industry. Thirdly, the benchmarking process continued to be in-depth. The cumulative improvement rate of 287 benchmarking indicators was 71.8% and the achievement rate was 63.1%. The temperature drop of molten iron lowered to 134.3℃, representing a year-on-year decrease of 20.7℃; the integrated hot charging rate was 72.9%, 14.6 percentage points higher than the previous year. Fourthly, the operation of both markets was effective. In terms of procurement, the Company actively broadened the resource channels, deepened lean procurement, promoted the ecosystem coordination to reduce costs, to achieve economical and safe supply. In terms of marketing, the Company insisted on gross profit-oriented products, strengthened product management and promoted the production of advantageous products. The annual sales volume of coilcoating plates exceeded 270,000 tonnes, the highest since the launch of production; the galvanized automobile outer sheet exceeded 100,000 tonnes for the first time, representing a year-on-year increase of 30%; the export of H-beam reached 465,000 tonnes, ranking first in China; and the export of 183,000 pieces of wheels, representing a year-on-year increase of 21.9%. Fifth, the joint economic operation of public and auxiliary facilities. Focusing on “effective operation, powerful protection, system optimisation and energy saving and consumption reduction”, the Company strengthened the stable operation of equipment, and the overall equipment efficiency (OEE) reached 76.3%, and was awarded as the national excellent unit in equipment management. The economical operation of the energy system was further promoted, and

the proportion of self-generated power increased to 74.9%, and A# Sintering Machine and No. 2 300-tonne converter were awarded the title of “Champion Furnace” in the national energy-saving and consumption reduction competition for key large-scale energy-consuming steel production equipment.

(II) Working efficiently and effectively to promote transformation.

The Company took the new special steel project as the main carrier and strived to build the most competitive high-quality base of excellent special steel; strengthened the construction of the innovation platform for rail transit axle and accelerated the creation of a global leading enterprise in the axle industry by taking the opportunity of Masteel Transportation Material’s being named the single champion demonstration enterprise for “Specialized and New” in the national manufacturing industry; realized professional management, platform operation and large-scale development of excellent special long products while strengthening, improving and expanding the base of long products; adhered to the differentiated development strategy and strived to strengthen and improve the plate products to upgrade leading products to the mid-to-high end. During the reporting period, the Company concentrated its efforts, accelerated the filling of capacity-gap in the northern area and the upgrading of the production line in the southern area, and made breakthrough progress in the “second-time entrepreneurship, transformation and upgrading”. Firstly, we have successfully implemented our project plans. The filling of capacity-gap projects in the northern area have been fully completed, B Blast Furnace was repaired within 84 days, and the offsite overhaul of 9# and 10# coke ovens, as well as the construction and operation of C Sintering Machine, were all completed on schedule. In addition, the representative production line upgrade project, New Special Steel Phase I in the southern area, has been basically completed. Secondly, we have made great progress in our brand management and cooperation with steel mills. We have innovatively developed a “base management + brand operation” commercial cooperation model and signed agreements with six units, including Jinnan Steel, to promote our brand operations. Our annual brand operation has exceeded 600,000 tonnes.

(III) Innovation driving strong technology. The Company adhered to innovation as the primary driving force and accelerated the implementation of the innovation-driven development strategy to promote high-level technological self-reliance. Firstly, we have continuously optimized our innovation platform. 71 company-level “leading projects” have been implemented in an orderly manner. The Company has been recognized as a national high-tech enterprise, and Masteel Transportation Material has been named the single champion demonstration enterprise for “Specialized and New” in the national manufacturing industry. Secondly, we have made breakthroughs in “bottleneck” problems. We have achieved mass production of domestically-manufactured high-speed railway wheels of 120 units for two trains, and 9 new products have been launched domestically for the first time, including two globally-first products: B-type subway low-noise wheels and DZ2 alloy steel for 350 km/h high-speed railway axles based on continuous casting technology. Thirdly, innovative achievements continued to emerge. Seven achievements have won the Metallurgical Science and Technology Award, including two first prizes; five achievements have won the Anhui Science and Technology Progress Award, including three first prizes; and five national and industry standards have been led to establish.

(IV) Empowering sustainable growth through green intelligence. The Company insisted on making green intelligence the core competitiveness of the enterprise and continued to promote it steadily. Firstly, we were deeply committed to green and low-carbon development. We have fully launched the building of an A-class environmental performance enterprise, carried out a 100-day campaign to achieve this goal, and achieved public online disclosure of clean transportation at our headquarters. We have also completed on-site audits of both organized and unorganized emissions. Our solid waste regeneration and utilization rate reached 27.2%, and our photovoltaic green power generation amounted to 35 million kilowatt-hours. The green power trading volume surpassed 200 million kilowatt-hours, and we completed the first cross-provincial green power transaction with green certificates. Three products, including hot-rolled large H-beam steel, have completed their life cycle assessment (LCA) carbon footprint quantification evaluations and have released environmental product declarations on the EPD platform. The Company has been selected as one of the first batch of “double carbon best practice energy efficiency benchmarking and demonstration plant cultivation enterprises” by CISA. We continuously improved our environmental performance in the plant area, implemented comprehensive environmental improvement in the northern area, built 343,000 square meters of new green areas, renovated 80,000 square meters of green

areas, and increased our green coverage rate to 36.5%. The Ma Steel industrial tourism scenic spot has been rated as a national AAA-level tourist attraction. Secondly, we deeply promoted smart manufacturing. The inspection and control center and special steel control center have been completed and put into operation, and the “one plant, one center” smart control model has basically taken shape. The remote technical support platform for blast furnaces has been successfully put into use, achieving interconnection and intercommunication of production data for nine blast furnaces at headquarters and Changjiang Steel. The “steel industry brain” intelligent steelmaking project is being steadily promoted. Two achievements of Masteel Transportation Material, namely “digital product R&D and design” and “intelligent collaborative operation” have been selected as excellent scenarios for intelligent manufacturing by the Ministry of Industry and Information Technology in 2022.

- (V) **Boldly driving reforms with a commitment to doing good.** The Company adhered to top-level design and systematic promotion to push forward key reform work in a practical and in-depth manner. Firstly, the three-year action plan for state-owned enterprise reform has been successfully completed. All 89 tasks have been fully accomplished, and the case study “Strategic Restructuring for Deep Integration to Unleash Reform Dividends (《立足戰略重組深度融合釋放改革紅利》)” has been selected for the State-owned Assets Supervision and Administration Commission of the State Council’s “Case Studies of State-owned Enterprise Reform: Three-year Action Plan(《改革攻堅：國企改革三年行動案例集》)”. Secondly, the “one headquarters and multiple bases” management control model has been essentially established. We have clarified the management responsibilities and authority interfaces between the headquarters and bases, and “one enterprise, one strategy” has formed a “standard + α ” management control model, with 107 process control lists covering 15 aspects. We have also extended the “consistent management” to subsidiaries and business areas such as safety, energy and environment, equipment, and human resources, which has effectively improved the system’s capabilities. Secondly, we have strictly controlled safety management. We have strengthened “consistent management” and “three managements and three musts”. With a focus on the three-year action plan for special rectification of safety production, we have pressed tight and implemented safety production responsibilities, strengthened safety education and training, deepened special rectification activities such as safety production inspections and “100-day zero-accident (百日清零行動)” initiatives, and built positive incentive and safety scoring mechanisms. We have also intensified accident analysis and accountability efforts to stabilize the safety production situation.

Thirdly, we have continuously improved personnel efficiency. Through process reengineering, smart manufacturing, professional collaboration, and job optimization, the average output of steel per capita at the headquarters has reached 1,336 tonnes. Fourthly, we have continued to deepen the transformation of collaborative management. We have implemented 23 integrated collaboration projects under the “management, use, maintenance and repair “approach, and strictly enforced supplier admission standards, accelerated the removal of “low-end, small and scattered (低小散)” suppliers, and reduced the number of collaborative suppliers to 55. Finally, we have steadily promoted the construction of a legal and compliant corporate culture. We have established and improved a legal and compliance management system, carried out thorough compliance checks and internal control risk self-examinations and rectifications, and effectively prevented compliance risks.

(VI) Unity and struggle creating cohesion. We insisted on relying on the staff for development, sharing the fruits of development with the staff and uniting them to create a better life with the “three possesses”. Firstly, the “three best” practical projects were further advanced. All 16 company-level and 219 factory-level “three best” practical projects have been completed. The transition of the compensation system was smooth and orderly, and the “inclusive + precise” services have been deepened, and employees’ sense of fulfillment and happiness has been further enhanced. Secondly, we encouraged innovation and efficiency through various job competitions and skills contests. We have carried out 13 company-level labor competitions and solidly promoted various skills competitions. Thirdly, we have set examples to lead the way. We continued to optimize the mechanism to motivate employees to strive for excellence, and have awarded 22 large red flags, 101 small red flags, and published 30 examples of excellence. One person was awarded the national “May 1st Labor Medal,” and four people were awarded the Anhui Province Labor Model. Fourthly, we actively fulfilled our social responsibilities. We attach great importance to corporate social responsibility and effectively promote environmental, social and corporate governance related work. The Company was selected for the “Central Enterprise ESG • Vanguard 50” and was listed on the “Central Enterprise ESG • Governance Vanguard 50 Index” and “Central Enterprise ESG • Risk Management Vanguard 50 Index.” We won the 2022 “ESG Golden Bull Award • Governance Vanguard Enterprise” and were selected for excellent ESG cases by China Association for Public Companies and the “Industry Model for Chinese Carbon Companies” by Sina Finance.

3. Analysis of Principal Operation

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	102,153,602,375	113,851,189,379	-10.27
Cost of sales	98,846,467,731	102,287,854,503	-3.36
Selling expenses	295,129,468	300,098,085	-1.66
General and administrative expenses	1,263,771,737	1,388,782,842	-9.00
Financial expenses	519,456,330	631,748,011	-17.77
R&D expenses	1,167,297,776	1,148,406,760	1.64
Other income	172,641,171	125,072,388	38.03
Gain on changes in fair value	30,075,870	84,773,531	-64.52
Assets impairment losses	33,008,666	3,489,661	845.90
Credit impairment losses	-1,558,665,706	-1,337,467,241	N/A
Gain from disposal of assets	440,339,732	223,736,352	96.81
Operating (loss)/profit	-483,950,030	7,367,922,604	-106.57
Non-operating income	13,246,032	38,728,760	-65.80
Non-operating expenses	89,913,246	390,322,193	-76.96
(Loss)/Profit before tax	-560,617,244	7,016,329,171	-107.99
Income tax	259,236,476	1,022,354,526	-74.64
Net (loss)/profit	-819,853,720	5,993,974,645	-113.68
Net (loss)/profit attributable to shareholders of the parent company	-858,225,310	5,332,253,043	-116.09
Net profit attributable to non-controlling interests	38,371,590	661,721,602	-94.20
Other comprehensive income, net of tax	-41,791,159	44,301,302	-194.33
Net cash flows from operating activities	6,641,701,587	16,774,476,432	-60.41
Net cash flows from investing activities	-7,097,959,955	-10,721,689,492	N/A
Net cash flows from financing activities	516,569,945	-4,900,326,529	N/A

Compared with last year:

Revenue decreased by 10.27%, mainly due to the impact of the economic downturn and shrinking demand, steel prices began to gradually decline since the second quarter and remained low fluctuations in the second half of the year, with a significant decrease compared to the same period last year. Moreover, the sales volume of steel for the year was also lower than last year due to factors such as environmental protection and production restriction.

Cost of sales decreased by 3.36%, mainly due to environmental protection and production restriction, and the sales volume of steel for the year was also lower than last year.

Other income increased by 38.03%, mainly due to the increase in government grants received by the Company in relation to its operations of the year as compared to last year.

Gain on changes in fair value decreased by 64.52%, mainly due to the decrease in gain on changes in fair value of forward foreign exchange contracts held by the Company during the year as compared to last year.

Credit impairment reversal increased by 845.90%, mainly due to the reversal of provision for loan impairment by Masteel Finance with the decrease in loans and advances to customers during the year.

Gain on disposal of assets increased by 96.81%, mainly due to the receipt of compensation for the related land resumption by Ma Steel (Hefei), a subsidiary of the Company, and the transfer of ironmaking capacity by Changjiang Steel.

Non-operating income decreased by 65.80%, mainly due to the receipt of government grants received by the Company in the previous year in relation to diversion and relocation.

Non-operating expenses decreased by 76.96%, mainly due to the scrapped assets in the previous year due to the Company's production and operation needs.

Income tax expense decreased by 74.64%, mainly due to the decrease in the profit of the Company for the year and the year-on-year decrease in taxable income.

Operating profit decreased by 106.57%, profit before tax decreased by 107.99%, net profit decreased by 113.68% and net profit attributable to shareholders of the parent decreased by 116.09%, mainly due to the decrease in gross profit of steel products of the Company during the year as compared with last year as a result of the impact of the scissor difference between both markets.

Net profit attributable to non-controlling interests decreased by 94.20%, mainly due to the decrease in the profitability of non-wholly owned subsidiaries during the year as compared with last year.

Net cash inflow from operating activities decreased by 60.41%, mainly due to the decrease in cash received from the sale of goods and provision of services, as well as the cash flow generated from the customer deposits and financial assets purchased under agreements to resell of Masteel Finance, which was an outflow during the year and an inflow in the previous year.

Net cash outflow from investing activities was RMB7,098 million compared to a net outflow of RMB10,722 million in the previous year, representing a year-on-year decrease of RMB3,624 million, mainly due to the decrease in cash outflow from financial assets held for trading and debt instrument investments.

Net cash inflow from financing activities was RMB517 million compared to a net outflow of RMB4,900 million in the previous year. The year-on-year change was mainly due to the decrease in cash paid by the Company for debt repayment during the year.

3.1 Analysis of Revenue and Cost of Sales

(1). Analysis of Principal Operation by Industry, Product and Region

Unit: million RMB

Principal operation by industry						
Industry	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 (%)
Iron and Steel	94,707	92,299	2.54	-9.20	-2.10	Decreased by 7.07 percentage points

Principal operation by product

Product	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 (%)
Steel plates	44,943	43,863	2.40	-14.00	-3.83	Decreased by 10.32 percentage points
Long products	45,667	44,456	2.65	-2.01	1.61	Decreased by 3.47 percentage points
Wheel and axles	2,523	2,143	15.06	17.08	16.47	Increased by 0.44 percentage point

Revenue by region

Region	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 (%)
Anhui	39,367	39,051	0.80	-16.20	-4.22	Decreased by 12.41 percentage points
Shanghai	17,423	16,508	5.25	-19.14	-10.86	Decreased by 8.80 percentage points
Jiangsu	17,363	16,215	6.61	-7.05	0.19	Decreased by 6.75 percentage points
Zhejiang	9,160	9,118	0.46	5.44	19.27	Decreased by 11.54 percentage points
Hubei	2,762	2,626	4.92	-32.25	-26.99	Decreased by 6.85 percentage points
Guangdong	2,646	2,592	2.04	-4.48	7.96	Decreased by 11.28 percentage points
Other regions in China	10,212	9,970	2.37	45.18	60.70	Decreased by 9.43 percentage points
Overseas and Hong Kong	3,221	2,767	14.10	-21.02	-23.31	Increased by 2.57 percentage points

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	54,366	52,548	3.34	-15.94	-5.53	Decreased by 10.66 percentage points
Distributors	38,767	37,914	2.20	6.67	17.23	Decreased by 8.81 percentage points

During the reporting period, the Group's revenue from principal operation was RMB99,020 million, of which the iron & steel revenue was RMB94,707 million, accounting for 96% of the principal operation revenue with no significant change in the proportion.

(2) Analysis of Production and Sales Volumes

Key products	Unit	Production		Inventory volume	Year-on-year increase/ (decrease) of production volume (%)		Year-on-year increase/ (decrease) of inventory volume (%)	
		volume	Sales volume		production volume	(decrease) of sales volume	of inventory volume	(decrease)
Long products	ten thousand tonnes	1,023.2	1,022.7	8.4	1.11	0.51	-16.46	
Steel plates	ten thousand tonnes	942.0	941.4	4.7	-10.82	-11.00	14.92	
Wheel and axles	ten thousand tonnes	23.5	23.6	0.3	12.01	12.60	-80.80	

(3) Analysis of Costs

Unit: million RMB

Cost components	Percentage		Percentage		Change in amount in 2022 against amount in 2021 (%)
	Amount in 2022	of total costs in 2022 (%)	Amount in 2021	of total costs in 2021 (%)	
Raw materials and fuels	80,295	81.23	86,024	84.09	-6.66
Salary	3,688	3.73	4,067	3.98	-9.32
Depreciation and amortization	3,042	3.08	2,962	2.90	2.70
Fuels and power	6,774	6.85	4,913	4.80	37.88
Others	5,047	5.11	4,322	4.23	16.77

(4) Analysis of Major Customers and Major Suppliers

During the reporting period, the largest customer was Shanghai Changjing Industrial Co., Ltd.* (上海昌敬實業有限公司), with sales of RMB2,503 million, accounting for 2.5% of total annual sales. Sales to the top five customers amounted to RMB8,139 million, accounting for 8.0% of total annual sales, less than 30%; among the sales to the top five customers, sales to related party amounted to RMB1,584 million, accounting for 1.6% of total annual sales. The largest supplier was Masteel Chengxing Metal Resources Co., Ltd., with purchases of RMB5,310 million, accounting for 5.8% of the total annual purchases. The purchases by the top five suppliers amounted to RMB20,519 million, accounting for 23% of the total annual purchases; among the purchases by the top five suppliers, purchases by related parties amounted to RMB13,256 million, accounting for 15% of the total annual purchases.

Among the major customers, Magang is the controlling shareholder of Anhui Magang Chemicals & Energy Technology Co., Ltd.. Among the major suppliers, Baowu Raw Material Supply Co., Ltd., OBEI Co., Ltd. and Masteel Chengxing Metal Resources Co. Ltd. are controlling subsidiaries of Baowu Group. 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 2022.

3.2 Expenses

During the reporting period, the Group's general and administrative expenses decreased by 9.00%, which was mainly due to the decrease in payroll and employee benefits and office expenses compared with last year; R&D expenses increased by 1.64%. In 2022, the Company continued to insist on promoting high-quality development through scientific and technological innovation, and focused on its advantageous products and the path of "green, high-quality and intelligent" to continuously enhance its independent innovation capability, and R&D expenses increased slightly compared with last year; and financial expenses decreased by 17.77%, which was mainly due to the reduction of financial expenses by seeking loans with policy preferential discounts, expanding cross-border financing channels, replacing high-interest financing with low-interest financing and other measures.

3.3 Research and Development (R&D) Expenses

R&D expenses details

Unit: RMB100 million

Spent R&D expenses in 2021	39.80
Capitalized R&D expenses in 2021	–
Total R&D expenses	39.80
Total R&D expenses as a portion of revenue (%)	3.90
Number of the Company's R&D staff	2,082
Percentage of R&D staff number to the Company's total number of employees (%)	11
Percentage of capitalized R&D expenses (%)	–

4. Analysis of Assets and Liabilities

4.1 Assets and Liabilities

Unit: RMB

Project Name	Closing balance of 2022	Percentage of closing balance of 2022 in total assets (%)	Closing balance of 2021	Percentage of closing balance of 2021 in total assets (%)	Year-on-year change (%)
Cash and bank balances	6,534,701,307	6.74	6,667,853,614	7.31	-2.00
Financial assets held for trading	625,997,138	0.65	5,732,467,255	6.29	-89.08
Notes receivables	1,933,419,913	2.00	466,956,969	0.51	314.05
Trade receivables	1,376,878,400	1.42	1,107,071,353	1.21	24.37
Financing receivables	2,659,676,438	2.75	4,795,905,782	5.26	-44.54
Prepayments	523,771,038	0.54	1,534,440,838	1.68	-65.87
Inventories	10,244,541,734	10.57	12,463,004,529	13.66	-17.80
Financial assets purchased under resale agreements	2,680,209,514	2.77	784,602,397	0.86	241.60
Loans and advances to customers	2,644,197,648	2.73	4,726,693,965	5.18	-44.06
Other current assets	9,763,174,357	10.08	4,669,834,825	5.12	109.07
Long-term receivables	4,136,391	0.00	11,142,621	0.01	-62.88
Property, plant and equipment	42,432,233,911	43.80	28,605,250,896	31.36	48.34
Construction in progress	7,766,555,935	8.02	10,999,333,300	12.06	-29.39
Right-of-use assets	289,244,099	0.30	568,919,288	0.62	-49.16
Financial liabilities held for trading	–	–	31,663,498	0.03	-100.00
Notes payable	5,220,978,025	5.39	3,953,458,712	4.33	32.06
Accounts payables	17,224,018,731	17.78	10,437,709,731	11.44	65.02
Payroll and employee benefits payable	488,255,914	0.50	349,524,741	0.38	39.69
Taxes payable	639,849,357	0.66	1,073,613,979	1.18	-40.40
Non-current liabilities due within one year	2,059,412,922	2.13	1,358,293,333	1.49	51.62
Provisions	25,699,276	0.03	37,618,128	0.04	-31.68
Long-term loans	7,982,390,765	8.24	5,452,250,052	5.98	46.41
Lease liabilities	305,546,394	0.32	571,979,597	0.63	-46.58

Project Name	Closing balance of 2022	Percentage of closing balance of 2022 in total assets (%)	Closing balance of 2021	Percentage of closing balance of 2021 in total assets (%)	Year-on-year change (%)
Long-term payable	168,053,940	0.17	-	-	N/A
Long-term employee benefits payable	16,423,474	0.02	28,537,508	0.03	-42.45
Deferred tax liabilities	3,397,498	0.00	17,251,303	0.02	-80.31
Other comprehensive income	-30,006,411	-0.03	12,271,369	0.01	-344.52
Special reserve	107,567,088	0.11	45,427,634	0.05	136.79
Retained earnings	8,078,876,545	8.34	11,661,535,210	12.79	-30.72

Compared with last year:

Financial assets held for trading decreased by 89.08%, mainly due to the significant decrease in wealth management products held by Masteel Finance during the year.

Notes receivables increased by 314.05%, mainly due to the increase in notes receivables settled by endorsement and the increase in notes receivable intended to be held to maturity during the year.

Financing receivables decreased by 44.54%, mainly due to the increase in derecognition of the Company's financing receivables during the year.

Prepayments decreased by 65.87%, mainly due to the decrease in prepayments for coal, coke and ore made by the Company at the end of the year.

Financial assets purchased under resale agreements increased by 241.60%, mainly due to the increase of bonds reverse repurchase business of Masteel Finance this year.

Loans and advances to customers decreased by 44.06%, mainly due to the decrease in financing business of Maanshan Iron and Steel Group and its subsidiaries with Masteel Finance during the year.

Other current assets increased by 109.07%, mainly due to the increase in interbank deposits held by Masteel Finance as compared to the end of the previous year.

Long-term receivables decreased by 62.88%, mainly due to the timely recovery of part of the amounts as Masteel Finance carried out sale and leaseback business during the year.

Property, plant and equipment increased by 48.34%, mainly due to the completion of projects such as the environmental upgrade and intelligent renovation project of port raw material plant, the off-site coke oven overhaul project in the coking plant and the B blast furnace overhaul project in the steel making plant, which were transferred to fixed assets during the year.

Right-of-use assets decreased by 49.16%, mainly due to the decrease in the right-of-use assets resulting from the decrease in use area of the Group building and Zhiyuan building leased by the Company as well as the decrease in rent during the year.

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

Notes payables increased by 32.06%, mainly due to the flexibility in notes ratio in accordance with the Company's operating strategy during the year.

Accounts payables increased by 65.02%, mainly due to the decrease in the proportion of cash payment as a result of the significant increase in the prices of raw materials and fuels this year and the adjustment of the cash payment policies.

Payroll and employee benefits payable increased by 39.69%, mainly due to the increase in social insurance premiums accrued and not yet paid at the end of the year as a result of the adjustment of the social insurance base.

Taxes payable decreased by 40.40%, mainly due to the payment of unpaid value-added tax and value-added tax surcharge payable at the end of previous year in the current period.

Non-current liabilities due within one year increased by 51.62%, mainly due to the increase in the amount of loans due within one year as a result of the adjustment of the financing structure during the year.

Provisions decreased by 31.68%, mainly due to the decrease in the number of pending onerous contract at MG-VALDUNES.

Long-term loans increased by 46.41%, mainly due to the adjustment of the financing structure and increase in long-term loans during the year in accordance with the production operation and construction.

Lease liabilities decreased by 46.58%, mainly due to the change of present value of lease payment after re-calculation resulting from the decrease in rent and use area of the Group building and Zhiyuan building leased by the Company compared with the previous year.

Long-term payables amounted to RMB168 million compared to nil at the end of the previous year, mainly due to the liability arising from the restricted shares scheme of the Company in this item.

Long-term employee benefits payable decreased by 42.45%, mainly due to the decrease in headcount of the Company and certain subsidiaries during the year and the corresponding decrease in early retirement benefits and supplementary retirement benefit.

Deferred tax liabilities decreased by 80.31%, mainly due to the decrease in the fair value of other equity instrument investments at the end of the year compared to the end of the previous year, corresponding to the reversal of deferred tax liabilities.

Other comprehensive income decreased by 344.52%, mainly due to the charges in valuation of other equity instrument investments measured at fair value through other comprehensive income.

Special reserve increased by 136.79%, mainly due to the increase in the safety fund as compared to the previous year.

Retained earnings decreased by 30.72%, mainly due to a significant decrease in the gross profit of steel products of the Company and a change in profit from profit to loss as a result of the sluggish steel market environment during the year, as well as the distribution of dividends for 2021 during the year.

5. Analysis of Operational Information

During the reporting period, the production capacity and utilization rates were as follows:

Product type	Production capacity <i>(ten thousand tonnes)</i>	Utilization rate of production capacity <i>(%)</i>
Pig iron	1,775	100.17
Crude steel	2,140	93.46
Steel products	2,050	97.02

5.1 Manufacturing and Sales of Steel Products Based on Processing Techniques

Unit: million RMB

Types	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	4,714,834	5,376,855	4,718,462	5,380,043	19,537	31,249	19,583	26,970	-0.24
Hot-rolled steel	14,936,538	14,863,782	14,922,786	14,931,102	71,073	67,615	68,736	62,391	3.29	7.73
Wheel and axles	235,222	210,390	236,466	210,235	2,523	2,155	2,143	1,840	15.06	14.62

5.2 Manufacturing and Sales of Steel Products Based on Forms of Finished Goods

Unit: million RMB

Types	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	10,231,754	10,118,679	10,227,239	10,175,291	45,667	46,604	44,456	43,751	2.65
Steel plates	9,419,618	10,121,958	9,414,009	10,135,854	44,943	52,260	43,863	45,610	2.40	12.72
Wheel and axles	235,222	210,390	236,466	210,235	2,523	2,155	2,143	1,840	15.06	14.62

5.3 Sales of Steel Products Based on Sales Channels

Unit: RMB100 million

Based on sales channels	Revenue		Percentage in total revenue (%)	
	This Year	Last Year	This Year	Last Year
	Offline sales	731.3	960.2	71.59
Online sales	200.0	50.4	19.58	4.43

5.4 Supply of Iron Ore

Unit: RMB100 million

Supply source of iron ore	Supply volume (tonnes)		Expense amount	
	This Year	Last Year	This Year	Last Year
Domestic source	6,711,920	6,597,340	60.99	83.87
Overseas import	<u>22,434,464</u>	<u>20,610,573</u>	<u>174.68</u>	<u>244.83</u>
Total	<u><u>29,146,384</u></u>	<u><u>27,207,913</u></u>	<u><u>235.67</u></u>	<u><u>328.70</u></u>

5.5 Supply of Scrap Steel

Unit: RMB100 million

Supply source of scrap steel	Supply volume (tonnes)		Expense amount	
	This Year	Last Year	This Year	Last Year
Domestic procurement	3,069,159	2,760,015	97.41	88.56

6. Investment Analysis

6.1 General Analysis of External Equity Investments

Unit: million RMB

The Company's investment amount as at the end of the reporting period	12,884.39
Changes in investment amount	-1,231.55
The Company's investment amount as at the end of the previous year	14,115.94
Increase/decrease in investment amount (%)	-8.72

During the reporting period, the Company did not carry out any significant equity investments.

6.2 Significant Non-equity Investment

Unit: million RMB

Project Name	Budgeted Investment	New Investment during the Reporting Period	Project Progress
Product quality projects	28,268	4,627	30%
Energy-saving and environment protection projects	12,006	4,494	69%
Modification	7,758	3,762	72%
Other projects	N/A	733	N/A
Total	<u> /</u>	<u> 13,616</u>	<u> /</u>

7. Outlook for Future Development

7.1 Industry Landscape and Trend

2023 is the year marking the beginning of the full implementation of the 20th Party Congress. The external environment has become more uncertain, with global inflation still at a high level and economic and trade growth momentum weakening; domestic economy achieved a steady growth, but the foundation still needs to be consolidated, and insufficient demand remains a prominent contradiction. The Government will follow the deployment of the Central Economic Working Conference, implement the new development new development philosophy completely, accurately and comprehensively, accelerate the construction of a new development pattern, and promote the overall improvement of economic operation by maintaining the continuity, stability and pertinence of policies, strengthening the coordination of various policies, and forming a development synergy, with the national economy expected to operate within a reasonable range. From the perspective of the steel industry, it is difficult to fundamentally change the contradiction of oversupply in the short term, and the resource, energy and environmental constraints continue, thus the external environment facing the steel industry remains complex and severe. At present, although the trend of decline in steel consumption in the real estate industry has improved, infrastructure investment has increased steadily, and the steel consumption in the household appliance industry is expected to be stable, the demand in automotive, machinery and ship industries is insufficient. Overall, the steel industry will be under high operating pressure in the short term.

7.2 Corporate Development Strategy

In 2023, the Company will generally adhere to the general principle of seeking progress while maintaining stability, fully implement the new development philosophy, strive to promote high quality development, focus on improving ROE and gross profit per tonne of steel, pursue extreme efficiency, optimize product mix and channels, conduct benchmarking to identify differences, improve efficiency, and strive to promote high-quality development, so as to achieve effective improvement in quality and reasonable growth in quantity.

7.3 Business Plan

In 2023, the Group mainly aims to produce 19.19 million tonnes of pig iron, 20.97 million tonnes of crude steel and 20.69 million tonnes of steel; and to achieve successful A-class environmental performance enterprise creation of the Company. Accordingly, the Company will adopt the following key measures:

- 1. Focusing on value creation and comprehensively conducting benchmarking to identify differences.** Firstly, insisting on the performance-oriented principle. The Company will insist on the performance orientation of “leader-follower coordination and value creation (超跑追領、價值創造)”, operate based on performance, and drive all staff to strive for first-class performance; learn from the experience of excellent peers, and actively explore for breakthroughs, so as to form a performance responsibility system with the characteristics of the Group. Secondly, comprehensively conducting benchmarking to identify differences. The Company will strengthen the top-level design and formulate an action plan for conducting benchmarking to identify differences; improve the benchmarking system and strengthen systematic benchmarking, precise benchmarking and classification benchmarking to further improve the pertinence and effectiveness of benchmarking; focus on key indicators, take profit per tonne of steel and EBITDA per tonne of steel as the core, sort out the cost indicators of the whole value chain, focus on process benchmarking, production line efficiency and product quality, continuously improve manufacturing capacity and product operation capacity, and strive to optimize profit per tonne of steel, return on net assets, operating cash ratio and other indicators. Thirdly, optimising the incentive mechanism. The Company will adhere to pay equal attention to both incentive and restraint, give full play to the guidance role of positive and negative incentive assessment, and motivate the whole staff to take

up the role through rewarding the good and punishing the bad; adhere to the classification design, promote the competition for performance among departments and among secondary units, and guide each unit to earn respect and get in return through performance race; adhere to the case sharing, and select the advanced models of post innovation and efficiency, so as to achieve experience sharing and knowledge flow and create a strong atmosphere of “comparing, learning, catching up, helping and exceeding”.

2. Focusing on efficiency and benefit to improve lean operations.

Firstly, paying attention to safety in a strict and practical manner. The Company will unswervingly take safety as the cornerstone to promote high-quality development, adhere to the principles of “prioritising safety and emphasizing prevention”, strengthen red line consciousness and bottom line thinking, and improve the systems, enhance the capacities and upgrade the level, so as to promote the best ever level of safety performance. Guided by goals and measured preferentially by results, the Company will adhere to comprehensive and strict management, actually implement the safety responsibility, strengthen the “consistent management” and the “three managements and three necessities”, and implement both primary responsibility and territorial responsibility. Secondly, reducing costs and improving efficiency in a deep-going way. The Company will insist on “three decreases and two increases” as an important measure to cope with the severe situation in the industry, strengthen management thinking, promote the transformation of financial management from accounting to operation and management, drive improvement in business performance with the business and financial integration, and strengthen product operation; downscale operation units into operation areas, carry out “budget carefully” activities in operation areas, and guide employees to “know how to budget, make accurate and clear budgets”, so as to fully stimulate new driving forces in operation areas to reduce costs and improving efficiency. Thirdly, vigorously optimising the product mix and channels. The Company will adhere to the priority of efficiency, dynamically evaluate marginal contributions, anchor profitability and product mix and channels, innovate and implement an integrated model of production, marketing and research, collaborate to promote 36 product restructuring support projects, set two levels of goals, namely “Must Reach” and “Challenge”, and optimize structure, expand channels, increase revenue and create benefits, so as to ensure that the annual restructuring increment exceeds 1.18 million tonnes. Fourthly, continuing to improve the efficiency of production lines. The Company will adhere to the principles of “safety, balance, stability and efficiency”, and give full play to the advantages of the process equipment of the project of filling capacity-gap in the northern area

newly put into operation to support the extremely efficient production; adhere to the blast furnace as the centre, fully promote the “consistent management” in pre-iron-making, and optimize the operation of “one furnace, one strategy” and the blast furnace checkup system, so as to maintain the stable and smooth operation of blast furnace on a high metallurgical strength level; optimize the coal blending and ore blending structure, improve the proportion of non-major ore, further improve the coal ratio, and reduce the fuel consumption of blast furnace. Fifthly, strengthening safe and stable guarantee of supply. The Company will insist on giving more prominence to the security of resources and energy, expand resource channels, optimize the proportion of imported and domestic ores used, expand the proportion of economic scrap steel, optimize the structure of the power grid, and improve the capacity of strategic resources and energy security.

- 3. Focusing on strategic positioning and continuing to optimize industry layout.** Firstly, making great efforts to put the new special steel project into operation and reach target output. The Company will adhere to the new special steel project as an important step to build a high-quality base of excellent special steel of China Baowu, firm confidence in “special steel will win (特鋼必勝)”, set up a special steel production preparation team, get a head start in production plan, marketing and costs, push forward the first phase of the new special steel project to reach target output and create benefits rapidly, and strive to achieve daily target output reaching for the first month, monthly target output reaching for the next month and positive operating cash flow for a single month. Secondly, continuing to build key projects. The Company will speed up the construction of the No. 2 continuous casting machine renovation project for section steel in the southern area, and make every effort to implement the steel making and continuous casting system project of the second phase of the new special steel project, the No. 3 and No. 4 continuous casting machine renovation project in the second area of long products, and the new coil coating plates production line project of Ma Steel (Hefei).

4. **Focusing on the development of “premiumisation, greening and intelligence” to create a high-tech innovative enterprise.** Firstly, committed to premiumisation and enhancing technological innovation capability. The Company will strengthen technological innovation to support operational benefit creation, accelerate the new products’ R&D and being put into operation of the new special steel project, and establish a sound mechanism for rapid R&D and 1+1 project; implement a new mechanism for the development of key new product, follow the consistent and “small cut” concept, and strengthen the integration of production, marketing and research, so as to promote product structure adjustment and strive for annual sales of over 500,000 tonnes of key new products; accelerate the pace of product innovation around high strength and corrosion resistance, continue to improve the quality index based on differentiation, and continue to promote near-net-shape products to launch and create benefits; continue to carry out research and development and promote the application of wheels and axles for high-speed railway. Secondly, committed to greening to lay a solid foundation of low-carbon development. The Company will accelerate the creation of an A-class enterprise in environmental performance, and steadily push forward the implementation of the “three governance” project, such as the No. 1 blast furnace gas refined desulfurization; implement the concentrated brine desalination project in the southern area, further improve the operation of rainwater and sewage diversion, and expand the internal disposal channels for solid and hazardous wastes; actively organize low-carbon metallurgical technology projects and the transplantation and application of proven technologies to support the steady promotion of the strategy of carbon peaking and carbon neutrality; strictly control the intensity and total amount of energy consumption, continuously optimize the energy consumption structure, and strengthen the acquisition of green energy; develop a roadmap for key low-carbon and zero-carbon products, strengthen the carbon footprint certification of products, and cooperate with users to carry out trial production work and bulk supply of low-carbon products. Thirdly, committed to intelligence to strengthen the momentum of the transformation of digital intelligence. The Company will seize the opportunity of digital transformation of traditional industries, and accelerate the pace of industrial digitisation through smart manufacturing, intelligent control and digital transformation. The Company will deepen “cross-industry, cross-base, and cross-space” integration, integrate various resources through network platforms, expand boundaries, promote inter-departmental and cross-level business interconnection and division of labour cooperation, realize the organic combination of professional and regional collaboration, promote resource sharing, and improve operational efficiency; build a big data centre of the Company, actively apply new

technologies such as artificial intelligence and Internet of Things, give full play to the advantages of the fusion of massive data and advanced algorithms, and improve the level of lean manufacturing and intelligent decision-making.

- 5. Focusing on reforming management to promote the modernisation of governance capacity.** Firstly, strengthening the consistent management. The Company will optimize the job responsibilities, deepen the promotion of consistent management, and promote business management departments to enhance the consciousness of initiative and responsibility vertically, with business management penetration, covering and being in place; horizontally strengthen the global consciousness, strive for cross-departmental and cross-professional system interaction and efficient synergy, and improve efficiency and effectiveness. Secondly, optimizing the “one headquarters with multiple bases” control mode. The Company will strengthen standard execution, optimize α settings, promote business synergy, management synergy and resource sharing among bases, and promote the maximisation of overall benefits. With the help of intelligent means, the Company will deepen the capacity building of the “one headquarters with multiple bases” system, reengineer business processes and improve management efficiency through comprehensive perception, real-time interconnection, data penetration and intelligent application. Thirdly, deepening the mixed ownership reform. In order to improve the corporate governance structure of Masteel Transportation Material, the Company will establish a long-term incentive and restraint mechanism to stimulate sustainable development vitality and promote the mixed ownership reform of Masteel Transportation Material. Fourthly, continuing to improve the efficiency of human resources. The Company will benchmark itself against excellent peers, conduct precise benchmarking in a hierarchical manner, tap the potential of human resources optimization in multiple dimensions such as job optimization, smart manufacturing, institutional streamlining and professional integration, strengthen the application of performance results and competency evaluation, explore the bottom-out mechanism in the operation areas, and strengthen regular job waiting and transfer training; deepen the change of professional collaboration management, build a market-oriented, professional and large-scale high-quality partner-type strategic supplier team, and gradually improve the efficiency of human resources.

6. **Focusing on risk prevention and control to prevent and resolve major risks.** Firstly, strengthening operational risk control. The Company will keep pace with market changes and adjust and optimize its business strategies in a timely manner, improve the operational risk prevention and control early warning system, and resolutely guard the bottom line of not allowing systemic risks to occur. The Company will strengthen the business and financial integration, and improve operational analysis capabilities to support the Company's scientific and efficient decision-making; strictly control the total amount of "inventories and receivables", strengthen inventory management, enhance accounts receivable management, and promote a 10% increase in inventory turnover efficiency; continuously improve operating cash flow, enhance current ratio and debt paying ability, enhance financing strength, and promote a steady decline in the gearing ratio and a virtuous cycle of operating cash flow. Secondly, enhancing compliance system capabilities. The Company will establish a sound compliance management system, strengthen the review of legal compliance in decision-making, form a closed-loop management of pre-audit, in-process tracking control and supervening supervision and evaluation, so as to enhance compliance system capabilities. Thirdly, improving the internal control system. The Company will strengthen the full coverage of internal control, form a grid-based risk control pattern of "business + management", and improve the four mechanisms of risk research and judgment, risk assessment for decision-making, risk prevention and control responsibilities and risk prevention and control coordination, so as to comprehensively improve the level of internal control management.
7. **Focusing on responsible management and solidly promoting co-building and sharing.** Firstly, comprehensively promoting job innovation and value creation. The Company will deepen the "1+2+4" training project for technology-leading talent teams, gather a group of technology-leading talents and innovation teams in key technology core areas led by Baowu scientists and Masteel experts and represented by chief masters; widely carry out skill competitions and job training, and comprehensively improve the skills and quality of employees relying on artisan bases and innovation studios. Secondly, striving to raise the level of "three possesses" of workers. The Company will continue to carry out the "Take practical actions to solve problems for the masses" campaign, systematically and regularly address the most concerned, direct and realistic interests of employees to further enhance their sense of gain, happiness and security. Thirdly, actively fulfilling social responsibilities. The Company will improve the top-level structure of ESG responsibility management, practice the concept of responsibility, and strengthen the practice of fulfilling responsibilities;

deeply implement the requirement of “poverty alleviation policies and government supervision being continued”, take the Showyes Project as a guide, continue to increase the support for industry, education, consumption, infrastructure improvement and other assistance work, and promote the revitalization of industry, talents, culture, ecology and organization in the assistance sites.

7.4 Potential Risks

Based on the domestic and international political and economic situation, the main risks that the Company may face include environmental protection risks, the risk of fluctuations in the prices of bulk raw materials such as iron ore and the risk of synergy between purchase and sale, as well as the risk of control of the “two reserves”,. The implementation of the Company’s measures responding to the risks depends on many factors such as market and policy, and subject to certain uncertainties, which should be paid special attention on by investors.

IV. SIGNIFICANT EVENTS

1. 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)

In accordance with PRC Accounting Standards for Business Enterprises, the Company’s net profit amounted to RMB322 million for the year 2022 and the profit available for distribution to shareholders at the end of 2022 amounted to RMB4,619 million. Comprehensively considering the future sustainable development of the Company and the long-term interests of its shareholders, the Board suggests 2022 final dividend of RMB0.02 per share (tax included) shall be distributed and retained earnings will be carried forward to the year of 2023. No capital reserve shall be converted to share capital. Subject to the consideration and approval of such distribution plan at the annual general meeting (the date of which will be announced in due course), the Company will proceed with the payment of dividends, and the expected payment date of the proposed final dividend will be 21 July 2023. Further details of the dividend distribution will be announced in the results announcement of the AGM.

The 2020 final dividend of the Company was RMB0.13 per share (tax inclusive). Retained earnings were carried forward to the year of 2021 and no capital reserve shall be converted to share capital. The 2021 final dividend of the Company was RMB0.35 per share (tax inclusive). Retained earnings were carried forward to the year of 2022 and no capital reserve shall be converted to share capital.

2. Remunerations of the Auditor

During the year, Ernst & Young Hua Ming LLP was appointed as the auditor of the Company and had issued an auditor's report on the financial statements prepared under the PRC Accounting Standards and internal control audit report. The remuneration for Ernst & Young Hua Ming LLP amounted to RMB3.66 million (tax inclusive), including annual audit fee for 2021 of RMB2.21 million, internal control audit fee of RMB550,000 and the fees for agreed upon procedures on interim financial statements for 2022 of RMB900,000. The aforementioned audit fees, agreed-upon procedures fees and other professional services were already inclusive of disbursements incurred by the auditor. In addition, the Company provided the auditors of Ernst & Young Hua Ming LLP with working meals and transportation within the plants while they were working in the Company, and they were responsible for other accommodation and transportation.

In 2022, Ernst & Young provided bond offering statement services for the Company's issuance of corporate bonds at a fee of RMB200,000 and issued a comfort letter on the accuracy of the calculation of the valuation report and a comfort letter on the adequacy of the Company's working capital regarding the absorption and merger of Magang Group Finance Co. Ltd. by Baowu Group Finance Co., Ltd. at a fee of RMB250,000.

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

3. Audit Committee

The Company's Audit Committee held a meeting on 29 March 2023 and reviewed the 2022 annual accounts.

4. Purchase, Sales or Redemption of Listed Securities of the Company

During the reporting period, the Company didn't repurchase any of its listed shares, and the Group didn't purchase or resale any listed share.

5. Pre-emptive Rights

When new shares are offered, the Company is not required under the law of China or the Articles of Association to ask its existing shareholders to buy new shares in the currency of their share holdings first.

6. Public Float

Based on the data accessible for the Company and to the best knowledge of the board of directors, as of the date of this report, the Company meets relevant requirements about public holdings in Securities Listing Rules of the Stock Exchange of Hong Kong Limited.

7. Code on Corporate Governance

In 2022, the Company has complied with all the requirements of the Code on Corporate Governance as set out in Appendix 14 of the Hong Kong Listing Rules.

All of the Directors of the Company had 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 Hong Kong Listing Rules during the reporting period.

V. MATTERS RELATED TO FINANCIAL REPORT

- 1. After auditing, the Company’s auditor Ernst & Young Hua Ming LLP issued an auditor’s report containing a standard unqualified opinion on the 2022 Annual Financial Report of the Company**
- 2. Significant changes to the accounting policy and accounting estimates**

On 31 December 2021, the Ministry of Finance issued the Notice on Issuing the Interpretation No. 15 of the Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) (“**Interpretation No. 15**”), which prescribed certain accounting treatment issues such as “the accounting treatment of external sales of products or by-products produced by enterprises before the fixed assets are ready for their intended use or during the R&D process”, “the presentation related to the centralized management of funds”, and “the determination of loss-making contracts”, etc..

In accordance with the requirements of Interpretation No. 15 and taking into account the actual situation of the Company, the content of “the accounting treatment of external sales of products or by-products produced by enterprises before the fixed assets are ready for their intended use or during the R&D process” is effective from 1 January 2022.

The above changes in accounting policies resulted in an increase in operating costs and a decrease in R&D expenses of RMB2,812 million in the consolidated financial statements of the Group for 2022, and an increase in operating costs and a decrease in R&D expenses of RMB2,327 million in the financial statements of the parent company for 2022. For 2021, they resulted in an increase in operating costs and a decrease in R&D expenses of RMB3,358 million in the consolidated financial statements of the Group, and an increase in operating costs and a decrease in R&D expenses of RMB2,802 million in the financial statements of the parent company. The changes in accounting policies had no material impact on the net profit and cash flows of the Group and the Company.

The changes in accounting policies are reasonable changes made by the Company in accordance with the relevant provisions of Interpretation No. 15 issued by the Ministry of Finance, which may reflect the financial position, operating results and actual situation of the Company in a more objective and fair manner and provide more reliable and accurate accounting information, in line with the relevant regulations and the actual situation of the Company.

Except the changes in accounting policies aforesaid, other unchanged parts will still implement the Accounting Standards for Business Enterprises – Basic Standards previously issued by the Ministry of Finance and various specific accounting standards, the Application Guidance for Accounting Standards for Business Enterprises, the interpretation announcements of the Accounting Standards for Business Enterprises and other relevant regulations.

- 3. During the reporting period, there was no correction due to material accounting errors**
- 4. Compared with the financial report of the previous year, the Company shall make specific explanation about the changes to the scope of the consolidation of financial statements.**

During the reporting period, according to the strategic deployment of the Company, a corporate reduction was made to MASTEEL AMERICA INC. and Ma Steel Middle East. At the end of the reporting period, these companies were liquidated and no longer consolidated. In order to focus on the steel industry, the Company transferred 75% equity interests in Ma Steel (Guangzhou) Processing and Distribution Co., Ltd., 75% equity interests in Ma Steel (Jinhua) Processing and Distribution Co., Ltd., and 71% equity interests in Holly Industrial Co., Ltd., which were no longer consolidated from the date of the transfer of equity interests.

Saved as the above, compared with the financial report of the previous year, the scope of consolidation of the Company's financial statements did not change.

CONSOLIDATED AND COMPANY'S STATEMENTS OF FINANCIAL POSITION
As at 31 December 2022
Renminbi Yuan

	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<i>Notes</i>	Group	Group	Company	Company
ASSETS				
CURRENT ASSETS				
Cash and bank balances	6,534,701,307	6,667,853,614	4,947,811,247	2,580,562,187
Financial assets held for trading	625,997,138	5,732,467,255	40,471,388	–
Notes receivable	1,933,419,913	466,956,969	2,028,976,500	670,651,738
Trade receivables	4 1,376,878,400	1,107,071,353	1,554,799,112	2,370,751,287
Financing receivables	5 2,659,676,438	4,795,905,782	2,090,411,894	2,178,463,701
Prepayments	6 523,771,038	1,534,440,838	442,776,048	860,597,030
Other receivables	330,510,759	310,005,481	150,558,816	260,814,759
Inventories	10,244,541,734	12,463,004,529	7,002,397,080	8,376,609,561
Financial assets purchased under agreements to resell	2,680,209,514	784,602,397	–	–
Loans and advances to customers	2,644,197,648	4,726,693,965	–	–
Other current assets	9,763,174,357	4,669,834,825	462,906,022	1,236,749,828
Total current assets	<u>39,317,078,246</u>	<u>43,258,837,008</u>	<u>18,721,108,107</u>	<u>18,535,200,091</u>
NON-CURRENT ASSETS				
Long-term receivables	4,136,391	11,142,621	–	–
Long-term equity investments	4,449,421,983	5,158,883,895	11,994,505,601	13,247,074,179
Other equity instruments investments	541,406,510	641,943,339	447,058,919	550,164,412
Investment properties	57,207,919	60,811,604	57,207,919	60,811,604
Property, plant and equipment	42,432,233,911	28,605,250,896	33,336,863,387	20,624,876,783
Construction in progress	7,766,555,935	10,999,333,300	6,636,259,808	10,187,178,312
Right-of-use assets	289,244,099	568,919,288	271,004,308	551,147,382
Intangible assets	1,875,095,733	1,727,329,824	1,357,773,436	1,085,272,031
Deferred tax assets	150,908,792	171,800,693	82,176,642	85,734,913
Other non-current assets	4,020,703	3,490,550	–	–
Total non-current assets	<u>57,570,231,976</u>	<u>47,948,906,010</u>	<u>54,182,850,020</u>	<u>46,392,259,616</u>
TOTAL ASSETS	<u>96,887,310,222</u>	<u>91,207,743,018</u>	<u>72,903,958,127</u>	<u>64,927,459,707</u>

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

As at 31 December 2022

Renminbi Yuan

	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<i>Notes</i>	Group	Group	Company	Company
LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)				
CURRENT LIABILITIES				
Customer deposits	9,082,110,579	9,253,057,291	-	-
Repurchase agreements	659,635,255	925,465,952	-	-
Short-term loans	9,198,483,165	8,952,209,045	9,677,805,231	9,812,742,107
Financial liabilities held for trading	-	31,663,498	-	31,663,498
Notes payable	7 5,220,978,025	3,953,458,712	2,468,071,491	397,205,795
Trade payables	8 17,224,018,731	10,437,709,731	15,008,917,007	9,662,660,374
Contract liabilities	4,987,638,416	5,741,241,284	4,221,839,659	4,313,631,584
Payroll and employee benefits payable	488,255,914	349,524,741	354,868,355	240,906,555
Taxes payable	639,849,357	1,073,613,979	474,452,288	805,680,949
Other payables	3,917,090,333	3,954,899,554	3,972,412,391	3,808,000,336
Non-current liabilities due within one year	2,059,412,922	1,358,293,333	2,057,457,424	1,357,008,967
Accrued liabilities	25,699,276	37,618,128	-	-
Other current liabilities	648,392,994	746,361,366	548,839,156	560,772,106
Total current liabilities	54,151,564,967	46,815,116,614	38,784,663,002	30,990,272,271
NON-CURRENT LIABILITIES				
Long-term loans	7,982,390,765	5,452,250,052	8,214,390,765	5,452,250,052
Lease liabilities	305,546,394	571,979,597	288,254,300	554,191,729
Long-term payable	168,053,940	-	168,053,940	-
Long-term employee benefits payable	16,423,474	28,537,508	-	2,499,619
Deferred revenue	933,916,449	911,424,466	692,633,615	763,616,571
Deferred tax liabilities	3,397,498	17,251,303	-	-
Total non-current liabilities	9,409,728,520	6,981,442,926	9,363,332,620	6,772,557,971
Total liabilities	63,561,293,487	53,796,559,540	48,147,995,622	37,762,830,242

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

As at 31 December 2022

Renminbi Yuan

	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<i>Notes</i>	Group	Group	Company	Company
LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)				
SHAREHOLDERS' EQUITY				
Share capital	7,775,731,186	7,700,681,186	7,775,731,186	7,700,681,186
Capital reserve	8,442,757,852	8,344,594,034	8,447,275,568	8,349,111,750
Less: Treasury shares	171,864,500	–	171,864,500	–
Other comprehensive income	(30,006,411)	12,271,369	132,591,787	193,384,920
Special reserve	107,567,088	45,427,634	69,568,483	19,760,287
Surplus reserve	4,720,262,452	4,688,014,995	3,883,475,865	3,851,228,408
General reserve	271,501,110	300,334,506	–	–
Retained earnings	8,078,876,545	11,661,535,210	4,619,184,116	7,050,462,914
Equity attributable to owners of the parent	29,194,825,322	32,752,858,934		
Non-controlling interests	4,131,191,413	4,658,324,544		
Total shareholders' equity	33,326,016,735	37,411,183,478	24,755,962,505	27,164,629,465
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	96,887,310,222	91,207,743,018	72,903,958,127	64,927,459,707

CONSOLIDATED AND COMPANY'S INCOME STATEMENT

For the year ended 31 December 2022

Renminbi Yuan

	Notes	2022 Group	2021 Group (Restated)	2022 Company	2021 Company (Restated)
Revenue	10	102,153,602,375	113,851,189,379	84,684,262,198	96,485,934,101
Less: Cost of sales	10	98,846,467,731	102,287,854,503	83,042,691,760	89,398,173,635
Taxes and surcharges		477,114,798	660,957,131	330,517,885	472,847,673
Selling expenses		295,129,468	300,098,085	153,954,265	162,595,706
General and administrative expenses		1,263,771,737	1,388,782,842	944,360,695	914,165,262
R&D expenses		1,167,297,776	1,148,406,760	826,772,430	830,797,022
Financial expenses	11	519,456,330	631,748,011	485,750,966	579,872,331
including: interest expense		472,856,092	653,603,557	436,364,199	627,508,438
interest income		46,140,803	29,644,120	26,123,496	20,005,992
Add: Other income		172,641,171	125,072,388	126,419,483	74,113,704
Investment income		814,285,702	834,975,866	2,712,431,411	1,345,439,824
including: share of profits of associates and joint ventures		423,321,646	690,501,616	400,470,289	684,410,285
Gain on the changes in fair value		30,075,870	84,773,531	72,134,886	64,505,812
Credit impairment reverse/(losses)		33,008,666	3,489,661	(19,231,231)	(4,636,098)
Assets Impairment losses		(1,558,665,706)	(1,337,467,241)	(1,448,422,857)	(876,811,914)
Gain from disposal of assets	12	440,339,732	223,736,352	76,393,705	266,988,309
Operating profit		(483,950,030)	7,367,922,604	419,939,594	4,997,082,109
Add: Non-operating income	13	13,246,032	38,728,760	1,556,088	25,923,311
Less: Non-operating expenses	14	89,913,246	390,322,193	54,572,103	335,808,748
Profit before tax		(560,617,244)	7,016,329,171	366,923,579	4,687,196,672
Less: Income tax expenses	15	259,236,476	1,022,354,526	44,935,626	298,163,148
Net profit		(819,853,720)	5,993,974,645	321,987,953	4,389,033,524
Categorized by operation continuity					
Net profit from continuing operations		(819,853,720)	5,993,974,645	321,987,953	4,389,033,524

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2022

Renminbi Yuan

	<i>Notes</i>	2022 Group	2021 Group	2022 Company	2021 Company
Categorized by ownership Net profit attributable to owners of the parent		<u>(858,225,310)</u>	<u>5,332,253,043</u>		
Net profit attributable to non-controlling interests		<u>38,371,590</u>	<u>661,721,602</u>		
Other comprehensive income, net of tax		(41,791,159)	44,301,302	(60,306,512)	103,383,581
Other comprehensive income attributable to owners of the parent, net of tax		(41,791,159)	44,301,302		
Other comprehensive income that will not be reclassified to profit or loss:		(58,960,711)	107,116,903	(60,470,137)	102,450,290
Changes in fair value of other equity investments		(58,960,711)	107,116,903	(60,470,137)	102,450,290
Other comprehensive income that may be reclassified to profit or loss:		17,169,552	(62,815,601)	163,625	933,291
Other comprehensive income using the equity method that may be reclassified to profit or loss		163,625	933,291	163,625	933,291
Changes in fair value of other debt investments		(9,249,030)	470,700		
Exchange differences on translation of foreign operations		<u>26,254,957</u>	<u>(64,219,592)</u>		
Other comprehensive income attributable to non-controlling interests, net of tax		—	—		
Total comprehensive income		<u>(861,644,879)</u>	<u>6,038,275,947</u>	<u>261,681,441</u>	<u>4,492,417,105</u>

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)*For the year ended 31 December 2022**Renminbi Yuan*

	<i>Notes</i>	2022 Group	2021 Group	2022 Company	2021 Company
Attributable to:					
Owners of the parent		<u>(900,016,469)</u>	<u>5,376,554,345</u>		
Non-controlling interests		<u>38,371,590</u>	<u>661,721,602</u>		
EARNINGS PER SHARE:					
Basic earnings per share (cent/share)	<i>16</i>	<u>(11.50)</u>	<u>69.24</u>		
Diluted earnings per share (cent/share)	<i>16</i>	<u>(11.50)</u>	<u>69.24</u>		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Renminbi Yuan

2022

	Attributable to owners of the parent										
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total shareholders' equity
1. Balance at the beginning 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
2. Increase/(decrease) during the year											
1) Total comprehensive income	-	-	-	(41,791,159)	-	-	-	(858,225,310)	(900,016,469)	38,371,590	(851,644,879)
2) Shareholders' contributions and reduction in capital											
(i) Capital contributions by shareholders	75,050,000	96,814,500	(171,884,500)	-	-	-	-	-	-	(79,220,079)	(79,220,079)
(ii) Changes in the share of other equity of associates and joint ventures	-	(31,477,552)	-	-	-	-	-	-	(31,477,552)	-	(31,477,552)
(iii) Amount of share-based payments recognised in equity	-	32,826,870	-	-	-	-	-	-	32,826,870	-	32,826,870
3) Profits appropriation											
(i) Transfer to surplus reserve	-	-	-	-	-	32,198,795	-	(32,198,795)	-	-	-
(ii) Transfer to general reserve	-	-	-	-	-	-	(28,833,396)	28,833,396	-	-	-
(iii) Distribution to shareholders	-	-	-	-	-	-	-	(2,721,505,915)	(2,721,505,915)	(491,481,270)	(3,212,987,185)
4) Other comprehensive income carried forward to retained earnings	-	-	-	(486,621)	-	48,662	-	437,959	-	-	-
5) Special reserve											
(i) Additions	-	-	-	-	121,042,007	-	-	-	121,042,007	18,472,354	139,514,361
(ii) Utilization	-	-	-	-	(82,084,770)	-	-	-	(82,084,770)	(13,229,360)	(95,314,130)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	-	23,321,311	-	-	-	23,321,311	-	23,321,311
(IV) Disposal of a subsidiary	-	-	-	-	(139,094)	-	-	-	(139,094)	(46,366)	(185,460)
3. Balance at the end of the year	7,775,731,186	8,442,757,852	171,884,500	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,078,876,545	29,194,825,322	4,131,191,413	33,326,016,735

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022
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
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 the share of 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	81,814,553
(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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
Renminbi Yuan

	2022	2021
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	89,402,281,159	106,726,134,987
Tax refunds received	1,380,979,545	5,722,962
Net decrease in deposits in central bank	130,479,969	849,508
Net increase in repurchase agreements	–	726,985,008
Net decrease in financial assets purchased under agreements to resell	–	562,137,604
Net increase in customer deposits and balances from banks and other financial institutions	–	2,632,925,094
Net decrease in loans and advances to customers	2,143,875,524	–
Cash received for interest charges, fees and commissions	326,085,821	412,043,770
Cash received relating to other operating activities	399,084,967	204,959,284
Sub-total of cash inflows	93,782,786,985	111,271,758,217
Cash paid for purchases of goods and services	(77,467,644,712)	(84,760,290,787)
Net decrease in repurchase agreements	(265,830,697)	–
Net decrease in deposits and balances from banks and other financial institutions and customer deposits	(170,946,712)	–
Net increase in loans and advances to customers	–	(83,620,774)
Cash paid to or on behalf of employees	(4,635,583,250)	(5,426,066,966)
Taxes and surcharges paid	(2,019,740,186)	(3,239,773,238)
Net increase in financial assets purchased under agreements to resell	(1,895,613,906)	–
Cash paid for interest charges, fees and commissions	(166,498,844)	(179,297,311)
Cash paid relating to other operating activities	(519,227,091)	(808,232,709)
Sub-total of cash outflows	(87,141,085,398)	(94,497,281,785)
Net cash flows from operating activities	6,641,701,587	16,774,476,432

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2022
Renminbi Yuan

	2022	2021
2. Cash flows from investing activities		
Cash received from disposal of investments	22,743,160,659	31,841,017,645
Cash received from investment income	382,470,601	248,003,849
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets	477,502,462	187,332,662
Net cash received from disposal of subsidiaries and other business units	449,763,136	–
Cash received relating to other investing activities	56,354,452	–
Sub-total of cash inflows	<u>24,109,251,310</u>	<u>32,276,354,156</u>
Purchases of property, plant and equipment, intangible assets and other non-current assets	(8,342,161,649)	(7,586,327,238)
Cash paid for investments	(22,865,049,616)	(35,394,272,916)
Cash paid relating to other investing activities	–	(17,443,494)
Sub-total of cash outflows	<u>(31,207,211,265)</u>	<u>(42,998,043,648)</u>
Net cash flows used in investing activities	<u>(7,097,959,955)</u>	<u>(10,721,689,492)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2022
Renminbi Yuan

	2022	2021
3. Cash flows from financing activities		
Cash received from borrowings	16,408,462,049	16,618,863,222
Cash received from investors	171,864,500	9,375,000
Including: capital injection from a subsidiary's non-controlling interests	–	9,375,000
Cash received relating to other financing activities	<u>549,341,708</u>	<u>–</u>
Sub-total of cash inflows	<u>17,129,668,257</u>	<u>16,628,238,222</u>
Repayment of borrowings	(12,953,712,984)	(19,556,873,889)
Cash paid for distribution of dividends or profits and for interest expenses	(3,625,015,435)	(1,842,152,922)
Including: dividends or profits paid to non-controlling interests by subsidiaries	(482,950,740)	(236,624,809)
Cash paid relating to other financing activities	<u>(34,369,893)</u>	<u>(129,537,940)</u>
Sub-total of cash outflows	<u>(16,613,098,312)</u>	<u>(21,528,564,751)</u>
Net cash flows from/(used) in financing activities	<u>516,569,945</u>	<u>(4,900,326,529)</u>
4. Effect of foreign exchange rate changes on cash and cash equivalents	<u>77,364,944</u>	<u>(52,995,362)</u>
5. Net increase in cash and cash equivalents	137,676,521	1,099,465,049
Add: cash and cash equivalents at the beginning of the year	<u>4,223,061,890</u>	<u>3,123,596,841</u>
6. Cash and cash equivalents at the end of the year	<u><u>4,360,738,411</u></u>	<u><u>4,223,061,890</u></u>

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2022

Renminbi Yuan

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

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

The financial statements are prepared on a going concern basis.

As of 31 December 2022, the net current liabilities of the Group amounted to RMB14,834,486,721. The directors of the Company have considered the availability of funding sources, including but not limited to an unutilized banking facilities of RMB30.2 billion as at 31 December 2022 and the expected cash inflows from the operating activities in the upcoming 12 months. The board of directors of the Company believes that the Group has sufficient working capital to continue as a going concern for not less than 12 months after the end of reporting period. Therefore, the board of directors of the Company continues to prepare the Group’s financial statements for the year ended 31 December 2022 on a going concern basis.

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

1.2 Statement of compliance with the CAS

The financial statements have been prepared in accordance with the CAS, and present truly and completely the financial position of the Company and the Group as of 31 December 2022, and the results of their operations and cash flows for the year ended 31 December 2022.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

2. SCOPE OF CONSOLIDATION

2.1 No Newly established subsidiary this year.

2.2 Disposal of subsidiaries

Names of subsidiaries	Changes of consolidation scope
Anhui Masteel Holly Industrial Co., Ltd. (“Holly Industrial”)	Disposal and loss of control and becoming an associated company
Ma Steel (Guangzhou) Processing and Distribution Co., Ltd (“Ma Steel(Guangzhou)”)	Disposal
Ma Steel (Jinhua) Processing and Distribution Co., Ltd. (“Ma Steel (Jinhua)”)	Disposal

2.3 Changes of consolidation scope caused by other reasons

In 2022, the changes of consolidation scope caused by other reasons is as follows:

Names of subsidiaries	Changes of consolidation scope
Masteel Middle East General Industrial (“Masteel Middle East”)	Deregistration
Masteel America Inc (“Masteel America”)	Deregistration

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

3. 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

	2022	2021
Sale of steel products	92,863,727,832	101,018,981,400
Sale of steel billets and pig iron	1,843,158,838	3,288,549,860
Sale of coke by-products	51,315,623	114,833,530
Others	4,262,235,321	6,627,857,455
	<u>99,020,437,614</u>	<u>111,050,222,245</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

External principal operating income

	2022	2021
Mainland China	94,515,743,414	106,255,795,328
Overseas and Hong Kong	4,504,694,200	4,794,426,917
	<u>99,020,437,614</u>	<u>111,050,222,245</u>
Non-current assets		
	31 December 2022	31 December 2021
Mainland China	56,696,562,410	46,978,671,717
Overseas and Hong Kong	177,217,873	145,347,640
	<u>56,873,780,283</u>	<u>47,124,019,357</u>

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 FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

4. TRADE RECEIVABLES

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

The ageing of trade receivables, based on the invoice date, is analyzed below:

	31 December 2022	31 December 2021
Within one year	1,335,955,228	1,098,242,556
One to two years	58,996,750	13,779,855
Two to three years	8,591,735	14,707,402
Over three years	49,684,990	37,241,496
	1,453,228,703	1,163,971,309
Less: Provisions for bad debts	76,350,303	56,899,956
	<u>1,376,878,400</u>	<u>1,107,071,353</u>

In 2022, there were no trade receivables that had been written off (2021: RMB6,351,633).

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

As of 31 December 2022 and 2021, the Group had no assets or liabilities deriving from transferring trade receivables in which the Group is continuingly involved.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

5. FINANCING RECEIVABLES

	31 December 2022	31 December 2021
Bank acceptance notes	<u>2,659,676,438</u>	<u>4,795,905,782</u>

As of 31 December 2022, the Group pledged the bank acceptance notes of RMB0 (31 December 2021: Nil) for the short-term loan.

The undue notes discounted or endorsed were as follows :

	31 December 2022		31 December 2021	
	Derecognized	Not derecognized	Derecognized	Not derecognized
Bank acceptance notes	<u>9,544,110,862</u>	<u>1,281,016,240</u>	<u>16,485,699,230</u>	<u>439,842,307</u>

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

As of 31 December 2022, the Group derecognized notes receivable discounted to financial institutions amounting to RMB2,236,530,863 (2021: RMB5,765,372,964), and recognized discount expense amounting to RMB34,430,874 (2021: RMB64,370,016).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

6. PREPAYMENTS

An ageing analysis of the prepayments is as follows:

	31 December 2022		31 December 2021	
	Book value	Ratio (%)	Book value	Ratio (%)
Within one year	512,652,749	98	1,513,789,753	99
One to two years	11,067,029	2	17,249,774	1
Two to three years	51,260	–	3,401,311	–
	<u>523,771,038</u>	<u>100</u>	<u>1,534,440,838</u>	<u>100</u>

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

7. NOTES PAYABLE

	31 December 2022	31 December 2021
Bank acceptance notes	<u>5,220,978,025</u>	<u>3,953,458,712</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

8. TRADE PAYABLES

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

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

	31 December 2022	31 December 2021
Within one year	16,875,547,891	10,379,620,559
One to two years	295,571,029	51,751,662
Two to three years	46,629,163	3,264,523
Over three years	6,270,648	3,072,987
	<u>17,224,018,731</u>	<u>10,437,709,731</u>

9. DIVIDENDS

According to the “2021 Annual Profit Distribution Plan” approved by the Group’s 2021 Annual General Meeting on 23 June 2022, the Group would distribute dividends to all shareholders at RMB0.35 per share (tax included) (2021: RMB0.13 per share), for 7,775,731,186 shares amounting to RMB2,721,505,915 (2021: RMB1,001,088,554). As at 31 December 2022, dividends had been paid and had been reflected in the financial statements.

On March 30, 2023, the 6th meeting of the 10th Board of Directors of the Company suggested to pay a cash dividend of RMB0.02 per share (tax included) for the final period of 2022, based on the number of issued shares of 7,775,731,186 shares less 1,864,000 restricted shares cancelled in March 2023. The proposed cash dividend is RMB155,477,344 in total. The profit distribution plan will be submitted for approval in the annual general meeting of the Company. Before the approval of 2022 final dividend, the dividend will not be the liabilities of the Company and therefore will not be included in the financial statements for the current year.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

10. REVENUE AND COST OF SALES

	2022		2021	
	Revenue	Cost of sales	Revenue	Cost of sales (Restated)
Principal operating income	99,020,437,614	96,550,544,372	111,050,222,245	100,558,135,620
Other operating income	3,133,164,761	2,295,923,359	2,800,967,134	1,729,718,883
	<u>102,153,602,375</u>	<u>98,846,467,731</u>	<u>113,851,189,379</u>	<u>102,287,854,503</u>

Revenue is presented as follows:

	2022	2021
Revenue from contracts with customers	101,808,238,164	113,430,105,315
Rental income	19,278,391	9,040,295
Interest income	326,085,820	412,043,769
	<u>102,153,602,375</u>	<u>113,851,189,379</u>

Timing of revenue recognition from contracts with customers :

	2022	2021
At a point in time		
Sale of steel products	94,706,886,670	104,307,531,260
Sale of other products	7,003,061,041	8,628,557,023
Over time		
Processing	24,200,873	345,574,778
Packaging services	21,435,706	92,365,922
Others	52,653,874	56,076,332
	<u>101,808,238,164</u>	<u>113,430,105,315</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

10. REVENUE AND COST OF SALES (CONTINUED)

Revenue recognized that was included in contract liabilities at the beginning of the year:

	2022	2021
Revenue	<u>5,709,401,744</u>	<u>4,377,105,559</u>

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at the year end is expected to be recognized as revenue as follows:

	2022	2021
Within one year	<u>4,987,638,416</u>	<u>5,741,241,284</u>

Note: For sales of products, the Group satisfies a performance obligation when customer obtained the control of the relevant products, and for provide 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 forms 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 recognized which is not likely to be significantly reversed when the uncertainty disappears.

11. FINANCIAL EXPENSES

	2022	2021
Interest expenses (<i>Note</i>)	490,486,079	653,603,557
Less: interest income	46,140,803	29,644,120
Less: capitalised borrowing costs	17,629,987	–
Exchange (gain)/loss	76,964,721	(9,782,465)
Others	15,776,320	17,571,039
	<u>519,456,330</u>	<u>631,748,011</u>

Note: The Group's interest expenses included interests on bank loans, lease liabilities and notes discount.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

12. GAIN FROM DISPOSAL OF ASSETS

	2022	2021
Gain on disposal of fixed assets	84,472,807	219,770,738
Gain on disposal of intangible assets	362,607,802	3,965,614
Loss on disposal of construction process	<u>(6,740,877)</u>	<u>–</u>
	<u>440,339,732</u>	<u>223,736,352</u>

13. NON-OPERATING INCOME

	2022	2021	Included in 2022 non-recurring gains and losses
Government grants not related to the ordinary course of business	785,148	15,059,208	785,148
Others	<u>12,460,884</u>	<u>23,669,552</u>	<u>12,460,884</u>
	<u>13,246,032</u>	<u>38,728,760</u>	<u>13,246,032</u>

The government grants not related to the ordinary course of business are as follows:

	2022	2021
Compensation for settlement of employees	–	14,700,249
Others	<u>785,148</u>	<u>358,959</u>
	<u>785,148</u>	<u>15,059,208</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

14. NON-OPERATING EXPENSES

	2022	2021	Included in 2022 non-recurring gains and losses
Charity donation	2,129,727	2,148,922	2,129,727
Penalty expenditure	1,018,345	12,667,311	1,018,345
Loss from scrap of fixed assets	84,649,452	371,604,496	84,649,452
Others	2,115,722	3,901,464	2,115,722
	<u>89,913,246</u>	<u>390,322,193</u>	<u>89,913,246</u>

15. INCOME TAX EXPENSES

	2022	2021
Mainland China current income tax expense	176,713,711	987,382,463
Hong Kong current income tax expense	3,857,095	3,163,366
Overseas current income tax expense	29,551,456	34,590,414
Deferred tax expense	49,114,214	(2,781,717)
	<u>259,236,476</u>	<u>1,022,354,526</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

15. INCOME TAX EXPENSES (CONTINUED)

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

	2022	2021
(Loss)/Profit before tax	(560,617,244)	7,016,329,171
Tax at the applicable tax rate of 25% (<i>Note</i>)	(140,154,311)	1,754,082,293
Effect of different tax rates of subsidiaries	396,991,584	330,094
Non-deductible expenses	26,909,690	18,446,995
Adjustment of income tax of prior period	(5,189,291)	82,987,225
Other tax preference	(474,184,519)	(564,446,570)
Income not subject to tax	(15,640,078)	(1,726,888)
Unrecognized deductible temporary difference and tax losses	503,686,574	116,734,932
Effect on opening deferred tax of change in the tax rate	74,112,527	–
Utilised previous years' tax losses	(1,465,288)	(209,901,919)
Share of profit or loss of joint ventures and associates	(105,830,412)	(174,151,636)
Tax charge at the Group's effective rate	<u>259,236,476</u>	<u>1,022,354,526</u>
The Group's effective rate	0%	15%

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

16. EARNINGS PER SHARE

	2022 <i>cent/share</i>	2021 <i>cent/share</i>
Basic earnings per share		
Continuing operations	<u>(11.50)</u>	<u>69.24</u>
Diluted earnings per share		
Continuing operations	<u>(11.50)</u>	<u>69.24</u>

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

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

The denominator of diluted earnings per share equals to the sum of: (1) the weighted average number of ordinary shares in issue of basic earnings per share (2) the weighted average number of ordinary shares increased by assuming that diluted potential ordinary shares are converted into ordinary shares.

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

	2022	2021
Earnings		
Profit attributable to owners of the parent		
Continuing operations	(858,225,310)	5,332,253,043
Less: profit attributable to restricted Shares which is expected to be unlocked	<u>27,731,220</u>	<u>–</u>
Adjusted profit attributable to owners of the parent	<u>(885,956,530)</u>	<u>5,332,253,043</u>
Number of shares		
Weighted average number of ordinary shares in issue during the period	<u>7,700,681,186</u>	<u>7,700,681,186</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

16. EARNINGS PER SHARE (CONTINUED)

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

	2022	2021
Earnings		
Profit attributable to owners of the parent		
Continuing operations	(885,956,530)	5,332,253,043
Number of shares		
Weighted average number of ordinary shares in issue during the period	7,700,681,186	7,700,681,186
Dilutive effect – weighted average number of ordinary shares Restricted Shares	<u>–</u>	<u>–</u>
Adjusted weighted average number of ordinary shares in issue during the period	<u>7,700,681,186</u>	<u>7,700,681,186</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

17. CONTINGENT EVENTS

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 overseas 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 period. After understanding the above information, the Company and the tax authorities issued a comprehensive communication and according to the tax authorities, the applicable corporate income tax rate in 2007 was 33%, which was adjusted from the original 15%. The Company had not been recovered prior period income tax differences.

Based on the comprehensive communication between the Company and the tax authorities, the director of the Company believed that it is uncertain whether the tax authorities will recover 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 provision or adjustments related to the income tax differences.

Pending litigation

As of 31 December 2022, the Group and the Company did not have significant pending litigation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

As at 31 December 2022

Renminbi Yuan

18. EVENTS AFTER THE BALANCE SHEET DATE

On 30 March 2023, the 6th meeting of the 10th session of the Board of Directors of the Company approved the 2022 final cash dividend at RMB0.02 (tax included) per share to shareholders. The dividend distribution proposal is still subject to approval of the shareholders at the 2022 Annual General Meeting of the Company.

Apart from above, as of the date of the announcement, the Group had no other significant events after the balance sheet date that needs to be disclosed.

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

30 March 2023

Maanshan City, Anhui Province, the PRC

As at the date of this announcement, the directors of the Company include: Executive directors Ding Yi, Mao Zhanhong and Ren Tianbao; Independent non-executive directors Zhang Chunxia, Zhu Shaofang, Guan Bingchun and He Anrui.