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馬鞍山鋼鐵股份有限公司

Maanshan Iron & Steel Company Limited

MA STEEL

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

(Stock Code: 00323)

2023 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 KPMG Huazhen 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：For the year 2023, no dividend will be paid, and no capital reserve shall be transferred to share capital.

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	
Name	Ren Tianbao	He Hongyun	Rebecca Chiu
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Email	mggf@baowugroup.com	mggf@baowugroup.com	rebeccachiu@chiuandco.com

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.

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

	2023	2022	Increase/ decrease compared to previous year *(%)*	2021
Total assets	**84,514**	96,892	-12.78	91,208
Revenue	**98,938**	102,154	-3.15	113,851
Net profit attributable to owners of the parent	**-1,327**	-858	N/A	5,332
Net profit excluding non-recurring gains or losses attributable to owners of the parent	**-1,720**	-1,138	N/A	5,413
Net assets attributable to owners of the parent	**27,769**	29,195	-4.90	32,753
Net cash flows from operating activities	**1,992**	6,642	-70.01	16,774
Basic earnings per share *(RMB/share)*	**-0.172**	-0.115	N/A	0.692
Diluted earnings per share *(RMB/share)*	**-0.172**	-0.115	N/A	0.692
Return on net assets (weighted average) *(%)*	**-4.67**	-2.77	Decreased by 1.90 percentage points	17.44

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	22,737	26,244	24,937	25,021
Net profit attributable to owners of the parent	-509	-1,726	638	271
Net profit excluding non-recurring gains or losses attributable to owners of the parent	-545	-2,084	626	283
Net cash flows from operating activities	1,657	253	-72	153

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 *(unit)*	148,812
Total number of shareholders as at the end of last month prior to the report date *(unit)*	147,218

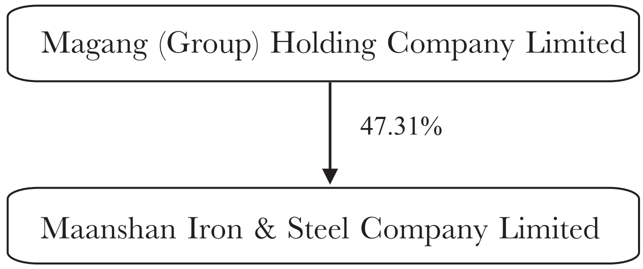
Shareholding of the top ten shareholders

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	158,282,159	3,664,749,615	47.31	–	Nil	–	State-owned shareholder
HKSCC Nominees Limited	33,275	1,716,677,795	22.16	–	Unknown	Unknown	Unknown
Central Huijin Investment Ltd.	–	139,172,300	1.80	–	Unknown	Unknown	State-owned shareholder
China Merchants Bank Ltd. – SSE Dividend Index ETF	-1,260,908	92,232,819	1.19	–	Unknown	Unknown	Unknown
Hong Kong Securities Clearing Company Limited	-29,715,960	89,591,586	1.16	–	Unknown	Unknown	Unknown
China Life Pension Strategy No. 4 Equity Pension Product – Industrial and Commercial Bank of China Limited	–	34,531,120	0.45	–	Unknown	Unknown	Unknown
Beijing Guoxing Real Estate Management Co. Ltd.	1,100,000	33,563,300	0.43	–	Unknown	Unknown	Unknown
Industrial and Commercial Bank of China Limited – Fullgoal China Securities Dividend Index EIF	Unknown	28,757,000	0.37	–	Unknown	Unknown	Unknown
China Everbright Bank Company Limited – Guojin Quantitative Multi-strategy Flexible Allocation Blended Securities Investment Fund	Unknown	28,460,600	0.37	–	Unknown	Unknown	Unknown
Zhang Wu	1,700,000	28,000,000	0.36	–	Unknown	Unknown	Unknown

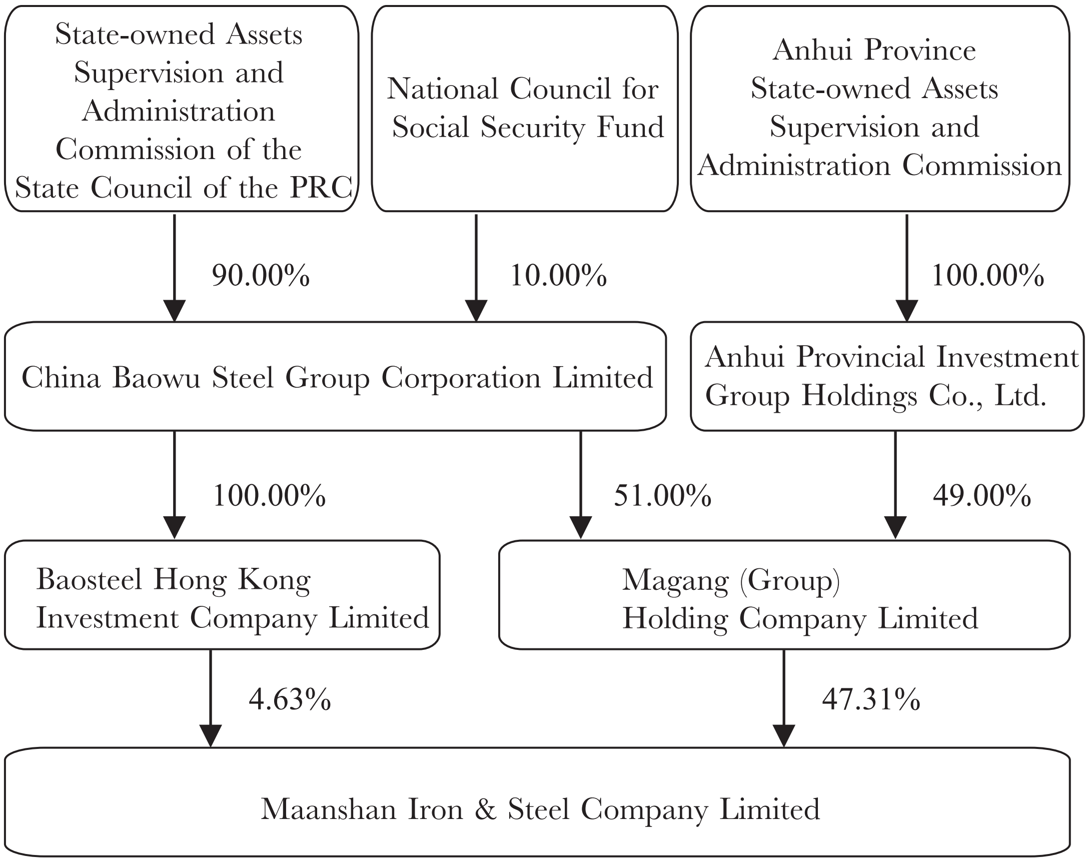
Notes on the above shareholders' Connected relation or concerted action	Magang (Group) Holding Company Limited has no connected relation with any of the other foregoing shareholders, nor is a person acting in concerted action. However, it is not in the knowledge of the Company whether there is any connected 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 1,716,677,795 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 2023, in the face of an extremely complex international environment and extremely arduous reform, development and stabilization situation in China, the state stepped up macro regulation efforts, intensified fiscal policies, and introduced precise and effective monetary policies, achieving recovered and growing economy and a year-on-year increase of 5.2% in GDP. For higher supply than demand and less decrease in prime cost than that in steel price, the steel industry saw weakening demands, falling prices, higher costs and declining profits.

Oversupply of iron and steel made it difficult for enterprises to improve quality and efficiency. On the supply side, China produced 1,019 million tonnes of crude steel, unchanged year-on-year, and 1,363 million tonnes of steel, a year-on-year increase of 5.2%, in 2023. On the demand side, major steel-consuming industries, such as automobile manufacturing industry and equipment and electrical machinery and equipment manufacturing industry, saw year-on-year increases in steel consumption to different extents, but the annual apparent consumption of crude steel fell by 3.5% year on year due to the downturn of the real estate industry and billet import and export issues.

Steel prices were down year on year, while the price of imported iron ores kept rising. During the reporting period, the annual average of China's Composite Steel Price Index (CSPI) stood at 111.60 points, down by 9.02% year on year, with the average of the Long Steel Product Index down by 10.24% year on year and the average of the Plate Steel Product Index down by 8.12% year on year. The price of imported iron ores fluctuated slightly at the beginning of the year, but rose sharply from August topped USD140/tonne at the end of the year. The annual average price was still as high as USD113.62/tonne.

The steel industry's profitability sustained a low level, and enterprises' debt ratio went up. Statistics show that the annual profit-to-sales ratio of the steel industry was 1.32%, down by 0.17 percentage point year on year, and 4.44 percentage points lower than the domestic average of the industrial industry. Enterprises' asset-liability ratio was 62.52%, up by 0.27 percentage point year on year.

2. Major Business Performance during the Reporting Period

In 2023, amid complex and tough development of the steel industry and its "four-phase" situation production and operation, including strategic transformation, project construction, product mix upgrading, and operating quality improvement in industry winter, the Company continuously beefed up "high-end orientation, intelligentization, greenization and high efficiency", thoroughly implemented the "4-with" management concept, practiced account-book-based operation, enhanced lean management, and reduced costs and improved efficiency while highlighting varieties and channels. In the second half of 2023, the Company saw significant year-on-year improvement of business performance, with the net profit attributable to owners of the parent amounting to RMB900 million from July to December, which, however still failed to cover all the losses in the first half of the year due to the rising prices of the raw fuel market. The Company recorded losses in 2023.

During the reporting period, the Group produced 19.23 million tonnes of pig iron, 20.97 million tonnes of crude steel and 20.62 million tonnes of steel, representing a year-on-year increase of 8.15%, 4.82% and 3.66%, respectively (of which the Company produced 15.48 million tonnes of pig iron, 16.48 million tonnes of crude steel and 15.98 million tonnes of steel, representing a year-on-year increase of 8.23%, 5.02% and 2.37%, respectively). During the reporting period, as calculated in accordance with the PRC Accounting Standards for Business Enterprises, the Group's revenue amounted to RMB98,938 million, representing a year-on-year decrease of 3.15%; the net loss attributable to owners of the parent amounted to RMB1,327 million, representing a year-on-year increase of 54.64%. As at the end of the reporting period, the Group's total assets amounted to RMB84,514 million, representing a year-on-year decrease of 12.78%; and the net assets attributable to owners of the parent amounted to RMB27,769 million, representing a year-on-year decrease of 4.90%.

Main measures adopted by the Company are as follows:

i. **Beefing up "high-end orientation, intelligentization, greenization and high efficiency"**. Firstly, high-end orientation led value creation. Phase I of the new special steel project and the new color coating line in Hefei were quickly completed and put into operation; passenger operation of whole-train assembly of high-speed railway wheels succeeded; the development volume of new products increased by 25% year on year, seven new products were first rolled out in China, and C-shaped and cap-shaped steel were successfully developed; and the Company won the title of "National Intellectual Property Advantageous Enterprise", and Masteel Transportation Material, Changjiang Steel and Ma Steel (Hefei) were recognized as high-tech enterprise. **Secondly, intelligentization empowered production line upgrading.** Adhering to boosting efficiency, workflow and quality improvement with digitalization, the Company made breakthroughs in the "steel industry brain" intelligent steelmaking project, and used 102 sets of new BaoRobots, winning the highest state-level honor, "Digital Piloting Enterprise", in the field of digital transformation. **Thirdly, greenization gave priority to ecological protection.** By promoting carbon emission and pollution reduction and green expansion growth in a collaborative manner, the Company was the first steel enterprise in Anhui Province to be rated "A" for environmental performance, and was awarded "Cleaner Production Environmental Friendly Enterprise" by the China Iron and Steel Association. The Company also practiced low-carbon development by improving the proportion of key processes conforming to the required energy-efficiency capacity improved to 46.12% and releasing five new statements on environmental products. It was awarded the "ESG Golden Bull Award • Carbon Peaking and Carbon Neutrality Vanguard Enterprise". **Fourthly, high efficiency gave rise to strength in cost.** The Company released the capacity of its superior production lines, and broke the record of daily output 162 times and monthly output 69 times throughout the year. The steel smelting output and hot rolling output of the No. 4 Steel Rolling Plant reached 9.73 million tonnes and 9.55 million tonnes, respectively and the annual total delivery volume of the cold rolling plant was 5.42 million tonnes, all hitting a new high, and the annual output of railway wheels exceeded 600,000. The occupation of accounts receivable and inventory continued to reduce, the ratio of operation cash flow to due cash flow rose year on year, the Company-wide staffing efficiency continued to optimize, and the per capita steel output of the headquarters of the Company increased by 11.1%.

ii. **Highlighting "4-with". Firstly, intensifying control attentively.** Through monthly planning, monthly propelling and daily and monthly review, the Company implemented closed-off management of operation performance improvement. **Secondly, improving rapidly with clear objectives.** Through month-on-month review, the Company set higher objectives and consolidated responsibilities every month to boost all divisions to exert more effort in achieving goals. **Thirdly, focusing on priorities and ensuring practical implementation.** The Company focused on major customers, kept an eye on both the raw material and selling markets, as well as key production units and important subsidiaries, and highlighted "structure, cost, efficiency, mechanism and vitality". As driven by the "Double-8" key project, it solved knotty problems every month to promote work in all areas by drawing upon the experience gained on key points. The eight fast-winning projects created comparative benefits of over RMB700 million, and key indicators, such as TPC turnover rate, temperature drop of molten iron and hot delivery and hot charging rate, reached their record best. **Fourthly, tapping room through account-book-based operation.** Starting from the promotion of the CE system, the Company deepened business-accounting integration, casted accounts during operations, and promoted rapid performance improvement of key units and key areas. **Fifthly, figuring out solutions by pooling the wisdom and efforts of everyone.** The high-benefit production line of the steel rolling system worked at full load, while the low-benefit production lines worked with each other. The equipment system was especially maintained centering on key processes such as blast furnace, steel rolling and cold rolling. The technical center effectively supported two key tasks as product restructuring and coal and ore blending. **Sixthly, reducing costs by promoting reuse.** The Company encouraged all employees to participate in special labor contests on scrap steel and waste materials recycling and reuse to tap the potential of wastes, creating benefits of more than RMB100 million.

iii. **Highlighting efficiency. Firstly, stimulating vitality through transformation and reform.** Focusing on optimizing the control process and improving control efficiency, the Company optimized and adjusted some management functions, and continued to refine the "one headquarters and multiple bases" management control model. Masteel Transportation Material completed the mixed ownership transformation, sped up "Specialized and New" development, successfully introduced 8 strategic investors, and became a demonstration enterprise of technology reform. **Secondly, intensifying the driving role of performance.** Centering on "one focus and four enhancements", the Company encouraged employees to win in performance race, ranked employees compulsively, transmitted pressure, and bred a corporate culture of "whoever is willing and capable will succeed". **Thirdly, consolidating the foundation through safe production.** The Company thoroughly implemented the safety management concept of "breaking rules is a crime", stressed "three controls and three musts", consolidated responsibilities, and adopted rigid assessments, continuously improving its safety management system and capacity and recording the best safety performance since 2019. **Fourthly, enhancing capacity through management innovation.** The Company's compliance management system passed both domestic and international BSI certification, with steady improvement of legal and compliant corporate governance capacity. Six achievements of the Company won the Management Modernization Innovation Achievement Award for Metallurgical Enterprises, and four were recognized as the Enterprise Modernization Innovation Achievement by Anhui Provincial Government, indicating remarkable results in management innovation.

iv. **Aggregation force. Firstly, enhancing identification through inclusive sharing.** The Company continued to share development results with employees, further implemented the 155 "three best" practical projects and kept optimizing the sharing service center and cultural and sports facilities for employees. The "north-south" walking event became an event of expressing thanks, maintaining health, gaining happiness, taking lessons and sharing experience, further improving employees' sense of happiness, sense of security and sense of gain. **Secondly, encouraging surpassing each other through on-site guidance.** The Company highlighted "two sites" and "two strengths" and offered on-site guidance on a regular basis to share experience, support and encourage employees, and create a strong atmosphere of striving for the first place. **Thirdly, heated position innovation.** The Company always saw employees as the most solid base, and fully tapped the innovation potential of employees, receiving 207,000 suggestions from employees throughout the year. **Fourthly, consolidating social responsibilities wholeheartedly and vigorously.** The Company proactively fulfilled its responsibilities as a central enterprise, and its rural revitalization performance won the best appraisal from Anhui Provincial Government for five consecutive years. The Company was selected in "China's Listed Company ESG • Vanguard 100" that was jointly released by CCTV and the SASAC.

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	98,937,969,364	102,153,602,375	-3.15
Cost of sales	97,308,142,081	98,846,467,731	-1.56
Selling expenses	341,240,952	295,129,468	15.62
General and administrative expenses	933,378,645	1,263,771,737	-26.14
Financial expenses	466,911,329	519,456,330	-10.12
R&D expenses	1,231,049,205	1,167,297,776	5.46
Assets impairment losses	993,092,220	1,558,665,706	-36.29
Gain/(loss) on changes in fair value	-34,558,767	30,075,870	-214.91
Gain on investments	308,185,072	814,285,702	-62.15
Gain from disposal of assets	93,861,158	440,339,732	-78.68
Other income	714,197,840	172,641,171	313.69
Income tax expense	43,241,145	258,625,238	-83.28
Profit or loss attributable to non-controlling shareholders	-312,739,161	38,372,612	-915.01
Operating profit	-1,593,781,357	-483,950,030	N/A
Total profit	-1,596,659,516	-560,617,244	N/A
Net profit	-1,639,900,661	-819,242,482	N/A
Net profit attributable to shareholders of the parent company	-1,327,161,500	-857,615,094	N/A
Net cash flows from operating activities	1,991,799,262	6,641,701,587	-70.01
Net cash flows from investing activities	-560,871,570	-7,097,959,955	N/A
Net cash flows from financing activities	-1,361,284,013	516,569,945	-363.52

Compared with last year:

Revenue decreased by 3.15%, mainly due to the decrease in steel prices in the current year as compared to last year as a result of the impact of the downward trend in the industry market environment.

Cost of sales decreased by 1.56%, mainly due to the decrease in the prices of raw materials such as ore and coking coal in the current year as compared to last year.

Assets impairment losses amounted to RMB993 million, a decrease of RMB566 million as compared to last year, which was mainly due to the decrease in the provision for decline in value of inventories of the year as compared to last year.

Gain on changes in fair value amounted to RMB-35 million, compared with RMB30 million of last year, mainly due to the higher fluctuations in exchange rates in the current year and the loss on changes in the fair value of forward foreign exchange contracts held by the Company.

Gain on investments decreased by 62.15%, mainly due to the decrease in investment income recognized under the equity method and trading financial assets in the current year as compared with the previous year.

Gain from disposal of assets decreased by 78.68%, mainly due to the gain on land storage of Ma Steel (Hefei), a subsidiary of the Company, and the gain on sale of production capacity of Changjiang Steel, a subsidiary of the Company, in the previous year.

Other income increased by 313.69%, mainly due to the increase in gains as a result of the Company's headquarters enjoying the policy of value-added tax credit for advanced manufacturing enterprises this year.

Income tax expense decreased by 83.32%, mainly due to the recognition of deferred income tax assets from temporary differences at the end of this year.

Profit or loss attributable to non-controlling shareholders decreased by 915.03%, mainly due to the impact of the downward trend in the industry market environment, resulting in losses in most of the non-wholly owned subsidiaries in this period.

Operating profit, total profit, net profit, and net profit attributable to shareholders of the parent company decreased by 229.33%, 184.80%, 100.17%, and 54.75%, respectively, mainly due to the steel prices dropping more than the raw material prices, resulting in a decrease in gross profit of steel products compared to the previous year.

Net cash flows from operating activities decreased by 70.01%, mainly due to a decrease in cash received from the sales of goods and services.

Changes in net cash flows from investing activities were mainly due to a decrease in cash paid for investments compared to the previous year, after the disposal of Masteel Finance.

Changes in net cash flows from financing activities were mainly due to the company's planned reduction of interest-bearing liabilities, while also increasing loan repayments in accordance with the company's business strategy to ensure the necessary production and operational funding.

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	93,639	92,307	1.42	-1.13	-0.01	Decreased by 1.12 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	47,407	46,101	2.75	5.48	5.01	Increased by 0.44 percentage point
Long products	38,696	39,357	-1.71	-15.26	-11.47	Decreased by 4.36 percentage points
Wheel and axles	3,272	2,811	14.08	29.68	31.17	Decreased by 0.98 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 (%)
Eastern China	81,323	80,408	1.13	-2.39	0	Decreased by 2.36 percentage points
Other regions in China	16,677	12,928	5.03	-12.85	-14.88	Increased by 2.27 percentage points
Overseas and Hong Kong	938	3,972	0.74	24.24	43.55	Decreased by 13.36 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	61,330	59,000	3.80	12.81	12.28	Increased by 0.44 percentage point
Distributors	28,203	29,300	-3.89	-27.25	-22.72	Decreased by 6.09 percentage points

During the reporting period, the Group's revenue from principal operation was RMB96,403 million, of which the iron & steel revenue was RMB93,639 million, accounting for 97% of the revenue from principal operation, with no significant change in the proportion.

(2) Analysis of Production and Sales Volumes

Key products	Unit	Production volume	Sales volume	Inventory volume	Year-on-year increase/ (decrease) of production volume *(%)*	Year-on-year increase/ (decrease) of sales volume *(%)*	Year-on-year increase/ (decrease) of inventory volume *(%)*
Long products	ten thousand tonnes	1,029.6	1,028.3	9.2	0.63	0.55	9.52
Steel plates	ten thousand tonnes	1,003.9	1,003.2	5.3	6.57	6.56	12.77
Wheel and axles	ten thousand tonnes	28.0	28.0	0.3	19.15	18.64	–

(3) Analysis of Costs

Unit: million RMB

Cost components	Amount in 2023	Percentage of total costs in 2023 *(%)*	Amount in 2022	Percentage of total costs in 2022 *(%)*	Change in amount in 2022 against amount in 2022 *(%)*
Raw materials and fuels	80,059	82.27	80,295	81.23	-0.29
Salary	3,286	3.38	3,688	3.73	-10.89
Depreciation and amortization	4,207	4.32	3,042	3.08	38.29
Fuels and power	7,147	7.34	6,774	6.85	5.51
Others	2,609	2.68	5,047	5.11	-48.31

(4) Analysis of Major Customers and Major Suppliers

During the reporting period, the largest customer was Shanghai Changjing Industrial Co., Ltd., with sales of RMB2,715 million, accounting for 2.7% of total annual sales. Sales to the top five customers amounted to RMB9,249 million, accounting for 9.4% of total annual sales; Ma Steel (Guangzhou) Processing and Distribution Co., Ltd., one of the top five customers, was the only related party among top five customers, with sales of RMB1,554 million, accounting for 1.6% of total annual sales. During the reporting period, the largest supplier was Magang (Group) Holding Co., Limited, with purchases of RMB9,898 million, accounting for 11.1% of the total annual purchases. The purchases by the top five suppliers amounted to RMB25.516 billion, accounting for 29% of the total annual purchases; among the purchases by the top five suppliers, purchases by related parties amounted to RMB18,023 million, accounting for 20% of the total annual purchases.

Among the major customers, Ma Steel (Guangzhou) Processing and Distribution Co., Ltd. is the controlling subsidiary of the Holding; among the major suppliers, Magang (Group) Holding Co., Limited, OBEI Co., Ltd. and Baosteel Resources Holdings (Shanghai) Co., Ltd. are the controlling subsidiaries of Baowu Group. Saved as the above, there were no directors or supervisors or their connected persons or any shareholders (to the best knowledge of the Board, 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 2023.

3.2 Expenses

During the reporting period, the Group's general and administrative expenses decreased by 26.14%, compared to the last year, mainly due to a decrease in the number of employees due to the mutually agreed termination of labor contracts, resulting in a decrease in expenses compared to the previous year. Financial expenses decreased by 10.12% compared to the last year, mainly due to the Company's planned reduction of interest-bearing liabilities and the replacement of high-interest loans with low-interest loans. There were no significant changes in selling expenses and R&D expenses.

3.3 Research and Development (R&D) Expenses

R&D expenses details

Unit: RMB100 million

Spent R&D expenses in 2023	39.38
Capitalized R&D expenses in 2023	–
Total R&D expenses	39.38
Total R&D expenses as a portion of revenue *(%)*	3.98
Number of the Company's R&D staff	2,037
Percentage of R&D staff number to the Company's total number of employees *(%)*	10.98
Percentage of capitalized R&D expenses *(%)*	–

4. Analysis of Assets and Liabilities

4.1 Assets and Liabilities

In the balance sheet, compared to the previous year, materially changed items from the end of the previous year and reasons for the changes are as follows:

Financing receivables decreased by 32.27%, mainly due to the increase in discounting of bills for the payment of spot exchange in order to ensure the security of funds, increase the cash flow for operation and support the reduction of procurement costs.

Other current assets decreased by 93.01%, mainly due to the disposal of Masteel Finance and discontinuation of the consolidation of interbank deposits in its financial statements during the year.

Long-term equity investments increased by 58.31%, mainly due to the capital injection into Baowu Finance by the Company with the 91% equity of Masteel Finance, which was accounted for as joint investment units.

Construction in progress decreased by 48.32%, mainly due to the completion of the new special steel steel smelting project, the refining and continuous casting project and its supporting projects, the section steel upgrading project in the southern area and the dock process system and supporting facility renovation project of the port raw material plant, which were transferred to fixed assets during the year.

Deferred tax assets increased by 102.93%, mainly due to the recognition of deferred tax assets resulting from deductible temporary differences at the end of the year.

There were zero financial assets held for trading, financial assets purchased under agreements to resell, loans and advances to customers, customer deposits and repurchase agreements, mainly due to the disposal of Masteel Finance and discontinuation of the consolidation of its financial statement during the reporting period.

Notes payable increased by 65.33%, mainly due to the rise in notes ratio in accordance with the Company's operating strategy during the year.

Payroll and employee benefits payable decreased by 58.14%, mainly due to the payment of social insurance premiums accrued and not yet paid at the end of the previous year as a result of the adjustment of the social insurance base and payment of the remuneration accrued at the end of the previous year during the reporting period.

Taxes payable decreased by 47.74%, mainly due to the decrease in sales and the balance of value-added tax and the reduction of land use tax during the year.

Long-term liabilities due within one year increased by 83.76%, mainly due to the increase in long-term borrowings due within one year.

Accrued liabilities decreased by 61.57%, mainly due to the liquidation and reorganization of MG-VALDUNES at the end of this year and discontinuation of the consolidation of its accrued liabilities recognized for contingent matters.

Other current liabilities increased by 58.58%, mainly due to the Company's issuance of RMB500 million of short-term financing bonds during the year.

Long-term payables decreased by 68.48%, mainly due to the cancellation of the first phase of restricted shares of the Equity Incentive Plan in the reporting period and the transfer of the second phase of restricted shares to be repurchased into non-current liabilities due within one year.

Long-term employee benefits payable decreased by 90.54%, mainly due to the liquidation and reorganization of MG-VALDUNES at the end of this year and discontinuation of the consolidation of its long-term employee benefits payable.

Other comprehensive income was RMB-13 million, RMB17 million more over the end of the previous year, mainly due to the liquidation and reorganization of MG-VALDUNES at the end of this year and discontinuation of the consolidation of its exchange difference on translating foreign operations.

5. Analysis of Operational Information

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

Product type	Production capacity *(ten thousand tonnes)*	Utilization rate of production capacity *(%)*
Pig iron	1,775	108.34
Crude steel	2,140	97.99
Steel products	2,050	100.59

5.1 Manufacturing and Sales of Steel Products Based on Processing Techniques

Unit: million RMB

	Production volume *(tonnes)*		Sales volume *(tonnes)*		Revenue		Cost of sales		Gross margin *(%)*	
Types	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
Cold-rolled steel	5,575,895	4,714,834	5,564,909	4,718,462	24,881	19,537	24,149	19,583	2.94	-0.24
Hot-rolled steel	14,758,995	14,936,538	14,750,939	14,922,786	61,222	71,073	61,309	68,736	-0.14	3.29
Wheel and axles	280,398	235,222	280,181	236,466	3,272	2,523	2,811	2,143	14.08	15.06

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

Unit: million RMB

	Production volume *(tonnes)*		Sales volume *(tonnes)*		Revenue		Cost of sales		Gross margin *(%)*	
Types	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
Long products	10296345	10,231,754	10283354	10,227,239	38,696	45,667	39,357	44,456	-1.71	2.65
Steel plates	10038545	9,419,618	10032494	9,414,009	47,407	44,943	46,101	43,863	2.75	2.40
Wheel and axles	280398	235,222	280181	236,466	3,272	2,523	2,811	2,143	14.08	15.06

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	767.4	731.3	81.70	71.59
Online sales	127.9	200.0	13.62	19.58

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	7,876,770	6,711,920	72.85	60.99
Overseas import	22,447,768	22,434,464	189.19	174.68
Total	30,324,538	29,146,384	262.04	235.67

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	3,844,022	3,069,159	103.48	97.41

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	13,259.00
Changes in investment amount	374.61
The Company's investment amount as at the end of the previous year	12,884.39
Increase/decrease in investment amount *(%)*	2.91

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	25,598	2,339	38%
Energy-saving and environment protection projects	11,176	1,274	80%
Modification	7,245	1,757	95%
Other projects	N/A	1,050	N/A
Total	/	6,420	/

7. Outlook for Future Development

7.1 Industry Landscape and Trend

In the face of the challenges, opportunities and risks in the external environment, China will continue adhering to the general keynote of seeking progress in a stable manner, implement the new development concept completely, accurately and comprehensively, accelerate the construction of a new development pattern, focus on promoting high-quality development, thoroughly deepen reform and opening-up, intensify macro regulation, and work hard to expand domestic demand, optimize structure, boost confidence, and prevent and mitigate risks, so as to foster continuous, stable and long-lasting economic growth. The supply and demand in the steel industry fail to adapt to each other dynamically, and the contradiction between them is prominent. The industry is still under a grim situation.

7.2 Corporate Development Strategy

In 2024, the Company will generally adhere to the general principle of seeking progress while maintaining stability, reinforcing stability with progress and establishing the new before abolishing the old, fully, accurately and comprehensively implement the new development philosophy, and cultivate strengths and superiorities to build a new Masteel with high potential. It will, centering on "structure, cost, efficiency, mechanism and vitality", thoroughly practice "high-end orientation, intelligentization, greenization and high efficiency" and "4-with", continuously enhance core functions and improve core competitiveness, accelerate science-based self-reliance, promote industrial layout optimization and adjustment, continue to deepen reform and stimulate vitality and motivation, give full play to the supporting role of technological innovation, and advance high-quality development of the Company. Strategic tasks are as follows:

1. Ramp up the support for technological innovation. The company will take technological innovation as the core driving force to build an original technology source, improve core competitiveness and enhance core functions. It will keep up with the national strategic orientations and market demands, organize research of key and core technologies for transportation, offshore and energy industries, further develop new products and high-end products, study new products such as profiled steel for rail transit, near-final section steel for ships, special steel for wind power generators and high-end cold-rolled coated steel plates, in order to boost high-end upgrading of products.

2. Increase the proportion of exported products. The Company will take the initiative to expand overseas markets and deepen international operation to explore new areas for profit growth.

3. Form differentiated competitive edges. Following the guideline of "making high-quality section steel, plate strips, special steel and axles", the Company will optimize product structure to support differentiated competition.

4. Accelerate subsidiaries' reform. Centering on "optimizing governance, increasing incentives, highlighting main business and improving efficiency", the Company will steadily promote the reform in key subsidiaries.

7.3 Business Plan

In 2024, the Company plans to produce 19.52 million tonnes of pig iron, 20.97 million tonnes of crude steel and 20.95 million tonnes of steel. Measures to be taken mainly include the following:

1. Establishing a new business responsibility system on all fronts to effectively respond to the risks and challenges during high-quality development

   Firstly, establishing a new business responsibility system in a methodical manner. The Company will explore the integration of raw material and selling markets, as well as the integration of pre-iron-making, long product-making, plate-making and special steel-making, clearly define paths and refine measures of all units centering on the objectives and tasks on the business plan, and divide them into sub-units for accounting, and promote in depth the transformation from a manufacturing enterprise to a business enterprise. The Company will implement the manager-level tenure system and the contractual mechanism, improve quality and expand coverage and manage each manager with a form, so as to link organizational performance to individual performance and consolidate the responsibilities of every level of the Company. Adhering to the performance principle of "create value to share value", the Company will optimize the remuneration payment rules, develop simple and transparent rules for sharing excess profits, and perform rigid remuneration appraisals. It will also beef up the process division and the business division, better coordinate and deploy resources among the units involved in the "one headquarters and multiple bases" management control model, as well as the Company's ecosystem. It will, with a big-picture thinking, focus on both primary and secondary business, as well as current and long-term development, boost high-efficiency coordination and performance improvement.

Secondly, consolidating the responsibilities for key operations. The Company will keep an eye on the difference between purchase and selling prices in the raw material market and the selling market. On the marketing side, it will strengthen market research and judgment on the marketing side to effectively support dynamic adjustments of business strategies and product structure, give full play to its geographical advantages, target key customers in regions, improve mechanisms, actively expand overseas markets, increase total export, refine the variety of exported products, lay more emphasis on high-efficiency coordination between research and manufacturing, facilitate continuous rises in the sales of key varieties, and increase product premiums. On the procurement side, it will construct a flexible and efficient procurement system, expand and find all kinds of resources, and continue to optimize structural channels. In terms of pre-iron-making process, it will highlight efficient and economic operation, optimize coal and ore blending based on stable blast furnace operations, strengthen inter-process coordination, and improve the cost competitiveness of molten iron. In terms of post-iron-making process, it will highlight the profit per tonne of steel, focus on variety and quality, continue to adjust structure, reduce consumption and improve efficiency, and boost breakthroughs in key economic and technical indicators such as the spot incidence rate and the yield rate of key products. In terms of public and auxiliary facilities, it will highlight zero faults and economic system operation. For equipment systems, it will lay emphasis on the status control of key production lines and furnace units to ensure effective operation and will, while keeping up with the changes in market demands and guaranteeing security, optimize the maintenance model to ensure full utilization of key production lines and furnace units. For energy systems, it will urge key processes' conformity to and benchmarking with energy efficiency standards and improve the use efficiency of secondary energy. In terms of the technical center, it will highlight the support for the raw material and selling markets and solve knotty problems during variety and quality improvement, spot incidence rate lowering, coal and ore blending structure optimization and pre-iron-making cost reduction, in order to boost profit making from markets and cost reduction on the spot with technology.

2. Further driving development with technological innovation and consolidating the foundation for long-term, high-quality development

Firstly, insisting on high-end high-quality manufacturing. The Company will, centering on national strategies, market demands and the objective of "making high-quality section steel, plate strips, special steel and axles", continue to exert effort in speeding up the rapid transformation from common section steel to functional and industrial steel and upgrade plate strips and special steel to middle- and high-end products, and continue to enhance the competitiveness of axle products. Highlighting superior products such as high-speed railway axles, high-quality plates, section steel and superior and special steel products, the Company will further solve bottleneck problems, give full play to its centric functions as a central enterprise and its leading role as a pioneer in technological innovation. Highlighting regional markets, the Company will take the initiative to seize the great challenges brought about by the "first-place" industrial development of the automobile industry in Anhui, and optimize customer structure and improve products' profitability.

Secondly, upholding green energy conservation and carbon emission reduction. Starting from key processes' conformity to and benchmarking with energy efficiency standards, the Company will keep optimizing energy structure and making good use of secondary energy such as coal gas and steam, and will continue to optimize the recovery of residual heat, residual pressure and residual energy, in a bid to pursue extreme energy efficiency. It will also intensify the interconnection between processes, reduce the energy consumption of interfaces, propel new breakthroughs in temperature drop of molten iron and hot delivery and hot charging rate, perform stricter solid waste management, and improve the solid waste regeneration and utilization rate. Driven by the orders of low-carbon products, the Company took the initiative to develop the carbon data management platform to facilitate the EPD certification of more products. Centering on major product varieties such as wheels, section steel, special steel and automobile steel, the Company took the initiative to develop low-carbon and zero-carbon products, in a bid to build itself into a green and low-carbon product brand.

Thirdly, adhering to intelligent management. In a methodical manner, the Company will make plans for intelligent production lines, the steelmaking industry brain and other key projects, in order to realize centralized control through digital and intelligent platforms and support efficient operation of the "one headquarters and multiple bases" management control model. It will further promote the application of the CE system to accurately trace the changes in market prices, predict financial costs and improve dynamic adjustment of business strategies. It will also further employ "one line, one position", "integration of operation, inspection and maintenance positions" and "3D position replacement" policies to enhance human efficiency with intelligence.

Fourthly, insisting on high-efficiency quality and efficiency improvement. The Company will optimize production line labor division, give full play to the capacity of superior equipment, improve the utilization rate of key production lines, and improve production efficiency. It will enhance business-finance integration, optimize inventory structure, reduce the inventories of all product varieties, improve the turnover rates of accounts receivable and inventory, and enhance capital efficiency, intending to top 1,000 tonnes of steel per capita throughout the Company through institutional and procedural reforms, production line improvement, position optimization and intelligent manufacturing.

Fifthly, stepping up the infrastructure for technological innovation. The Company will make full use of the preferential policies for high-tech enterprises, keep increasing input in R&D, make good use of internal and external resources for technical innovation, and further play the role of the technical center to support the profitability of "two sites". Based on "1+2+4" technical leader cultivation, it will make the leading role of Baowu's scientists, Masteel's experts and chief professionals and skill professionals fully functioned, and promote the communication of technological talents and speed up the cultivation of core technical talents. Based on value creation and starting from capacity improvement, the Company will input more innovation resources to energetic frontline entities to fully stimulate the overall effectiveness of system innovation, and will further enable R&D personnel to determine R&D approaches and subjects to open up new tracks and create new driving forces for development.

3. Intensifying system and mechanism reform and difficulty tackling and reinforcing the endogenous impetus for high-quality development

Firstly, intensifying the reform in key subsidiaries. Masteel Transportation Material will, starting from building itself into a demonstration enterprise of technological reform, continue to optimize its governance system and build itself into a global leading enterprise of rail transit wheels more quickly. Changjiang Steel will, based on market-orientation, establish a differentiated management model, activate the internal management mechanism, and develop an efficient and sensitive operating system to boost business performance.

Secondly, enhancing investment control. The Company will make appropriate arrangements for annual investment projects based on the investment control line of "(net profit+depreciation&amortization)/2". Focusing on advancing quick release of key varieties, the Company will launch a series of "short-term, smooth and quick" projects to actively explore whole-process project acceleration, and will strictly control quality and carry out stricter assessments to make investments effective.

Thirdly, advancing compliance operation. The Company will detail the list of risk stratification and classification, exert effort in enhancing risk prevention in key areas following the principle of "always controlling risks in business operation and always preventing risks in supervision" and "each layer shall perform its own duties under consolidated control", enhance the control over operational risks, incorporate risk prevention and control into decision-making process, internalize control requirements into policies and process and position management, intensify supervision, and firmly guard the bottom line of zero material operational risk events.

Fourthly, intensifying the control of safety and environmental risks. The Company will always keep in mind its responsibilities and missions, prevent and mitigate all risks arising from the key areas of production safety, always keep a watchful eye on production safety, deepen special governance, implement local management, continue to promote the reform and optimization of collaborative business, strictly hold accountable for rigid safety accidents, and consolidate and improve the Company's production safety performance. It will continue to advance the work of "ultralow emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanliness, greening, beautifying and culture", step up on building a "waste free" enterprise, and further enhance the effects of green development.

4. Adhering to the co-building and co-sharing development philosophy and fostering strong synergy for high-quality development

Firstly, promoting position innovation for benefit creation at full stretch. The Company will highlight the conversion and application of results and promote the transformation of result creation from “individual” to “team”, result output from “large quantity” to “high quality” and result value from “exclusive use” to “inclusive use”, based on the innovation platform and cultivation of innovation talents. Centering on “high-end orientation, intelligentization, greenization and high efficiency” and “4-with”, it will organize more extensive, targeted and practical competitions to improve the value creation of labor competitions, and will continue to encourage employees to make suggestions and organize lean case sharing sessions and other public economic and technological innovation activities to stimulate employees’ enthusiasm for innovation and profit-making.

Secondly, continuing improving employees’ “three senses”. The Company will guide employees to have a good understanding of the new connotation and new requirements for mutual development between employees and enterprises in the process of adapting to the new economic normal and promoting high-quality development, and strengthen their consciousness of co-building, co-governance and co-sharing to beef up stable reform and development. It will continue to advance “three best” practical projects, enhance service sector building, step up the transformation of service methods, and solve employees’ urgent difficulties and worries systematically and on a regular basis, striving to safeguard the rights and interests and physical and mental health of employees and their family members from work to life.

Thirdly, proactively undertaking social responsibilities. The Company will advance the Showyes Project to help assisted areas consolidate and further apply the results of poverty alleviation, and promote rural revitalization. It will refine the ESG system, emphasize duty performance, and improve the Company’s duty performance image as a listed company.

7.4 Potential Risks

Based on the domestic and international political and economic situation, the main risks that the Company may face include safety production 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 loss amounted to RMB505 million for the year 2023. Due to the Company's losses, it is recommended that no profit distribution or capitalization of capital reserves be carried out in the year of 2023. This distribution plan will be submitted for deliberation at the annual shareholders' meeting (the date of which will be announced in due course).

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. The 2022 final dividend of the Company was RMB0.02 per share (tax inclusive). Retained earnings were carried forward to the year of 2023 and no capital reserve shall be converted to share capital.

2. Remunerations of the Auditor

During the year, KPMG Huazhen 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 KMPG Huazhen LLP amounted to RMB3.08 million (tax inclusive), including internal control audit fee of RMB340,000 and the fees for agreed upon procedures on interim financial statements for 2023 of RMB340,000. 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 KMPG Huazhen 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.

3. **Audit Committee**

The Company's audit committee ("**Audit Committee**") held a meeting on 27 March 2024 and reviewed the 2023 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 2023, 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 KPMG Huazhen LLP issued an auditor's report containing a standard unqualified opinion on the 2023 Annual Financial Report of the Company

2. Significant changes to the accounting policy and accounting estimates

The Ministry of Finance issued the *Accounting Standards for Business Enterprises Interpretation No. 16* (C.K. [2022] No. 31) on 30 November 2022, providing that "accounting treatment that the exemption of initial recognition shall not apply to the deferred income tax relating to assets and liabilities arising from a single transaction", which has taken effect on 1 January 2023.

In accordance with this provision, the Group made retrospective adjustments to single transactions governed by this provision and conducted between 1 January 2022 and the first date of enforcement. For taxable temporary differences and deductible temporary differences arising from the lease liabilities and right-of-use assets recognized based on single transactions governed by this provision on 1 January 2022, the Company will adjust retained income brought forward in the earliest period presented in the financial statement and other relevant items of the financial statement based on accumulative effects in accordance with such provision and the *Accounting Standards for Business Enterprises No. 18 Income Taxes*.

Impacts of the changes in accounting policies on the 2022 annual consolidated financial statement and the consolidated financial statement on 31 December 2022, are as follows:

Item	Before change	After change	Effect
Deferred tax assets	150,908,792	155,887,946	4,979,154
Deferred tax liabilities	3,397,498	3,503,104	105,516
Retained earnings	8,078,876,545	8,083,720,518	4,843,973
Non-controlling interests	4,131,191,413	4,131,221,078	29,665
Net loss	819,853,720	819,242,482	611,238

The changes in accounting policies are reasonable changes made by the Company in accordance with the relevant provisions of Interpretation No. 16 issued by the Ministry of Finance, which can reflect the financial position, operating results and actual situation of the Company in a more objective and fair manner and can provide more reliable and accurate accounting information, and are 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 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, controlling subsidiaries, Masteel Finance and Baowu Finance, deregistered after being absorbed and merged; the Company transferred all of its 16.14% equity in Ouyeel Commercial Factoring Co., Ltd. to Shanghai Ouyeel Jincheng Information Service Co., Ltd.; the subsidiary, Maanshan (Wuxi) Iron and Steel Sales Co., Ltd., deregistered after being absorbed and merged by the other subsidiary, Maanshan (Nanjing) Iron and Steel Sales Co., Ltd.; the court initiated judicial restructuring against MG-VALDUNES because it was unable to repay its debts due with its available assets, and the Company lost control of it. The above companies have been excluded from the consolidated financial statement as of the date of deregistration/equity transfer/initiation of judicial restructuring.

Saved as the above, there was no change in the scope of the Company's consolidated financial statement compared with that of the previous year.

CONSOLIDATED AND COMPANY'S STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023
Renminbi Yuan

ASSETS	*Notes*	**31 December 2023 Group**	31 December 2022 Group	**31 December 2023 Company**	31 December 2022 Company
CURRENT ASSETS					
Cash and bank balances		**5,569,797,722**	6,534,701,307	**3,908,085,165**	4,947,811,247
Financial assets held for trading		**–**	625,997,138	**–**	40,471,388
Notes receivable		**1,708,216,158**	1,933,419,913	**1,271,492,301**	2,028,976,500
Trade receivables	*4*	**1,400,664,759**	1,376,878,400	**1,673,087,619**	1,554,799,112
Financing receivables	*5*	**1,801,284,684**	2,659,676,438	**1,450,677,653**	2,090,411,894
Prepayments	*6*	**645,423,430**	523,771,038	**618,829,770**	442,776,048
Other receivables		**315,637,040**	330,510,759	**158,196,188**	150,558,816
Inventories		**9,918,290,048**	10,244,541,734	**6,697,833,793**	7,002,397,080
Financial assets purchased under agreements to resell		**–**	2,680,209,514	**–**	–
Loans and advances to customers		**–**	2,644,197,648	**–**	–
Other current assets		**682,306,261**	9,763,174,357	**330,348,445**	462,906,022
Total current assets		**22,041,620,102**	39,317,078,246	**16,108,550,934**	18,721,108,107
NON-CURRENT ASSETS					
Long-term receivables		**–**	4,136,391	**–**	–
Long-term equity investments		**7,043,824,631**	4,449,421,983	**12,526,066,104**	11,994,505,601
Other equity instruments investments		**391,993,788**	541,406,510	**387,077,667**	447,058,919
Investment properties		**55,196,655**	57,207,919	**55,196,655**	57,207,919
Property, plant and equipment		**48,548,833,230**	42,432,233,911	**38,963,858,584**	33,336,863,387
Construction in progress		**4,013,854,765**	7,766,555,935	**3,068,579,228**	6,636,259,808
Right-of-use assets		**348,972,586**	289,244,099	**343,900,893**	271,004,308
Intangible assets		**1,753,618,113**	1,875,095,733	**1,252,917,982**	1,357,773,436
Deferred tax assets		**354,339,065**	155,887,946	**283,871,388**	86,797,980
Other non-current assets		**–**	4,020,703	**–**	–
Total non-current assets		**62,510,632,833**	57,575,211,130	**56,881,468,501**	54,187,471,358
TOTAL ASSETS		**84,552,252,935**	96,892,289,376	**72,990,019,435**	72,908,579,465

CONSOLIDATED AND COMPANY'S STATEMENTS OF FINANCIAL POSITION (CONTINUED)
As at 31 December 2023
Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	*Notes*	**31 December 2023 Group**	31 December 2022 Group	**31 December 2023 Company**	31 December 2022 Company
CURRENT LIABILITIES					
Customer deposits		**–**	9,082,110,579	**–**	–
Repurchase agreements		**–**	659,635,255	**–**	–
Short-term loans		**9,428,060,223**	9,198,483,165	**8,718,947,740**	9,677,805,231
Notes payable	*7*	**8,631,701,173**	5,220,978,025	**5,336,471,135**	2,468,071,491
Trade payables	*8*	**13,513,640,486**	17,224,018,731	**11,735,566,104**	15,008,917,007
Contract liabilities		**4,013,383,663**	4,987,638,416	**3,188,983,590**	4,221,839,659
Payroll and employee benefits payable		**204,380,835**	488,255,914	**136,973,136**	354,868,355
Taxes payable		**372,393,489**	639,849,357	**285,838,962**	474,452,288
Other payables		**3,068,633,198**	3,917,090,333	**7,016,841,883**	3,972,412,391
Non-current liabilities due within one year		**3,784,343,228**	2,059,412,922	**3,781,173,021**	2,057,457,424
Accrued liabilities		**9,875,967**	25,699,276	**–**	–
Other current liabilities		**1,028,203,765**	648,392,994	**921,031,756**	548,839,156
Total current liabilities		**44,054,616,027**	54,151,564,967	**41,121,827,327**	38,784,663,002
NON-CURRENT LIABILITIES					
Long-term loans		**6,799,686,232**	7,982,390,765	**6,683,686,232**	8,214,390,765
Lease liabilities		**361,507,890**	305,546,394	**357,818,769**	288,254,300
Long-term payable		**52,964,036**	168,053,940	**52,964,036**	168,053,940
Long-term employee benefits payable		**1,554,186**	16,423,474	**–**	–
Deferred revenue		**1,002,087,759**	933,916,449	**736,523,575**	692,633,615
Deferred tax liabilities		**295,454**	3,503,014	**–**	–
Total non-current liabilities		**8,218,095,557**	9,409,834,036	**7,830,992,612**	9,363,332,620
Total liabilities		**52,272,711,584**	63,561,399,003	**48,952,819,939**	48,147,995,622

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

As at 31 December 2023

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	*Notes*	**31 December 2023 Group**	31 December 2022 Group	**31 December 2023 Company**	31 December 2022 Company
SHAREHOLDERS' EQUITY					
Share capital		**7,746,937,986**	7,775,731,186	**7,746,937,986**	7,775,731,186
Capital reserve		**8,439,923,708**	8,442,757,852	**8,417,807,686**	8,447,275,568
Treasury shares		**105,928,072**	171,864,500	**105,928,072**	171,864,500
Other comprehensive income		**(12,900,327)**	(30,006,411)	**84,007,969**	132,591,787
Special reserve		**96,805,291**	107,567,088	**46,090,904**	69,568,483
Surplus reserve		**4,720,262,452**	4,720,262,452	**3,883,475,865**	3,883,475,865
General reserve		**–**	271,501,110	**–**	–
Retained earnings		**6,883,481,566**	8,083,720,518	**3,964,807,158**	4,623,805,454
Equity attributable to owners of the parent		**27,768,582,604**	29,199,669,295		
Non-controlling interests		**4,510,958,747**	4,131,221,078		
Total shareholders' equity		**32,279,541,351**	33,330,890,373	**24,037,199,496**	24,760,583,843
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**84,552,252,935**	96,892,289,376	**72,990,019,435**	72,908,579,465

CONSOLIDATED AND COMPANY'S INCOME STATEMENT

For the year ended 31 December 2023
Renminbi Yuan

	Notes	**2023 Group**	2022 Group	**2023 Company**	2022 Company
Revenue	*10*	**98,937,969,364**	102,153,602,375	**80,117,509,791**	84,684,262,198
Less: Cost of sales	*10*	**97,308,142,081**	98,846,467,731	**79,383,153,477**	83,042,691,760
Taxes and surcharges		**378,851,648**	477,114,798	**222,339,569**	330,517,885
Selling expenses		**341,240,952**	295,129,468	**181,569,046**	153,954,265
General and administrative expenses		**933,378,645**	1,263,771,737	**513,485,742**	944,360,695
R&D expenses		**1,231,049,205**	1,167,297,776	**838,217,476**	826,772,430
Financial expenses	*11*	**466,911,329**	519,456,330	**469,024,878**	485,750,966
including: interest expense		**506,684,523**	472,856,092	**508,416,714**	436,364,199
interest income		**61,547,907**	46,140,803	**36,167,219**	26,123,496
Add: Other income		**714,197,840**	172,641,171	**675,158,613**	126,419,483
Investment income		**308,185,072**	814,285,702	**1,307,168,081**	2,712,431,411
including: share of profits of associates and joint ventures		**182,658,080**	423,321,646	**175,173,243**	400,470,289
(Loss)/gain on the changes in fair value		**(34,558,767)**	30,075,870	**(40,471,388)**	72,134,886
Credit impairment (losses)/ reverse		**39,230,056**	33,008,666	**10,298,449**	(19,231,231)
Assets Impairment losses		**(993,092,220)**	(1,558,665,706)	**(1,111,102,119)**	(1,448,422,857)
Gain from disposal of assets	*12*	**93,861,158**	440,339,732	**83,471,073**	76,393,705
Operating profit		**(1,593,781,357)**	(483,950,030)	**(565,757,688)**	419,939,594
Add: Non-operating income	*13*	**7,799,360**	13,246,032	**4,700,424**	1,556,088
Less: Non-operating expenses	*14*	**10,677,519**	89,913,246	**3,446,275**	54,572,103
Profit before tax		**(1,596,659,516)**	(560,617,244)	**(564,503,539)**	366,923,579
Less: Income tax expenses	*15*	**43,241,145**	258,625,238	**(59,911,995)**	44,253,642
Net profit		**(1,639,900,661)**	(819,242,482)	**(504,591,544)**	322,669,937
Categorized by operation continuity					
Net profit from continuing operations		**(1,639,900,661)**	(819,242,482)	**(504,591,544)**	322,669,937

CONSOLIDATED AND COMPANY’S INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2023
Renminbi Yuan

	Notes	**2023 Group**	2022 Group	**2023 Company**	2022 Company
Categorized by ownership					
Net profit attributable to owners of the parent		**(1,327,161,500)**	(857,615,094)		
Net profit attributable to non-controlling interests		**(312,739,161)**	38,372,612		
Other comprehensive income, net of tax		**(17,770,217)**	(41,791,159)	**(47,594,826)**	(60,306,512)
Other comprehensive income attributable to owners of the parent, net of tax		**(17,770,217)**	(41,791,159)		
Other comprehensive income that will not be reclassified to profit or loss:		**(45,891,254)**	(58,960,711)	**(49,480,578)**	(60,470,137)
Changes in fair value of other equity investments		**(45,891,254)**	(58,960,711)	**(49,480,578)**	(60,470,137)
Other comprehensive income that may be reclassified to profit or loss:		**28,121,037**	17,169,552	**1,885,752**	163,625
Other comprehensive income using the equity method that may be reclassified to profit or loss		**1,885,752**	163,625	**1,885,752**	163,625
Net increase in fair value of other debt investments		**4,076,476**	(9,249,030)	**–**	–
Exchange differences on translation of foreign operations		**22,158,809**	26,254,957	**–**	–
Other comprehensive income attributable to non-controlling interests, net of tax		**–**	–		
Total comprehensive income		**(1,657,670,878)**	(861,033,641)	**(552,186,370)**	262,363,425

CONSOLIDATED AND COMPANY'S INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2023

Renminbi Yuan

	Notes	**2023 Group**	2022 Group	**2023 Company**	2022 Company
Attributable to:					
Owners of the parent		**(1,344,931,717)**	(899,406,253)		
Non-controlling interests		**(312,739,161)**	38,372,612		
EARNINGS PER SHARE:					
Basic earnings per share (cent/share)	*16*	**(17.24)**	(11.50)		
Diluted earnings per share (cent/share)	*16*	**(17.24)**	(11.50)		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

Renminbi Yuan

2023

	Attributable to owners of the parent										
	Share capital	Capital reserve	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	7,775,731,186	8,442,757,852	171,864,500	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,083,720,518	29,199,669,295	4,131,221,078	33,330,890,373
2. Increase/(decrease) during the year											
1) Total comprehensive income	-	-	-	(17,770,217)	-	-	-	(1,327,161,500)	(1,344,931,717)	(312,739,161)	(1,657,670,878)
2) Shareholders' contributions and reduction in capital											
(i) Capital contributions by shareholders	(28,793,200)	(37,143,228)	65,936,428	-	-	-	-	-	-	-	-
(ii) Changes in the share of other equity of associates and joint ventures	-	29,355,484	-	-	-	-	-	-	29,355,484	-	29,355,484
(iii) Amount of share-based payments recognised in equity	-	(21,680,138)	-	-	-	-	-	-	(21,680,138)	-	(21,680,138)
(IV) Other	-	17,343,002	-	-	-	-	-	-	17,343,002	920,127,038	937,470,040
3) Profits appropriation											
(i) Distribution to shareholders	-	-	-	-	-	-	-	(155,395,744)	(155,395,744)	(13,913,579)	(169,309,323)
4) Other comprehensive income carried forward to retained earnings	-	-	-	(10,817,182)	-	-	-	10,817,182	-	-	-
5) Special reserve											
(i) Additions	-	-	-	-	103,277,907	-	-	-	103,277,907	19,159,890	122,437,797
(ii) Utilization	-	-	-	-	(114,039,704)	-	-	-	(114,039,704)	(11,814,284)	(125,853,988)
6) Disposal of a subsidiary	-	9,290,736	-	45,693,483	-	-	(271,501,110)	271,501,110	54,984,219	(221,082,235)	(166,098,016)
3. Balance at the end of the year	7,746,937,986	8,439,923,708	(105,928,072)	(12,900,327)	96,805,291	4,720,262,452	-	6,883,481,566	27,768,582,604	4,510,958,747	32,279,541,351

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022
Renminbi Yuan

2022

	Attributable to owners of the parent										
	Share capital	Capital reserve	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	11,665,768,967	32,757,092,691	4,658,353,187	37,415,445,878
2. Increase/(decrease) during the year											
1) Total comprehensive income	–	–	–	(41,791,159)	–	–	–	(857,615,094)	(899,406,253)	38,372,612	(861,033,641)
2) Shareholders' contributions and reduction in capital											
(i) Capital contributions by shareholders	75,050,000	96,814,500	(171,864,500)	–	–	–	–	–	–	(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) Reversal of 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	–	–	–	–	23,321,311	–	–	–	23,321,311	–	23,321,311
6) 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	(171,864,500)	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,083,720,518	29,199,669,295	4,131,221,078	33,330,890,373

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023
Renminbi Yuan

	2023	2022
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	**82,776,686,061**	89,402,281,159
Tax refunds received	**758,357,155**	1,380,979,545
Net decrease in deposits in central bank	**249,240,601**	130,479,969
Net decrease in financial assets purchased under agreements to resell	**2,680,209,514**	–
Net decrease in loans and advances to customers	**1,645,825,963**	2,143,875,524
Cash received for interest charges, fees and commissions	**93,262,097**	326,085,821
Cash received relating to other operating activities	**646,486,202**	399,084,967
Sub-total of cash inflows	**88,850,067,593**	93,782,786,985
Cash paid for purchases of goods and services	**(77,532,466,944)**	(77,467,644,712)
Net decrease in repurchase agreements	**(659,635,255)**	(265,830,697)
Net decrease in deposits and balances from banks and other financial institutions and customer deposits	**(2,493,266,501)**	(170,946,712)
Cash paid to or on behalf of employees	**(4,299,348,842)**	(4,635,583,250)
Taxes and surcharges paid	**(1,348,908,186)**	(2,019,740,186)
Net increase in financial assets purchased under agreements to resell	**–**	(1,895,613,906)
Cash paid for interest charges, fees and commissions	**(48,659,682)**	(166,498,844)
Cash paid relating to other operating activities	**(475,982,921)**	(519,227,091)
Sub-total of cash outflows	**(86,858,268,331)**	(87,141,085,398)
Net cash flows from operating activities	**1,991,799,262**	6,641,701,587

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2023
Renminbi Yuan

	2023	2022
2. Cash flows from investing activities		
Cash received from disposal of investments	**6,134,334,278**	22,743,160,659
Cash received from investment income	**134,818,022**	382,470,601
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets	**611,049,988**	477,502,462
Net cash received from disposal of subsidiaries and other business units	**790,122,876**	449,763,136
Cash received relating to other investing activities	**680,259**	56,354,452
Sub-total of cash inflows	**7,671,005,423**	24,109,251,310
Purchases of property, plant and equipment, intangible assets and other non-current assets	**(6,399,162,194)**	(8,342,161,649)
Cash paid for investments	**(1,812,865,058)**	(22,865,049,616)
Cash paid relating to other investing activities	**(19,849,741)**	–
Sub-total of cash outflows	**(8,231,876,993)**	(31,207,211,265)
Net cash flows used in investing activities	**(560,871,570)**	(7,097,959,955)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended 31 December 2023
Renminbi Yuan

		2023	2022
3.	**Cash flows from financing activities**		
	Cash received from borrowings	**12,654,687,416**	16,408,462,049
	Cash received from investors	**937,470,040**	171,864,500
	Including: capital injection from a subsidiary's non-controlling interests	**937,470,040**	–
	Cash received from the issuance of short-term financing bills	**500,000,000**	–
	Cash received relating to other financing activities	**511,120,715**	549,341,708
	Sub-total of cash inflows	**14,603,278,171**	17,129,668,257
	Repayment of borrowings	**(15,185,121,421)**	(12,953,712,984)
	Cash paid for distribution of dividends or profits and for interest expenses	**(690,566,786)**	(3,625,015,435)
	Including: dividends or profits paid to non-controlling interests by subsidiaries	**(13,913,579)**	(482,950,740)
	Cash paid relating to other financing activities	**(88,873,977)**	(34,369,893)
	Sub-total of cash outflows	**(15,964,562,184)**	(16,613,098,312)
	Net cash flows (used in)/from financing activities	**(1,361,284,013)**	516,569,945
4.	**Effect of foreign exchange rate changes on cash and cash equivalents**	**(1,787,882)**	77,364,944
5.	**Net increase in cash and cash equivalents**	**67,855,797**	137,676,521
	Add: cash and cash equivalents at the beginning of the year	**4,360,738,411**	4,223,061,890
6.	**Cash and cash equivalents at the end of the year**	**4,428,594,208**	4,360,738,411

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 RMB22,012,995,925. The directors of the Company have considered the availability of funding sources, including but not limited to an unutilized banking facilities of RMB46.7 billion as at 31 December 2023 and the expected cash inflows from the operating activities in the upcoming 12 months. The board of directors of the Company believes that the Group has sufficient working capital to continue as a going concern for not less than 12 months after the end of reporting period. Therefore, the board of directors of the Company continues to prepare the Group’s financial statements for the year ended 31 December 2023 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 2023, and the results of their operations and cash flows for the year ended 31 December 2023.

2. SCOPE OF CONSOLIDATION

2.1 No Newly established subsidiary this year.

2.2 Disposal of subsidiaries

Names of subsidiarie	**Changes of consolidation scope**
Masteel Group Finance Co., Ltd	Disposal

2.3 Changes of consolidation scope caused by other reasons

In 2023, the changes of consolidation scope caused by other reasons is as follows:

Names of subsidiaries	**Changes of consolidation scope**
Masteel Waddon Company Limited (“**Masteel Waddon**”)	Bankruptcy reorganization

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.

3. OPERATING SEGMENT INFORMATION (CONTINUED)

Other information

Geographical information

External principal operating income

	2023	2022
Mainland China	**94,515,743,414**	94,515,743,414
Overseas and Hong Kong	**4,504,694,200**	4,504,694,200
	99,020,437,614	99,020,437,614

Non-current assets

	31 December 2022	31 December 2022
Mainland China	**56,696,562,410**	56,696,562,410
Overseas and Hong Kong	**177,217,873**	177,217,873
	56,873,780,283	56,873,780,283

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.

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 2023	31 December 2022
Within one year	**1,502,042,518**	1,335,955,228
One to two years	**69,816,859**	58,996,750
Two to three years	**3,656,139**	8,591,735
Over three years	**56,775,892**	49,684,990
	1,632,291,408	1,453,228,703
Less: Provisions for bad debts	**231,626,649**	76,350,303
	1,400,664,759	1,376,878,400

In 2023, there were no trade receivables that had been written off (2022: Nil).

As of 31 December 2023 and 2022, there was no trade receivables that were derecognized due to the transfer of financial assets.

As of 31 December 2023 and 2022, the Group had no assets or liabilities deriving from transferring trade receivables in which the Group is continuingly involved.

5. FINANCING RECEIVABLES

	31 December 2023	31 December 2022
Bank acceptance notes	**1,801,284,684**	2,659,676,438

As of 31 December 2023, the Group pledged the bank acceptance notes of RMB0 (31 December 2022: Nil) for the short-term loan.

The undue notes discounted or endorsed were as follows：

	31 December 2023		31 December 2022	
	Derecognized	**Not derecognized**	Derecognized	Not derecognized
Bank acceptance notes	**12,228,142,679**	**1,242,029,813**	9,544,110,862	1,281,016,240

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

As of 31 December 2023, the Group derecognized notes receivable discounted to financial institutions amounting to RMB4,028,695,081 (2022: RMB2,236,530,863), and recognized discount expense amounting to RMB18,912,711 (2022: RMB34,430,874).

6. PREPAYMENTS

An ageing analysis of the prepayments is as follows:

	31 December 2023		31 December 2022	
	Book value	**Ratio** *(%)*	Book value	Ratio *(%)*
Within one year	**628,255,503**	**97**	512,652,749	98
One to two years	**13,924,479**	**2**	11,067,029	2
Two to three years	**3,243,448**	**1**	51,260	–
	645,423,430	**100**	523,771,038	100

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 2023	31 December 2022
Bank acceptance notes	**8,631,701,173**	5,220,978,025

As of 31 December 2023 and 2022, the ageing of the Group's notes payable was all within six months, and there were no overdue notes.

8. TRADE PAYABLES

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

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

	31 December 2023	31 December 2022
Within one year	**13,190,322,849**	16,875,547,891
One to two years	**170,817,523**	295,571,029
Two to three years	**111,377,906**	46,629,163
Over three years	**41,122,208**	6,270,648
	13,513,640,486	17,224,018,731

9. DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2023.

10. REVENUE AND COST OF SALES

	2023		2022	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Principal operating income	**96,403,138,119**	**94,839,339,719**	99,020,437,614	96,550,544,372
Other operating income	**2,534,831,245**	**2,468,802,362**	3,133,164,761	2,295,923,359
	98,937,969,364	**97,308,142,081**	102,153,602,375	98,846,467,731

Revenue is presented as follows:

	2023	2022
Revenue from contracts with customers	**98,830,390,735**	101,808,238,164
Other income	**107,578,629**	345,364,211
	98,937,969,364	102,153,602,375

Timing of revenue recognition from contracts with customers:

	2023	2022
At a point in time	**98,740,477,790**	101,709,947,710
Over time	**89,912,945**	98,290,454
	98,830,390,735	101,808,238,164

10. REVENUE AND COST OF SALES (CONTINUED)

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

	2023	2022
Revenue	**4,987,638,416**	5,709,401,744

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:

	2023	2022
Within one year	**4,013,383,663**	4,987,638,416

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

	2023	2022
Interest expenses *(Note)*	**519,190,821**	490,486,079
Less: interest income	**61,547,907**	46,140,803
Less: capitalised borrowing costs	**12,506,298**	17,629,987
Exchange (gain)/loss	**6,088,400**	76,964,721
Others	**15,686,313**	15,776,320
	466,911,329	519,456,330

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

12. GAIN FROM DISPOSAL OF ASSETS

	2023	2022
Gain on disposal of fixed assets	**43,755,933**	84,472,807
Gain on disposal of intangible assets	**32,099,236**	362,607,802
Gain/(Loss) on disposal of construction process	**18,005,989**	(6,740,877)
	93,861,158	440,339,732

13. NON-OPERATING INCOME

	2023	2022	Included in 2023 non-recurring gains and losses
Government grants not related to the ordinary course of business	**–**	785,148	–
Others	**7,799,360**	12,460,884	7,799,360
	7,799,360	13,246,032	7,799,360

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

	2023	2022
Others	**–**	785,148
	–	785,148

14. NON-OPERATING EXPENSES

	2023	2022	Included in 2023 non-recurring gains and losses
Loss from scrap of fixed assets	**2,030,156**	84,649,452	2,030,156
Penalty expenditure	**2,858,893**	1,018,345	2,858,893
Charity donation	**2,116,769**	2,129,727	2,116,769
Others	**3,671,701**	2,115,722	3,671,701
	10,677,519	89,913,246	10,677,519

15. INCOME TAX EXPENSES

	2023	2022
Mainland China current income tax expense	**238,338,772**	176,713,711
Hong Kong current income tax expense	**6,385,403**	3,857,095
Overseas current income tax expense	**29,917,483**	29,551,456
Deferred tax expense	**(231,400,513)**	48,502,976
	43,241,145	258,625,238

15. INCOME TAX EXPENSES (CONTINUED)

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

	2023	20222
(Loss)/Profit before tax	**(1,596,659,516)**	(560,617,244)
Tax at the applicable tax rate of 25% *(Note)*	**(399,164,879)**	(140,154,311)
Effect of different tax rates of subsidiaries	**217,832,116**	396,991,584
Non-deductible expenses	**12,320,825**	26,909,690
Adjustment of income tax of prior period	**126,553,448**	(5,189,291)
Other tax preference	**(213,684,505)**	(474,184,519)
Income not subject to tax	**(88,496,228)**	(15,640,078)
Unrecognized deductible temporary difference and tax losses	**409,204,692**	503,075,336
Effect on opening deferred tax of change in the tax rate	**7,177,678**	74,112,527
Utilised previous years' tax losses	**(1,445,284)**	(1,465,288)
Share of profit or loss of joint ventures and associates	**(27,056,718)**	(105,830,412)
Tax charge at the Group's effective rate	**43,241,145**	258,625,238
The Group's effective rate	**0**	0

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.

16. EARNINGS PER SHARE

	2023	20222
	cent/share	*cent/share*
Basic earnings per share		
Continuing operations	**(17.24)**	(11.50)
Diluted earnings per share		
Continuing operations	**(17.24)**	(11.50)

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).

A net loss was incurred during the year and the underlying common shares were anti-dilutive, so diluted earnings per share were the same as basic earnings per share.

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

	2023	2022
Earnings		
Profit attributable to owners of the parent		
Continuing operations	**(1,327,624,068)**	(885,346,314)
Number of shares		
Weighted average number of ordinary shares in issue during the period	**7,700,681,186**	7,700,681,186

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 2023, the Group and the Company did not have significant pending litigation.

18. EVENTS AFTER THE BALANCE SHEET DATE

Apart from above, as of the date of the announcement, the Group had no other significant events after the balance

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

28 March 2024
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 Guan Bingchun, He Anrui, Liao Weiquan and Qiu Shengtao.