



**MAANSHAN IRON & STEEL COMPANY LIMITED**

*H Share Code: 323*

*A Share Code: 600808*

# 2022 Annual Report



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

- I. The board of directors (the "Board"), the supervisory committee, the directors, the supervisors and senior management of the Company warrant that there are no false representations or misleading statements contained in, or material omissions from this annual report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this annual report.
- II. All directors attended the Board meeting.
- III. Ernst & Young Hua Ming LLP issued a standard unqualified audit opinion on the annual financial statements of the Company.
- IV. Mr. Ding Yi, representative of the Company, Mr. Ren Tianbao, person overseeing the accounting operations, and Mr. Xing Qunli, head of Accounting Department, made representations in respect of the truthfulness, accuracy and completeness of the financial statements contained in the annual report.
- V. Profit distribution plan or plan for the capitalisation of capital reserve during the Reporting Period approved by the Board  
The Board suggests 2022 final dividend of RMB0.02 per share (tax included) shall be distributed and retained earnings will be carried forward to the year of 2023. No capital reserve shall be transferred to share capital. The distribution plan is going to be submitted to the Annual General Meeting for approval.
- VI. Risk relating to forward-looking statements  
The report analyses major risks faced by the Company. Please refer to "(5) Potential risks" of "VI. Discussion and Analysis on the Future Development of the Company" of "Report of the Board" in Section III for details. Forward-looking statements such as development strategy, future business plans contained in this report do not constitute any substantive commitments to investors by the Company. Investors should be aware of the relevant risks.
- VII. During the Reporting Period, no appropriation of fund on a non-operating basis by the controlling shareholder or other related parties was found in the Company.
- VIII. During the Reporting Period, there is no violation of regulations, decisions or procedures in relation to provisions of external guarantees.
- IX. During the Reporting Period, the majority of the Directors cannot warrant the authenticity, accuracy and completeness of the information contained in the annual report does not exist.
- X. Significant risk warning  
The Company has no significant risk that needs to draw special attention of investors.
- XI. Other  
This report is prepared in both Chinese and English. In the event of any discrepancy between the Chinese and English versions, please subject to Chinese text.

# Section I Definitions

## I. DEFINITIONS

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

“Company” or “the Company” or “Magang Stock”	means	Maanshan Iron & Steel Company Limited
The Group	means	the Company and its subsidiaries
China Baowu or Baowu	means	China Baowu Steel Group Corporation Limited, the controlling shareholder of the Holding
Baosteel Hong Kong Investment	means	Baosteel Hong Kong Investment Company Limited, a wholly-owned subsidiary of China Baowu
The Holding	means	Magang (Group) Holding Co., Limited and the direct controlling shareholder of the Company
The General Meeting	means	the Shareholders’ General Meeting of the Company
The Board	means	the board of directors of the Company
Strategic Development Committee	means	the Strategic and Sustainable Development Committee of the Board of the Company
Audit Committee	means	the Audit and Compliance Committee of the Board of the Company, formerly known as the Audit Committee (審核(審計)委員會)
Directors	means	the Directors of the Company
Supervisory Committee	means	the supervisory committee of the Company
Supervisors	means	the supervisors of the Company

## Section I Definitions (Continued)

Senior Management	means	the senior management of the Company
Hong Kong Stock Exchange	means	the Stock Exchange of Hong Kong Limited
SSE	means	the Shanghai Stock Exchange
A Shares	means	a nominal value of RMB1.00 per share, which are listed on the SSE
H Shares	means	a nominal value of RMB1.00 per share, which are listed on the Hong Kong Stock Exchange
PRC	means	the People's Republic of China
Hong Kong	means	the Hong Kong Special Administrative Region
RMB	means	Renminbi Yuan
CSRC	means	the China Securities Regulatory Commission
CISA	means	China Iron and Steel Association
the Articles of Association	means	The articles of association of Maanshan Iron and Steel Company Limited
Changjiang Steel	means	Anhui Changjiang Steel Co., Ltd., a controlling subsidiary of the Company
Ma Steel (Hefei)	means	Ma Steel (Hefei) Iron & Steel Co., Ltd., a controlling subsidiary of the Company
Magang Finance	means	Magang Group Finance Co. Ltd., a controlling subsidiary of the Company

## Section I Definitions (Continued)

Magang Transportation Material	means	Baowu Group Magang Rail Transportation Material Technology Co., Ltd., a wholly-owned subsidiary of the Holding
MG-VALDUNES	means	MG-VALDUNES S.A.S, a wholly-owned subsidiary of the Company
Ma Steel (Hong Kong)	means	Ma Steel (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company
Magang Investment	means	Magang Group Investment Ltd., a wholly-owned subsidiary of the Holding
Auditor, Ernst & Young	means	Ernst & Young Hua Ming LLP
Filling and leveling project in northern area	means	The A, B blast furnace overhaul projects, 360m2 sintering machine project, coke oven off-site overhaul project and a series of new construction and reconstruction projects to achieve self-balancing of resources in the northern area of the headquarters
The upgrading of the production line in the southern area	means	The new special steel project, No. 3 and No. 4 continuous casting machine renovation project and a series of new construction and reconstruction projects to achieve self-balancing of resources in the southern area of the headquarters
Inventories and receivables	means	Utilization of funds on inventories and accounts receivable
Reporting Period	means	From 1 January 2022 to 31 December 2022

## Section II Company Introduction and Major Financial Indicators

### 1. COMPANY PROFILE

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

### 2. CONTACT PERSON AND METHODS

	Secretary of the Board of Directors	Joint Company Secretary	
Name	Ren Tianbao	He Hongyun	Rebecca Chiu
Contact address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC	Room 1204-06, 12/F, The Hong Kong Chinese Bank Building, 61 Des Voeux Road Central, Hong Kong
Telephone	86-555-2888158/2875251	86-555-2888158/2875251	(852)21552649
Fax	86-555-2887284	86-555-2887284	(852)21559568
Email	mggf@baowugroup.com	mggf@baowugroup.com	rebeccachiu@chiuandco.com

### 3. BASIC INFORMATION

Registered address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC
Historical changes of the Company's registered address	January 1993 to June 2009, No. 8 Hong Qi Zhong Road, Maanshan City, Anhui Province; June 2009 to now, No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province
Office address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province
Postal code of the registered address	243003
The Company's website	www.magang.com.cn (A Share); www.magang.com.hk (H Share)
Email address	mggf@baowugroup.com

### 4. INFORMATION DISCLOSURE AND LOCATION FOR INSPECTION

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

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

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

Brief Information on the Shares of the Company			
Type of shares	Stock exchange for listing of shares	Short name of stock	Stock code
A Shares	SSE	Magang Stock	600808
H Shares	Hong Kong Stock Exchange	Ma Anshan Iron & Steel	00323

The address of the A share registrar of the Company: China Securities Depository and Clearing Company Limited Shanghai Branch, No. 188 Yanggao South Road, Pudong New District, Shanghai, the PRC.

The address of the H share registrar of the Company: Hong Kong Registrars Limited, Room 1712-1716, Level 17, Hopewell Centre, 183 Queen's Road East, Wan chai, Hong Kong.

### 6. THE RELATED INFORMATION

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

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

#### (1) Major accounting data

Unit: RMB

Major accounting data	2022	2021	Increase/decrease compared to previous year (%)	2020
Revenue	<b>102,153,602,375</b>	113,851,189,379	-10.27	81,614,151,183
Revenue net of business revenue not related to principal business and income lacking commercial substance	<b>99,020,437,614</b>	111,050,222,245	-10.83	80,184,384,897
Net profit attributable to owners of the parent	<b>-858,225,310</b>	5,332,253,043	-116.09	1,982,638,821
Net profit excluding non-recurring gains or losses attributable to owners of the parent	<b>-1,111,079,345</b>	5,413,289,720	-120.53	1,485,651,232
Net cash flows from operating activities	<b>6,641,701,587</b>	16,774,476,432	-60.41	2,770,514,645

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

	As at the end of 2022	As at the end of 2021	Increase/ decrease compared to the end of the previous year (%)	As at the end of 2020
Net assets attributable to owners of the parent	<b>29,194,825,322</b>	32,752,858,934	-10.86	28,386,124,992
Total assets	<b>96,887,310,222</b>	91,207,743,018	6.23	80,711,141,782
Total share capital	<b>7,775,731,186</b>	7,700,681,186	0.97	7,700,681,186

### (2) Major financial indicators

Major financial data	2022	2021	Increase/ decrease compared to the previous year (%)	2020
Basic earnings per share (RMB/share)	<b>-0.115</b>	0.692	-116.62	0.258
Diluted earnings per share (RMB/share)	<b>-0.115</b>	0.692	-116.62	0.258
Basic earnings per share excluding non-recurring gains or losses (RMB/share)	<b>-0.144</b>	0.703	-120.48	0.193
Return on net assets (weighted average) (%)	<b>-2.77</b>	17.44	Decreased by 20.21 percentage points	7.17
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	<b>-3.59</b>	17.71	Decreased by 21.30 percentage points	5.37

## 8. MAJOR FINANCIAL DATA BY QUARTER IN 2022

Unit: million RMB

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

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

### 9. NON-RECURRING ITEMS AND AMOUNTS

Unit: RMB

Non-recurring items	2022	2021	2020
(Loss)/gain from disposal of non-current assets	<b>355,690,280</b>	-143,399,924	417,244,264
Government grants recognized in current period profit or loss (excluding those having close relationship with the Company's normal business, conforming to the national policies and regulations and enjoying ongoing fixed amount or quantity according to certain standard)	<b>167,122,821</b>	139,217,796	468,081,747
Employee termination compensation	<b>-370,842,845</b>	-338,969,150	-177,756,341
Except for the effective hedging business related to ordinary business of the Company, changes in fair value of financial assets and financial liabilities held-for-trading, as well as the return on investment generated from the disposal of financial assets and financial liabilities held-for trading and financial assets at fair value through other comprehensive income	<b>187,359,177</b>	121,324,686	27,841,061
Gain from disposal of subsidiaries	<b>159,743,160</b>	24,143,097	-
Gain from changing cost method to equity method in disposal of subsidiaries	<b>47,969,999</b>	83,779,998	-
Gain from disposal of an associate	<b>99,186</b>	-	19,108,539
Net non-operating income or expenses other than the above items	<b>7,197,090</b>	483,635	4,141,163
Less: Income tax effect	<b>-179,891,604</b>	33,448,560	-89,575,900
Non-controlling interests effect (after tax)	<b>-121,593,229</b>	-1,065,375	-172,096,944
<b>Total</b>	<b>252,854,035</b>	-81,036,677	496,987,589

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

### 10. ITEMS MEASURED AT FAIR VALUE

Unit: million RMB

Account name	Opening balance of the reporting period	Closing balance of the reporting period	Change in the reporting period	Effects on the current period profit
Financial assets held for trading	5,732.47	<b>626.00</b>	-5,106.47	157.89
Financial liabilities held for trading	31.66	—	-31.66	29.47
Financing receivables	4,795.91	<b>2,659.68</b>	-2,136.23	—
Other equity instruments investments	641.94	<b>541.41</b>	-100.53	25.87
<b>Total</b>	<b>11,201.98</b>	<b>3,827.09</b>	<b>-7,374.89</b>	<b>213.23</b>

### 11. OTHERS

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

Accounting data (indicators)	2022	2021	2020	2019	2018
Revenue	<b>102,154</b>	113,851	81,614	78,263	81,952
Profit before tax	<b>-561</b>	7,016	3,081	2,298	8,239
Net profit	<b>-820</b>	5,994	2,578	1,714	7,058
Basic earnings per share (RMB)	<b>-0.115</b>	0.692	0.258	0.147	0.772
Diluted earnings per share (RMB)	<b>-0.115</b>	0.692	0.258	0.147	0.772

# Section III Directors' Report (Management Discussion and Analysis)

## 1. DISCUSSION AND ANALYSIS OF OPERATION

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

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

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

pieces of wheels, representing a year-on-year increase of 21.9%. Fifthly, the joint economic operation of public and auxiliary facilities. Focusing on “effective operation, powerful protection, system optimisation and energy saving and consumption reduction”, the Company strengthened the stable operation of equipment, and the overall equipment efficiency (OEE) reached 76.3%, and was awarded as the national excellent unit in equipment management. The economical operation of the energy system was further promoted, and the proportion of self-generated power increased to 74.9%, and A# Sintering Machine and No. 2 300-tonne converter were awarded the title of “Champion Furnace” in the national energy-saving and consumption reduction competition for key large-scale energy-consuming steel production equipment.

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

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

- (III) **Innovation driving strong technology.** The Company adhered to innovation as the primary driving force and accelerated the implementation of the innovation-driven development strategy to promote high-level technological self-reliance. Firstly, we have continuously optimized our innovation platform. 71 company-level “leading projects” have been implemented in an orderly manner. The Company has been recognized as a national high-tech enterprise, and Masteel Transportation Material has been named the single champion demonstration enterprise for “Specialized and New” in the national manufacturing industry. Secondly, we have made breakthroughs in “bottleneck” problems. We have achieved mass production of domestically-manufactured high-speed railway wheels of 120 units for two trains, and 9 new products have been launched domestically for the first time, including two globally-first products: B-type subway low-noise wheels and DZ2 alloy steel for 350 km/h high-speed railway axles based on continuous casting technology. Thirdly, innovative achievements continued to emerge. Seven achievements have won the Metallurgical Science and Technology Award, including two first prizes; five achievements have won the Anhui Science and Technology Progress Award, including three first prizes; and five national and industry standards have been led to establish.
- (IV) **Empowering sustainable growth through green intelligence.** The Company insisted on making green intelligence the core competitiveness of the enterprise and continued to promote it steadily. Firstly, we were deeply committed to green and low-carbon development. We have fully launched the building of an A-class environmental performance enterprise, carried out a 100-day campaign to achieve this goal, and achieved public online disclosure of clean transportation at our headquarters. We have also completed on-site audits of both organized and unorganized emissions. Our solid waste regeneration and utilization rate reached 27.2%, and our photovoltaic green power generation amounted to 35 million kilowatt-hours. The green power trading volume surpassed 200 million kilowatt-hours, and we completed the first cross-provincial green power transaction with green certificates. Three products, including hot-rolled large H-beam steel, have completed their life cycle assessment (LCA) carbon footprint quantification evaluations and have released environmental product declarations on the EPD platform. The Company has been selected as one of the first batch of “double carbon best practice energy efficiency benchmarking and demonstration plant cultivation enterprises” by CISA. We continuously improved our environmental performance in the plant area, implemented comprehensive environmental improvement in the northern area, built 343,000 square meters of new green areas, renovated 80,000 square meters of green areas, and increased our green coverage rate to 36.5%. The Ma Steel industrial tourism scenic spot has been rated as a national AAA-level tourist attraction. Secondly, we deeply promoted smart manufacturing. The inspection and control center and special steel control center have been completed and put into operation, and the “one plant, one center” smart control model has basically taken shape. The remote technical support platform for blast furnaces has been successfully put into use, achieving interconnection and intercommunication of production

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

data for nine blast furnaces at headquarters and Changjiang Steel. The “steel industry brain” intelligent steelmaking project is being steadily promoted. Two achievements of Masteel Transportation Material, namely “digital product R&D and design” and “intelligent collaborative operation” have been selected as excellent scenarios for intelligent manufacturing by the Ministry of Industry and Information Technology in 2022.

- (V) **Boldly driving reforms with a commitment to doing good.** The Company adhered to top-level design and systematic promotion to push forward key reform work in a practical and in-depth manner. Firstly, the three-year action plan for state-owned enterprise reform has been successfully completed. All 89 tasks have been fully accomplished, and the case study “Strategic Restructuring for Deep Integration to Unleash Reform Dividends (《立足戰略重組 深度融合釋放改革紅利》)” has been selected for the State-owned Assets Supervision and Administration Commission of the State Council’s “Case Studies of State-owned Enterprise Reform: Three-year Action Plan(《改革攻堅：國企改革三年行動案例集》)”. Secondly, the “one headquarters and multiple bases” management control model has been essentially established. We have clarified the management responsibilities and authority interfaces between the headquarters and bases, and “one enterprise, one strategy” has formed a “standard +  $\alpha$ ” management control model, with 107 process control lists covering 15 aspects. We have also extended the “consistent management” to subsidiaries and business areas such as safety, energy and environment, equipment, and human resources, which has effectively improved the system’s capabilities. Thirdly, we have strictly controlled safety management. We have strengthened “consistent management” and “three managements and three musts”. With a focus on the three-year action plan for special rectification of safety production, we have pressed tight safety production responsibilities, strengthened safety education and training, deepened special rectification activities such as safety production inspections and “100-day zero-accident (百日清零行動)” initiatives, and built positive incentive and safety scoring mechanisms. We have also intensified accident analysis and accountability efforts to stabilize the safety production situation. Fourthly, we have continuously improved personnel efficiency. Through process reengineering, smart manufacturing, professional collaboration, and job optimization, the average output of steel per capita at the headquarters has reached 1,336 tonnes. Fifthly, we have continued to deepen the transformation of collaborative management. We have implemented 23 integrated collaboration projects under the “management, use, maintenance and repair” approach, and strictly enforced supplier admission standards, accelerated the removal of “low-end, small and scattered (低小散)” suppliers, and reduced the number of collaborative suppliers to 55. Finally, we have steadily promoted the construction of a legal and compliant corporate culture. We have established and improved a legal and compliance management system, carried out thorough compliance checks and internal control risk self-examinations and rectifications, and effectively prevented compliance risks.

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

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

### 2. INDUSTRY IN WHICH THE COMPANY OPERATED DURING THE REPORTING PERIOD

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

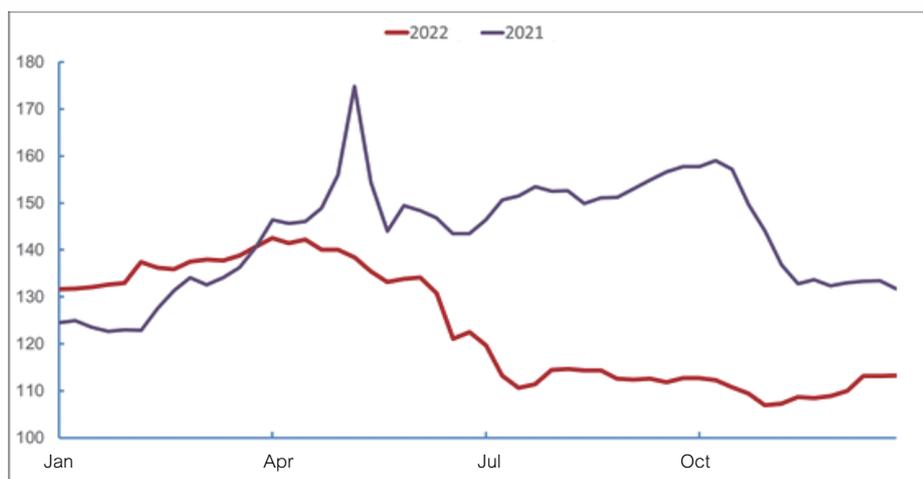
Affected by the economic downturn, the investment in real estate development decreased by 10.0% over the previous year, representing a decrease of 14.9 percentage points; in respect of the industrial added value of other major steel-consuming industries, except for automobile industry, which increased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

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

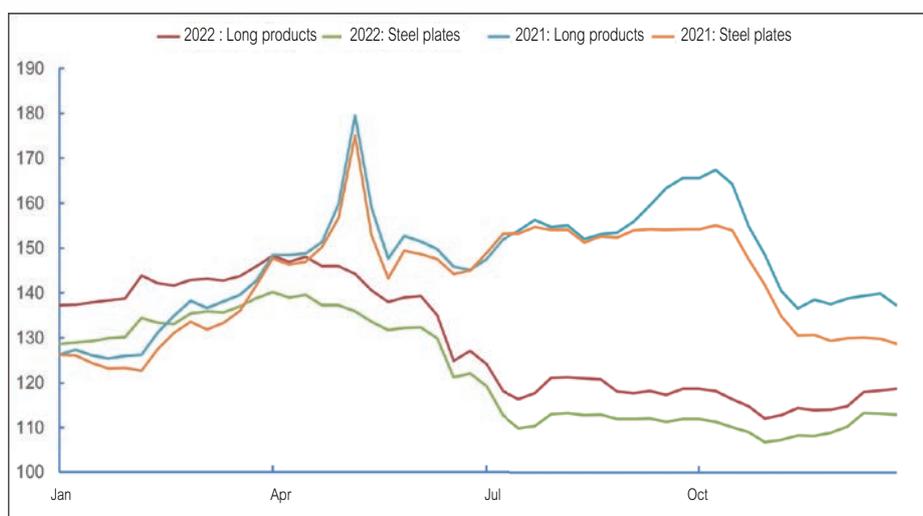
representing a year-on-year decrease of 0.8% and 1.7%, respectively; and 1.34 billion tonnes of steel, representing a year-on-year increase of 0.3%. Steel enterprises responded actively, and strove to maintain a dynamic balance between supply and demand. According to the statistics of CISA, the total profit of key member steel enterprises of the statistics recorded a year-on-year decrease of 72.27%, with the gearing ratio increased.

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

**Figure 1 China Steel Composite Price Index since 2021**



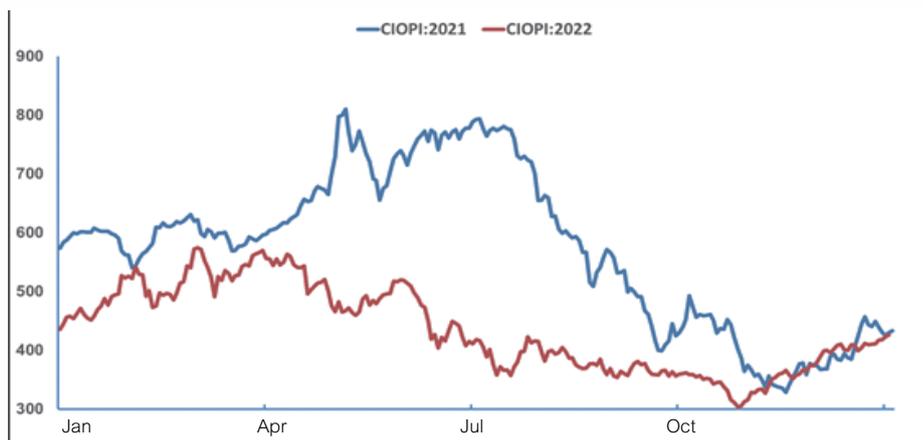
**Figure 2 Long Products and Steel Plates Price Indices since 2021**



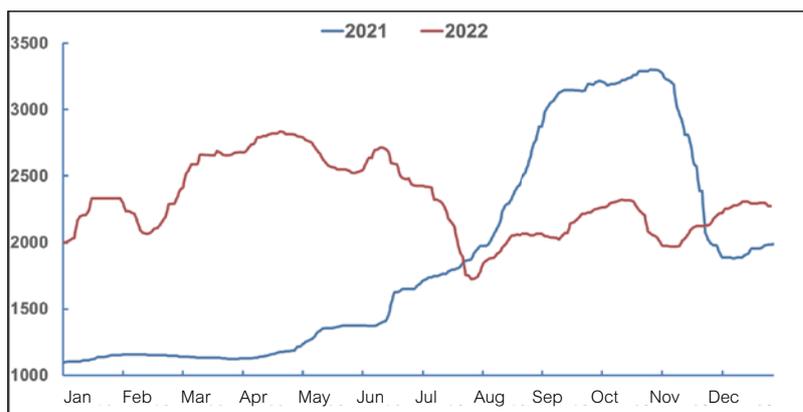
## Section III Directors' Report (Management Discussion and Analysis) (Continued)

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

**Figure 3 China Iron Ore Price Index since 2021**



**Figure 4 Mysteel Coking Coal Composite Index since 2021**



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

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

#### (1) Main business and operation model

As one of the largest iron and steel producers and sellers in China, the Company's major businesses are production and sales of iron and steel products; the main production processes include iron making, steel making, steel rolling, etc. Major products of the Company are steel, which is composed of four product series of "excellent special steel, wheels and axles, long products and plates". It has automobile plate, household appliance plate, pickling plate, container plate, ship plate, zinc aluminum magnesium, heavy H-section steel, railway vehicle materials, H-section steel for offshore oil platform, medium profile mining steel, low-temperature reinforcement, energy steel, high-speed wheel and other high-end products, which are widely used in aviation, railway, ocean, automobile, household appliance, shipbuilding, construction, machinery manufacturing and other fields and national key projects with broad market prospects.

**Excellent special steel series:** Major products include continuous casting round billet, special steel bar and industrial wire rod. Continuous casting round billet is mainly used in wheel, axle, wind power, energy and other industries. Special steel bar is mainly used in axle for rail transit, bearing gear for machinery, gear for automobile, bearing, spring, combined steel, etc. Industrial wire rod is mainly used for high carbon steel, cold heading steel, spring steel, bearing steel, excellent carbon steel, etc. for automobile machinery.

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

**Wheels and axles series:** Major products include train wheels, axles and rings, which are widely used in railway transport, port machinery, petrochemical industries, aerospace industry, and so forth.

**Long products series:** Major products include section steel and wire rod. Section steel is mostly used in construction, steel structures, machinery manufacturing and the construction of petroleum drilling platforms and railways. Hot-rolled ribbed bars are mainly used in construction. High-speed wire rod products are mostly used in construction, the production of fasteners, strand steel wires and spring steel wires.

**Plates series:** Major products include hot and cold-rolled thin plates, galvanized plates and coil coating plates. Hot-rolled thin plates are mostly used in the construction, automobile, bridge building, machinery businesses and petroleum transportation, while cold-rolled thin plates are used in high-grade light industries, home electrical appliances, and medium and high-grade production of automobile parts. Galvanized plates are positioned to be used as automobile plates, home electrical appliances plates, high-grade construction plates, and plates for businesses like packaging and utensil manufacturing. Coil-coating plates can be used in both interior and exterior of buildings, home electrical appliances and steel windows.

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

During the Reporting Period, the Company created and innovated a business model of "base management + brand operation" suitable for its own development in accordance with its strategic positioning, established a partnership with three domestic steel mills for brand operation based on steel products, and achieved cooperation in the fields of product technical support, information sharing, production base management and product sales based on the principle of win-win cooperation, which has a positive impact on the Company's brand influence and comprehensive competitiveness. In addition, during the Reporting Period, the major businesses, main products and their usages, operation modes, major driving factors of performance did not experience substantial changes.

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

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

#### (1) Synergy advantage

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

#### (2) Location advantage

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

#### (3) Product structure advantage

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

#### (4) Variety matching advantage

The four major iron and steel production bases of the headquarters, Changjiang Steel, Ma Steel (Hefei) and MG-VALDUNES have complete supporting varieties and professional production level, and the scale advantage of complete supporting varieties and specifications can be actively used to realize the management and control operation mode of “one headquarters with multiple bases”, and improve the market share and brand influence.

#### (5) Technical advantage

During the Reporting Period, the Group had owned 2,446 valid patents, including 1,176 invention patents; 6 foreign invention patents; owned 4,813 technical know-hows (non-patented technologies); and owned independent intellectual property rights and core technologies for three series of products, including high-speed wheel, special H-section steel and ecold heading steel.

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

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

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

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

### (1) Analysis of principal operation

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

Unit: RMB

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

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

Compared with last year:

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

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

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

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

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

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

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

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

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

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

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

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

In accordance with the relevant provisions of the Notice on Issuing the Interpretation No. 15 of the Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) issued by the Ministry of Finance, the Company restated its cost of sales and R&D expenses for the year 2021. The above cost of sales and R&D expenses for the year 2021 are restated figures.

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

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

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

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

Unit: million RMB

Principal operation by industry						
By industry	Revenue	Cost of sales	Gross margin (%)	Increase/ (decrease) of revenue compared with last year (%)	Increase/ (decrease) of cost of sales compared with last year (%)	Increase/ (decrease) of gross margin compared with last year (%)
Iron and Steel	94,707	92,299	2.54	-9.20	-2.10	Decreased by 7.07 percentage points

Principal operation by product						
By product	Revenue	Cost of sales	Gross margin (%)	Increase/ (decrease) of revenue compared with last year (%)	Increase/ (decrease) of cost of sales compared with last year (%)	Increase/ (decrease) of gross margin compared with last year (%)
Steel plates	44,943	43,863	2.40	-14.00	-3.83	Decreased by 10.32 percentage points
Long products	45,667	44,456	2.65	-2.01	1.61	Decreased by 3.47 percentage points
Wheel and axles	2,523	2,143	15.06	17.08	16.47	Increased by 0.44 percentage point

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

By region	Principal operation by region					
	Revenue	Cost of sales	Gross margin (%)	Increase/ (decrease) of revenue compared with last year (%)	Increase/ (decrease) of cost of sales compared with last year (%)	Increase/ (decrease) of gross margin compared with last year (%)
Anhui	39,367	39,051	0.80	-16.20	-4.22	Decreased by 12.41 percentage points
Shanghai	17,423	16,508	5.25	-19.14	-10.86	Decreased by 8.80 percentage points
Jiangsu	17,363	16,215	6.61	-7.05	0.19	Decreased by 6.75 percentage points
Zhejiang	9,160	9,118	0.46	5.44	19.27	Decreased by 11.54 percentage points
Hubei	2,762	2,626	4.92	-32.25	-26.99	Decreased by 6.85 percentage points
Guangdong	2,646	2,592	2.04	-4.48	7.96	Decreased by 11.28 percentage points
Other regions in China	10,212	9,970	2.37	45.18	60.70	Decreased by 9.43 percentage points
Overseas and Hong Kong	3,221	2,767	14.10	-21.02	-23.31	Increased by 2.57 percentage points

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

Principal operation by sales pattern						
Sales pattern	Revenue	Cost of sales	Gross margin (%)	Increase/ (decrease) of revenue compared with last year (%)	Increase/ (decrease) of cost of sales compared with last year (%)	Increase/ (decrease) of gross margin compared with last year (%)
Distributors	38,767	37,914	2.20	6.67	17.23	Decreased by 8.81 percentage points

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

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

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

During the Reporting Period, the Group continued to maintain a balance between production and sales, promoted the reduction of "Accounts Receivable and Inventory", resulting in an overall decrease in product inventory.

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

Applicable  Not Applicable

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

### (4) Analysis of Costs

*Unit: million RMB*

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

### (5) Analysis of Major Customers and Major Suppliers

#### A. Major customers of the Company

During the Reporting Period, the largest customer was Shanghai Changjing Industrial Co., Ltd., with sales of RMB2,503 million, accounting for 2.5% of total annual sales. Sales to the top five customers amounted to RMB8,139 million, accounting for 8.0% of total annual sales, less than 30%; among the sales to the top five customers, sales to related party amounted to RMB1,584 million, accounting for 1.6% of total annual sales.

During the Reporting Period, Anhui Hongxiang Building Materials Co., Ltd. and Zhejiang Metals and Materials Co. were added to the top five customers. Saved as the above, there were no other new customers among the top five customers, there was no case that the proportion of sales to a single customer exceeded 50% of the total, or the Company was heavily dependent on a few customers.

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

### B. Major suppliers of the Company

During the Reporting Period, the largest supplier was Masteel Chengxing Metal Resources Co., Ltd., with purchases of RMB5,310 million, accounting for 5.8% of the total annual purchases. The purchases by the top five suppliers amounted to RMB20,519 million, accounting for 23% of the total annual purchases; among the purchases by the top five suppliers, purchases by related parties amounted to RMB13,256 million, accounting for 15% of the total annual purchases.

During the Reporting Period, Huaibei Mining Co., Ltd. and Baowu Raw Material Supply Co., Ltd. were added to the top five suppliers. Saved as the above, there were no other new suppliers among the top five suppliers, there was no case that the proportion of procurement to a single supplier exceeded 50% of the total, or the Company was heavily dependent on a few suppliers.

Among the major customers, Magang is the controlling shareholder of Anhui Magang Chemicals & Energy Technology Co., Ltd.. Among the major suppliers, Baowu Raw Material Supply Co., Ltd., OBEI Co., Ltd. and Masteel Chengxing Metal Resources Co. Ltd. are controlling subsidiaries of Baowu Group. Saved as the above, there was no directors or supervisors or their connected persons or any shareholders (to the best knowledge of the Board, holding 5% or above of the shares in the Company) having any beneficial interests in the top five suppliers or customers of the Group in 2022.

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

### 3. Expenses

General and administrative expenses decreased by 9.00%, which was mainly due to the decrease in payroll and employee benefits and office expenses compared with last year.

R&D expenses increased by 1.64%. In 2022, the Company continued to insist on promoting high-quality development through scientific and technological innovation, and focused on its advantageous products and the path of “green, high-quality and intelligent” to continuously enhance its independent innovation capability, and R&D expenses increased slightly compared with last year.

Financial expenses decreased by 17.77%, which was mainly due to the reduction of financial expenses by seeking loans with policy preferential discounts, expanding cross-border financing channels, replacing high-interest financing with low-interest financing and other measures.

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

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

*Unit: 100 million RMB*

Spent R&D expenses in 2022	39.80
Capitalized R&D expenses in 2022	–
Total R&D expenses	39.80
Total R&D expenses as a portion of revenue (%)	3.90
Percentage of capitalized R&D expenses (%)	–

The above R&D expenses include RMB2,812 million for R&D and trial production of new products.

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

(2) R&D personnel details

Number of R&D personnel of the Company	2,082
Proportion of R&D personnel in the total number of the Company (%)	11

### Education structure of R&D personnel

Category	Number
Doctor	30
Master	443
Undergraduate	1,166
College	245
High school and below	198

### Age structure of R&D personnel

Category	Number
Below 30 (exclusive) years old	168
30 (inclusive) to 40 (exclusive)	684
40 (inclusive) to 50 (exclusive)	655
50 (inclusive) to 60 (exclusive)	575
Above 60 (inclusive) years old	0

(3) Explanation

Firstly, the Company continued to accelerate the pace of technological innovation, promoted the iterative upgrade of the technological innovation system, effectively supporting production and operation as well as high-quality development. The Company successfully passed the first batch of the Recognition of Hi-tech Enterprises in Anhui Province in 2022, and Magang Transportation Material was selected as the seventh batch of "manufacturing single champion demonstration enterprises" in China. Secondly, the Company deepened the cooperation between industry, education, research and application, fully utilized social technological resources, and promoted the cooperation on industry, education and research with higher education institutions and research institutes within and outside the province. The Company tracked forward-looking and common technology research in various professional fields, conducted applied technology research and on-site transformation, and strengthened technical communication and collaboration with excellent peers. Thirdly, the Company fully leveraged the role of science and research innovation platforms. Relying on the innovation platform of rail transit technology, the Company targeted the needs of railway development and manufacturing innovation, carried out the research on wheels and axles life extension and lightweight technology, and promoted the research and development of new materials of high-speed, heavy haul, and low-noise wheels and axles. Relying on the "Industrial Product (H-section steel) Quality Control and Technology Evaluation Laboratory" and the "Anhui High Performance Construction Steel Engineering Technology Research Center", the Company strengthened the research on the key technologies of fine grain with high strength of heavy Hot-rolled H-section steel, and promoted the research and development of functional construction steel and screw threaded reinforcement with high strength, earthquake resistance, weather resistance, corrosion resistance, etc..

In 2022, the Company won a total of 12 Scientific and Technological Progress Award of government and industry: 7 metallurgical scientific and technological awards, of which 2 were first prizes; 5 Scientific and Technological Award of Anhui Province, of which 2 were first prizes.

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

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

Applicable       Not Applicable

### 5. *Cash flow*

During the Reporting Period, the net increase in cash and cash equivalents of the Group was RMB0.138 billion, compared with RMB1.099 billion in the previous year. Among them, the net cash inflow from operating activities was RMB6.642 billion, compared with RMB16.774 billion in the previous year, with a year-on-year decrease of RMB10.132 billion, mainly due to the decrease in cash received from the sale of goods and the provision of labor services, as well as the cash flow generated from the customer deposits and financial assets purchased under agreements to resell of Masteel Finance, which was an outflow during the year and an inflow in the previous year. The net cash inflow from investment activities was RMB7.098 billion, compared with RMB10.722 billion in the previous year, with a year-on-year decrease of RMB3.624 billion, mainly due to the decrease of cash outflow from trading financial assets and creditor's rights investment. The net cash outflow from financing activities was RMB0.517 billion, compared with the net outflow of RMB4.9 billion in the previous year. The year-on-year change was mainly due to the decrease in cash paid by the Company for debt repayment this year.

Excluding the influence of Finance Company, the net increase of cash and cash equivalents was RMB796 million. The details were as follows: the net cash inflow from operating activities was RMB6.54 billion compared to a net inflow of RMB12.524 billion in the previous year, with a year-on-year decrease of RMB5.984 billion, mainly due to the decrease of cash received from the sale of goods and the provision of labor services. The net cash outflow from investment activities was RMB6.338 billion compared to a net outflow of RMB7.222 billion, a year-on-year decrease of RMB0.884 billion, mainly due to the increased inflow of disposal of subsidiaries and disposal of items of property, plant and equipment compared with the previous year. The cash flow from financing activities was not affected by the Finance Company.

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

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

As of 31 December 2022, the total loans of the Group were equivalent to RMB19.224 billion, including short-term loans of RMB9.198 billion, long-term loans of RMB7.982 billion and long-term loans due within one year of RMB2.044 billion. The loans included foreign currency loans of USD81 million, and the rest were Renminbi denominated loans. Among the Renminbi denominated loans of the Group, loans amounting to RMB8.888 billion carried fixed interest rates and loans amounting to RMB9.772 billion carried floating interest rates. Among loans denominated in foreign currencies, loans amounting to USD21 million carried fixed interest rates and loans amounting to USD60 million carried floating interest rates. At the end of the Reporting Period, the asset liability ratio of the Group was 65.60%, an increase of 6.63 percentage points compared with the end of 2021, mainly due to: firstly, the operating results for 2022 did not meet the planned targets; secondly, the increase in non-interest-bearing liabilities as a result of the control of the payment of monetary funds; thirdly, the adjustment to the financing structure to reduce the finance costs and the planned borrowing of medium and long-term funds at the end of 2022 to pay off the flow-through loans and bank commitments due at the beginning of 2023, resulting in an increase in interest-bearing liabilities; fourthly, the decrease in the amount of owners' equity as a result of the payment of dividends for 2021.

The amount of all loans of the Group changed with the scale of production and construction. At present, the Company finances its construction projects mainly with its own funds. There was no overdue loan during the Reporting Period. At the end of the Reporting Period, banking facilities available to the Group amounted to approximately RMB58.324 billion, of which the unutilised facilities amounted to approximately RMB30.155 billion.

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

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

### 7. *Internal control and risk management*

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

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

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

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

The Board heard the internal control and comprehensive risk management reports for the first quarter, the first half and the third quarter of 2022 on 29 April, 30 August and 28 October 2022, respectively.

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

(2) During the Reporting Period, the company had no material change in profit due to non-principal business.

(3) Analysis of assets and liabilities

### 1. Assets and Liabilities

Unit: RMB

Project Name	Closing balance of 2022	Percentage of closing balance of 2022 in total assets (%)	Closing balance of 2021	Percentage of closing balance of 2021 in total assets (%)	Year-on-year change (%)
Cash and bank balances	6,534,701,307	6.74	6,667,853,614	7.31	-2.00
Financial assets held for trading	625,997,138	0.65	5,732,467,255	6.29	-89.08
Notes receivables	1,933,419,913	2.00	466,956,969	0.51	314.05
Trade receivables	1,376,878,400	1.42	1,107,071,353	1.21	24.37
Financing receivables	2,659,676,438	2.75	4,795,905,782	5.26	-44.54
Prepayments	523,771,038	0.54	1,534,440,838	1.68	-65.87
Inventories	10,244,541,734	10.57	12,463,004,529	13.66	-17.80
Financial assets purchased under resale agreements	2,680,209,514	2.77	784,602,397	0.86	241.60
Loans and advances to customers	2,644,197,648	2.73	4,726,693,965	5.18	-44.06
Other current assets	9,763,174,357	10.08	4,669,834,825	5.12	109.07
Long-term receivables	4,136,391	0.00	11,142,621	0.01	-62.88
Property, plant and equipment	42,432,233,911	43.80	28,605,250,896	31.36	48.34
Construction in progress	7,766,555,935	8.02	10,999,333,300	12.06	-29.39
Right-of-use assets	289,244,099	0.30	568,919,288	0.62	-49.16
Financial liabilities held for trading	-	-	31,663,498	0.03	-100.00
Notes payable	5,220,978,025	5.39	3,953,458,712	4.33	32.06
Accounts payables	17,224,018,731	17.78	10,437,709,731	11.44	65.02
Payroll and employee benefits payable	488,255,914	0.50	349,524,741	0.38	39.69
Taxes payable	639,849,357	0.66	1,073,613,979	1.18	-40.40
Non-current liabilities due within one year	2,059,412,922	2.13	1,358,293,333	1.49	51.62
Provisions	25,699,276	0.03	37,618,128	0.04	-31.68
Long-term loans	7,982,390,765	8.24	5,452,250,052	5.98	46.41
Lease liabilities	305,546,394	0.32	571,979,597	0.63	-46.58
Long-term payable	168,053,940	0.17	-	-	N/A
Long-term employee benefits payable	16,423,474	0.02	28,537,508	0.03	-42.45
Deferred tax liabilities	3,397,498	0.00	17,251,303	0.02	-80.31
Other comprehensive income	-30,006,411	-0.03	12,271,369	0.01	-344.52
Special reserve	107,567,088	0.11	45,427,634	0.05	136.79
Retained earnings	8,078,876,545	8.34	11,661,535,210	12.79	-30.72

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

Compared with the end of last year:

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

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

Financing receivables decreased by 44.54%, mainly due to the increase in derecognition of the Company's financing receivables during the year and the decrease in the balance as compared with the last year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### 2. Overseas assets

Overseas assets amounted to RMB1.55 billion, accounting for 1.60% of the total assets.

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

At the end of the Reporting Period, the restricted assets of the Group totaling approximately RMB2,756 million consisted of mandatory reserves with the central bank by Finance Company of approximately RMB808 million, the bill deposit deposited with the bank of approximately RMB1,322 million, the performance guarantee deposit of RMB44 million, and the bank acceptance bill of RMB582 million pledged to banks for short-term loan.

## (4) Operational Information Analysis of the Industry

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	100.17
Crude steel	2,140	93.46
Steel products	2,050	97.02

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

During the Reporting Period, construction of the Company's 3.2 million tonnes new special steel project continued. The project was constructed in two phases. The phase I includes the construction of a new 150 tonnes converter, two continuous casters (large round billet and small square billet), a new high-quality wire rod and large coil production line, which was substantially completed by the end of 2022 and is planned to be put into operation in June 2023; Phase II includes a new 150 tonnes converter, a bloom caster, a medium bar rolling line and supporting finishing line, which is planned to be put into operation by the end of 2024. The 3.72 million tonnes of production capacity of the Company for replacement will also be withdrawn as required.

### *Analysis of operational information of the steel industry*

#### 1. Manufacturing and Sales of Steel Products Based on Processing Techniques

*Unit: million RMB*

Types	Production volume (tonnes)		Sales volume (tonnes)		Revenue		Cost of sales		Gross margin (%)	
	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
Cold-rolled steel	4,714,834	5,376,855	4,718,462	5,380,043	19,537	31,249	19,583	26,970	-0.24	13.69
Hot-rolled steel	14,936,538	14,863,782	14,922,786	14,931,102	71,073	67,615	68,736	62,391	3.29	7.73
Wheel and axles	235,222	210,390	236,466	210,235	2,523	2,155	2,143	1,840	15.06	14.62

#### 2. Manufacturing and Sales of Steel Products Based on Forms of Finished Goods

*Unit: million RMB*

Types	Production volume (tonnes)		Sales volume (tonnes)		Revenue		Cost of sales		Gross margin (%)	
	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year	This Year	Last Year
Long products	10,231,754	10,118,679	10,227,239	10,175,291	45,667	46,604	44,456	43,751	2.65	6.12
Steel plates	9,419,618	10,121,958	9,414,009	10,135,854	44,943	52,260	43,863	45,610	2.40	12.72
Wheel and axles	235,222	210,390	236,466	210,235	2,523	2,155	2,143	1,840	15.06	14.62

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

### 3. Sales of Steel Products Based on Sales Channels

*Unit: 100 million RMB*

Based on sales channels	Revenue		Percentage in total revenue (%)	
	This Year	Last Year	This Year	Last Year
Offline sales	<b>731.3</b>	960.2	<b>71.59</b>	84.34
Online sales	<b>200.0</b>	50.4	<b>19.58</b>	4.43

### 4. Supply of Iron Ore

*Unit: 100 million RMB*

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

### 5. Supply of Scrap Steel

*Unit: 100 million RMB*

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

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

### (5) Investment Analysis

#### *General Analysis of External Equity Investments*

*Unit: million RMB*

Investment amount as at the end of the Reporting Period of the Company	12,884.39
Changes in investment amount	-1,231.55
Investment amount as at the end of previous year of the Company	14,115.94
Increase or decrease in investment amount as compared with previous year (%)	-8.72

- In March 2022, the Company and Magang, as shareholders of Magang Chemicals & Energy, entered a capital reduction agreement with Magang Chemicals & Energy. Magang reduced the capital by RMB344 million in cash and the Company reduced approximately RMB500 million in the form of receiving coke oven purification assets. The Company's shareholding in Magang Chemicals & Energy has decreased from 45% to 32%.
- In January 2022, the Company transferred its 30% equity interests in Masteel K. Wah to Baowu Huanke Maanshan Resource Utilization Co., Ltd. for RMB111 million, and the Company no longer held equity interests in Masteel K. Wah.
- In September 2022, the Company transferred its 9.88% equity interests in Ouye Lianjin to Magang for RMB349 million, and the Company no longer held equity interests in Ouye Lianjin.
- In December 2022, the Company transferred its 71% equity interests in Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial"), which was directly held by the Company, to Magang for RMB239 million. After the transfer, the Company indirectly held 29% equity interests in Holly Industrial through its subsidiary, Ma Steel (HK).

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

1. *During the Reporting Period, the Company had not carried out any significant equity investments.*
2. *Significant non-equity investment*

*Unit: million RMB*

Project name	Total budgeted investment	New investment during the Reporting Period	Project progress
Product quality projects	28,268	4,627	30%
Energy-saving and environment protection projects	12,006	4,494	69%
Equipment advancement and other modification projects	7,758	3,762	72%
Other projects	N/A	733	N/A
Total	/	13,616	/

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

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

*Unit: million RMB*

Project name	Budget of total investment	Project progress
New special steel project	8,457	Phase I basically completed
Coke oven overhaul project	1,687	Put into operation
B blast furnace overhaul project in the steel making plant	1,325	Put into operation
C# sintering machine project of the steel making plant	660	Put into operation
Section steel upgrading project in the southern area of Masteel - 2# continuous casting machine	569	Equipment commissioning phase
Production line planning supporting renovation of long products of Masteel - supporting renovation project of finishing and grinding capacity of special steel company	344	Civil construction phase
Total	13,042	/

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

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

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

*Unit: million RMB*

Project name	Budget of total investment	Project progress
Environmental upgrade and renovation project for raw materials store yard	888	Put into use
Energy saving and emission reduction gas-fired power generation project	573	Put into operation
Ironmaking plant 3# blast furnace medium repair project	513	Put into operation
Smart manufacturing and informatization project	402	Put into use
Sintering machine flue gas desulfurisation and denitration project	213	Put into operation
Steelmaking 600,000 tonnes steel slag treatment project	158	Put into operation
Rainwater and sewage diversion and water system upgrade and renovation	143	Put into operation
Waste heat power generation project	119	Put into operation
Phase II of smart manufacturing project of Anhui Changjiang Iron and Steel	110	Put into operation
Total	3,119	/

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

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

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

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

- (6) During the Reporting Period, there was no significant disposal of the Company's assets or equity.
- (7) Analysis of the Group's Major Subsidiaries and Investees

#### 1. *Controlling subsidiary*

- (1) Anhui Changjiang Steel Co., Ltd. has a registered capital of RMB1,200 million, in which the Company holds a direct stake of 55%. It is mainly engaged in the production and distribution of ferrous metallurgy, screw threaded steel, round steel, section steel, angle steel, deformed steel, wire and rod; as well as the sales, import and export of iron ore, iron ore fines and scrap steel. The net loss for the Reporting Period amounted to RMB225 million. At the end of the Reporting Period, its total assets and net assets amounted to RMB11,265 million and RMB5,570 million, respectively.

In 2022, the revenue of Changjiang Steel from principal operation was RMB17,407 million, the profit therefrom was RMB40 million; the net loss was RMB225 million or down 117% year-on-year, mainly resulting from the rise in prices of major raw materials and fuels and lower gross profit of products during the Reporting Period.

- (2) Magang Group Finance Co. Ltd. has a registered capital of RMB2,000 million, in which the Company holds a direct stake of 91%. Its business scope is as follows: financial and financing consultancy and relevant consultancy as well as agency business to members of the Group; guarantee provided; bill acceptance and discounting, loans and finance leasing to members of the Group; engagement in inter-bank borrowing; assisting members of the Group in the collection and payment of transaction amount; approved insurance agency business; handling entrusted loans, internal transfer and bill settlement, design of settlement and liquidation plans for members of the Group, and accepting deposits from member entities. The net profit for the Reporting Period amounted to 292 million. At the end of the Reporting Period, its total assets and net assets amounted to RMB19,883 million and RMB2,517 million, respectively. The revenue of Magang Finance from principal operation was RMB407 million, the profit therefrom was RMB153 million; the net profit was RMB292 million or flat year-on-year.

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

No.	Indicator	Standard ratio (%)	Actual ratio for the year (%)
1	Capital adequacy ratio	≥10.5	24.39
2	Liquidity ratio	≥25	99.41
3	Non-performing asset ratio	≤4	0
4	Non-performing loan ratio	≤5	0
5	Loan loss reserves adequacy ratio	≥100	275.1
6	Loans from other banks ratio	≤100	0
7	Investment ratio	≤70	21.95
8	Guarantee ratio	≤100	36.52
9	Self-owned property, plant and equipment ratio	≤20	0.01

According to the requirements of internal control, the Finance Company strived to build an organizational structure with reasonable division of labor and clear responsibilities, and clarified department responsibilities and post responsibilities according to the principle of separation of incompatible responsibilities and mutual checks and balances. The Finance Company established an internal control system that can meet the management needs, and continuously improved and upgraded in combination with the development needs. The relevant internal control activities cover the main aspects and links of business operation, internal management and internal supervision, and have been effectively implemented in improving the quality of accounting information, strengthening business management, controlling business risks, plugging loopholes and preventing fraud. In 2022, the business risk management of Finance Company was sound with no risk events, normal asset classification, sufficient provision and no bad debt loss, thus all indicators met the regulatory requirements.

It should be noted that as the China Banking and Insurance Regulatory Commission stipulates that an enterprise group can only have one finance company, the Board of the Company considered and approved the resolution on 15 November 2022 regarding the absorption and merger of Masteel Finance by Baowu Group Finance Co., Ltd., which was approved by the 2022 Third Extraordinary General Meeting of the Company on 29 December 2022, and the subsequent related matters are being processed.

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

- (3) Ma Steel (Hefei) Iron & Steel Co., Ltd. has a registered capital of RMB2,500 million, in which the Company holds a direct stake of 71%. It is mainly engaged in metallurgy and extended processing of ferrous metals and sales of resulting products and by-products; production and sales of coke and coke chemical products and energy, extended processing of iron and steel products, production and distribution of metallic products. The net profit for the Reporting Period amounted to RMB346 million. At the end of the Reporting Period, the total assets and net assets amounted to RMB4,184 million and RMB3,391 million, respectively.

In 2022, the revenue of Ma Steel (Hefei) Iron & Steel Co., Ltd. from principal business was RMB4,780 million, the profit therefrom was RMB139 million, and the net profit was RMB346 million or up 1,154% year-on-year, mainly resulting from the recognition of employee resettlement compensation of RMB153 million upon the absorption and merger of Ma Steel (Hefei) in 2021 and the recognition of gain from land resumption of RMB97 million in 2022.

- (4) Baowu Group Masteel Rail Transportation Material Technology Co., Ltd., has a registered capital of RMB1,486 million. It is principally engaged in the design, research and development, manufacturing, maintenance and sales of rail wheels, axles, wheel sets, bogies and other rail equipment. The net profit for the Reporting Period was RMB274 million, with total assets of RMB3,280 million and net assets of RMB1,819 million as at the end of the Reporting Period.
- (5) MG-VALDUNES, a wholly-owned subsidiary of the Company, has a registered capital of EUR150.2 million, and is mainly specialised in design, manufacturing, processing, putting into production, repairing and maintaining of all kinds of products and facilities applied in railway transportation, urban transportation and mechanical industry; sales, import and export of various shapes of steel products. In the Reporting Period, the net losses amounted to RMB91 million; at the end of reporting period, the total assets and the net assets were RMB579 million and RMB203 million, respectively.
- (6) The Company's wholly-owned subsidiary Maanshan Iron & Steel (Australia) Proprietary Limited has a registered capital of AUD21.7379 million and is mainly engaged in investment and trading. The net profit for the Reporting Period amounted to RMB63 million. At the end of the Reporting Period, it had total assets amounting to RMB174 million and net assets of RMB170 million.
- (7) The Company's wholly-owned subsidiary Ma Steel (Hong Kong) Co., Ltd. has a registered capital of HKD350 million, and is mainly engaged in trading of steel products and pig iron. The net profit for the Reporting Period amounted to RMB41 million. At the end of the Reporting Period, it had total assets amounting to RMB906 million and net assets of RMB527 million.

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

### 2. Major investees

- (1) Henan Jinma Energy Co., Ltd. has a registered capital of RMB535.421 million and the Company directly holds 26.89% of its equity. It's mainly engaged in coke, coal tar, crude benzene, ammonium sulfate, coke oven gas production and sales; coke oven gas power generation, heat production. The net profit for the Reporting Period was approximately RMB560 million. At the end of the Reporting Period, its total assets and net assets were RMB11,240 million and RMB4,728 million, respectively.
- (2) Anhui Magang Chemicals & Energy Technology Co., Ltd. has a registered capital of RMB696.65 million and the Company directly holds 32% of its equity. It's mainly engaged in the research & development, production and sale of chemical products (excluding hazardous chemicals and precursor chemicals). The net profit for the Reporting Period was approximately RMB251 million. At the end of the Reporting Period, its total assets and net assets were RMB1,550 million and RMB1,062 million, respectively.
- (3) Shenglong Chemical Co., Ltd. has a registered capital of RMB568.8 million and the Company directly holds 31.99% of its equity. It's mainly engaged in the production and sales of coke, ammonium sulfate, and coal coke chemical products (excluding other dangerous chemicals); maintenance and processing of mechanical equipment (excluding special equipment). The net profit for the Reporting Period was approximately RMB141 million. At the end of the Reporting Period, the total assets and net assets were RMB6,049 million and RMB4,346 million, respectively.
- (4) Maanshan Ma Steel Linde Gases Company Limited has a registered capital of RMB468 million and the Company directly holds 50% of its equity. It's mainly engaged in the production and distribution of air or liquid form of air products as well as the preparation for other industrial gas products. During the Reporting Period, the net profit amounted to RMB167 million. At the end of the Reporting Period, the total assets and net assets were RMB650 million and RMB596 million, respectively.

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

### (8) Structured Entity Controlled by the Company

Applicable       Not Applicable

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

### (1) Industry Landscape and Trend

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

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

### (2) Corporate Development Strategy

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

#### Strategic Tasks of the Company in 2023

Task	Task Content
Launch the new special steel project into operation and reach target output	The phase I was completed and put into operation in the first half of the year; According to the variety structure adjustment plan, carry out experiments and development of various varieties of new special steel.
Build urban green steel mills	The Company has been awarded an A-class environmental performance enterprise.
Mass application of high-speed railway wheels commercialization	Complete a new round of D2 wheel test evaluation; Complete the trial production of DZ2 high-speed axles; The sales volume of high-speed railway wheels has significantly increased.
Promote the reform of mixed ownership	Magang Transportation Material carried out mixed ownership reform by publicly listing on the Shanghai United Property Exchange to introduce strategic investors and implement employee dividend incentives.

### (3) Business Plan

Main objectives: For production and operation, the output of pig iron, crude steel and steel was 19.19 million tons, 20.97 million tons and 20.69 million tons respectively. For energy and environmental protection, the Company achieved successful A-class environmental performance enterprise creation, with a year-on-year reduction of 5 million tons in wastewater discharge and a rate of no solid waste leaving the factory of 100%.

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

- 1. Focusing on value creation and comprehensively conducting benchmarking to identify differences.** Firstly, insisting on the performance-oriented principle. The Company will insist on the performance orientation of “leader-follower coordination and value creation (超跑追領·價值創造)”, operate based on performance, and drive all staff to strive for first-class performance; learn from the experience of excellent peers, and actively explore for breakthroughs, so as to form a performance responsibility system with the characteristics of the Group. Secondly, comprehensively conducting benchmarking to identify differences. The Company will strengthen the top-level design and formulate an action plan for conducting benchmarking to identify differences; improve the benchmarking system and strengthen systematic benchmarking, precise benchmarking and classification benchmarking to further improve the pertinence and effectiveness of benchmarking; focus on key indicators, take profit per tonne of steel and EBITDA per tonne of steel as the core, sort out the cost indicators of the whole value chain, focus on process benchmarking, production line efficiency and product quality, continuously improve manufacturing capacity and product operation capacity, and strive to optimize profit per tonne of steel, return on net assets, operating cash ratio and other indicators. Thirdly, optimising the incentive mechanism. The Company will adhere to pay equal attention to both incentive and restraint, give full play to the guidance role of positive and negative incentive assessment, and motivate the whole staff to take up the role through rewarding the good and punishing the bad; adhere to the classification design, promote the competition for performance among departments and among secondary units, and guide each unit to earn respect and get in return through performance race; adhere to the case sharing, and select the advanced models of post innovation and efficiency, so as to achieve experience sharing and knowledge flow and create a strong atmosphere of “comparing, learning, catching up, helping and exceeding”.

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

2. **Focusing on efficiency and benefit to improve lean operations.** Firstly, paying attention to safety in a strict and practical manner. The Company will unswervingly take safety as the cornerstone to promote high-quality development, adhere to the principles of “prioritising safety and emphasizing prevention”, strengthen red line consciousness and bottom line thinking, and improve the systems, enhance the capacities and upgrade the level, so as to promote the best ever level of safety performance. Guided by goals and measured preferentially by results, the Company will adhere to comprehensive and strict management, actually implement the safety responsibility, strengthen the “consistent management” and the “three managements and three necessities”, and implement both primary responsibility and territorial responsibility. Secondly, reducing costs and improving efficiency in a deep-going way. The Company will insist on “three decreases and two increases” as an important measure to cope with the severe situation in the industry, strengthen management thinking, promote the transformation of financial management from accounting to operation and management, drive improvement in business performance with the business and financial integration, and strengthen product operation; downscale operation units into operation areas, carry out “budget carefully” activities in operation areas, and guide employees to “know how to budget, make accurate and clear budgets”, so as to fully stimulate new driving forces in operation areas to reduce costs and improving efficiency. Thirdly, vigorously optimising the product mix and channels. The Company will adhere to the priority of efficiency, dynamically evaluate marginal contributions, anchor profitability and product mix and channels, innovate and implement an integrated model of production, marketing and research, collaborate to promote 36 product restructuring support projects, set two levels of goals, namely “Must Reach” and “Challenge”, and optimize structure, expand channels, increase revenue and create benefits, so as to ensure that the annual restructuring increment exceeds 1.18 million tonnes. Fourthly, continuing to improve the efficiency of production lines. The Company will adhere to the principles of “safety, balance, stability and efficiency”, and give full play to the advantages of the process equipment of the project of filling capacity-gap in the northern area newly put into operation to support the extremely efficient production; adhere to the blast furnace as the centre, fully promote the “consistent management” in pre-iron-making, and optimize the operation of “one furnace, one strategy” and the blast furnace checkup system, so as to maintain the stable and smooth operation of blast furnace on a high metallurgical strength level; optimize the coal blending and ore blending structure, improve the proportion of non-major ore, further improve the coal ratio, and reduce the fuel consumption of blast furnace. Fifthly, strengthening safe and stable guarantee of supply. The Company will insist on giving more prominence to the security of resources and energy, expand resource channels, optimize the proportion of imported and domestic ores used, expand the proportion of economic scrap steel, optimize the structure of the power grid, and improve the capacity of strategic resources and energy security.

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

### 3. **Focusing on strategic positioning and continuing to optimize industry layout.**

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

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

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

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

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

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

### 6. **Focusing on risk prevention and control to prevent and resolve major risks.**

Firstly, strengthening operational risk control. The Company will keep pace with market changes and adjust and optimize its business strategies in a timely manner, improve the operational risk prevention and control early warning system, and resolutely guard the bottom line of not allowing systemic risks to occur. The Company will strengthen the business and financial integration, and improve operational analysis capabilities to support the Company's scientific and efficient decision-making; strictly control the total amount of "inventories and receivables", strengthen inventory management, enhance accounts receivable management, and promote a 10% increase in inventory turnover efficiency; continuously improve operating cash flow, enhance current ratio and debt paying ability, enhance financing strength, and promote a steady decline in the gearing ratio and a virtuous cycle of operating cash flow. Secondly, enhancing compliance system capabilities. The Company will establish a sound compliance management system, strengthen the review of legal compliance in decision-making, form a closed-loop management of pre-audit, in-process tracking control and supervening supervision and evaluation, so as to enhance compliance system capabilities. Thirdly, improving the internal control system. The Company will strengthen the full coverage of internal control, form a grid-based risk control pattern of "business + management", and improve the four mechanisms of risk research and judgment, risk assessment for decision-making, risk prevention and control responsibilities and risk prevention and control coordination, so as to comprehensively improve the level of internal control management.

### 7. **Focusing on responsible management and solidly promoting co-building and sharing.**

Firstly, comprehensively promoting job innovation and value creation. The Company will deepen the "1+2+4" training project for technology-leading talent teams, gather a group of technology-leading talents and innovation teams in key technology core areas led by Baowu scientists and Masteel experts and represented by chief masters; widely carry out skill competitions and job training, and comprehensively improve the skills and quality of employees relying on artisan bases and innovation studios. Secondly, striving to raise the level of "three possesses" of workers. The Company will continue to carry out the "Take practical actions to solve problems for the masses" campaign, systematically and regularly address the most concerned, direct and realistic interests of employees to further enhance their sense of gain, happiness and security. Thirdly, actively fulfilling social responsibilities. The Company will improve the top-level structure of ESG responsibility management, practice the concept of responsibility, and strengthen the practice of fulfilling responsibilities; deeply implement the requirement of "poverty alleviation policies and government supervision being continued", take the Showyes Project as a guide, continue to increase the support for industry, education, consumption, infrastructure improvement and other assistance work, and promote the revitalization of industry, talents, culture, ecology and organization in the assistance sites.

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

### (4) Capital Plan for 2023

Target: maintain a reasonable and stable debt structure, reasonably reduce interest bearing liabilities while ensuring financial security, and control the asset liability ratio within 60.91%; Strengthen the monthly capital plan and control the Company's investment capital expenditure within the planned amount. Ensure the safety of investment funds by tapping their own potential; To strictly control the "Accounts Receivable and Inventory", that is, the occupation of inventory funds and accounts receivable are not higher than the growth level of sales revenue, and ensure that the turnover days of the "Accounts Receivable and Inventory" decrease by more than 5% year on year; The ratio of operating cash flow to due cash flow shall not be less than 100%.

The total amount of new fixed asset investment projects is planned to be RMB1.636 billion for the year, and the planned investment amount of continuation projects in 2023 is RMB8.02 billion. The fixed asset investment fund plan for 2023 is planned to be RMB6.806 billion.

New fixed asset investment projects in 2023	
Project category	Investment amount (RMB100 million)
Energy-saving and environment protection	2.40
Smart manufacturing and informatization	1.03
Quality improvement, cost reduction and efficiency enhancement, fire safety and other technical improvements	12.21
Zero fixed assets and scientific research capitalization	0.72
Total	16.36

Planned investment for the continuation project in 2023	
Project category	Investment amount (RMB100 million)
Energy-saving and environment protection	11.5
Smart manufacturing and informatization	5.4
Quality improvement, cost reduction and efficiency enhancement, fire safety and other technical improvements	63.3
Zero fixed assets and scientific research capitalization	–
Total	80.2

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

### (5) Potential Risks

Based on the domestic and international political and economic situation, the main risks that the Company may face include environmental protection risks, the risk of fluctuations in the prices of bulk raw materials such as iron ore and the risk of synergy between purchase and sale, as well as the risk of control of the "Accounts Receivable and Inventory". In addition to the "Business Plan" described above, the Company's measures to address risks include:

Risks	Response
Environmental protection risk	<p>1) Deepen the work of "ultralow emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanliness, greening, beautifying and culture", consolidate the achievements of "higher than standards, better than urban districts and integrated into cities", and create an A-class environmental performance enterprise . 2) Continue to promote the construction of " ultra-low emission of waste gas" projects and operate according to ultra-low emission standards for the year; Accelerate the construction of projects such as "zero emission of waste water"; Improve the level of no delivery of solid waste, expand the scope of no delivery of hazardous waste,, and support the pilot construction of the "waste free group". 3) Strengthen the management of environmental protection equipment, strengthen on-site performance control, and ensure the stable operation of environmental protection equipment and pollutant discharge standards. 4) Regularly sort out and identify environmental risks, implement risk control and emergency preparedness for sudden environmental events, solidify effective control measures, and achieve normalized risk management.</p>
Fluctuation in prices of bulk raw materials such as iron ore and the risk of synergy between purchase and sale	<p>1) Establish a normalized market analysis mechanism, use commodity financial derivatives in compliance, and prevent the risk of significant fluctuations in bulk commodity prices. 2) Focus on policy changes and unexpected events, conduct research and judgment on the bulk commodity market, adhere to the principle of "stable operation, no game in the market", combine industry and finance, actively plan to use commodity financial derivatives in a compliant, reasonable, and strategic manner, and determine low-cost raw materials. 3) Implement the iron ore long-term agreement, vigorously promote smart procurement, pursue the ultimate inventory of bulk raw materials, and adhere to the strategy of low inventory and efficient economic operation of imported ore. 4) Reasonably establish inventory scale indicators and do systematic warning and control in accordance with the reasonable inventory scale.</p>

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

Risks	Response
"Accounts Receivable and Inventory" risk control	1) Strictly control the total amount of "Accounts Receivable and Inventory", formulate control goals and action plans for "Accounts Receivable and Inventory", and ensure that the growth rate of the total amount of "Accounts Receivable and Inventory" is not higher than the growth level of sales revenue. 2) Improve the level of refined inventory management and determine the Company's inventory targets. Adhere to the strategy of low inventory and efficient economic operation of imported ore. 3) Improve mechanisms and optimize accounts receivable management. 4) Strict assessment mechanism plays the role of leading performance.

### (6) Others

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

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

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

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

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

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

2. Details of tax are set out in Note IV "Tax", "20. Deferred Tax Assets/Liabilities", "29. Tax Payable", and "62. Income Tax Expenses" of Note V of the financial statements.
3. Details of land leasing, property, plant and equipment are set out in "19. Intangible Assets" and "16. Property, plant and equipment" of Note V of the financial statements.
4. Details of various reserves and their changes are set out in the "Consolidated Statement of Changes in Equity" and "43. Special Reserve" in Note V of the financial statements.
5. During the Reporting Period, the Group had complied with relevant laws and regulations having significant impact on the Company.
6. To the best knowledge of the Board, as of 31 December 2022, no Director, Supervisor or Senior Management of the Company had any interest in any business that constitutes or may constitute competition against the Company, either directly or indirectly.
7. To the best knowledge of the Board, as of 31 December 2022, no financial, business, family relationship or any other substantive relationship existed among the Directors, Supervisors and Senior Management of the Company other than working relationships.

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

# Section IV Corporate Governance

## 1. EXPLANATION OF CORPORATE GOVERNANCE

### (1) Related Information of Corporate Governance

In accordance with the requirements of relevant laws and regulations, the Company has set up a check-and-balance corporate governance structure, consisting of the shareholders' general meeting, the Board, the Supervisory Committee and the General Manager. The shareholders' general meeting, the Board, the Supervisory Committee and the General Manager perform their respective duties, take their respective responsibilities and coordinate operations with effective check and balance. The 2022 Second Extraordinary General Meeting of the Company was held on 1 December 2022, at which the Directors of the tenth session of the Board and the Supervisors of the tenth session of the Supervisory Committee of the Company were elected. Accordingly, the term of office of the Directors of the ninth session of the Board and the Supervisors of the ninth session of the Supervisory Committee of the Company shall expire on 1 December 2022.

The Board is committed to continuously improving the level of corporate governance and of the view that good corporate governance is essential to the Company's operations and sustainable development. During the Reporting Period, the Board further improved the corporate governance system, strengthened the construction of the Board in order to improve the level of corporate governance. The Board formulated the Administrative Measures on the Performance and Remuneration of the Directors, Supervisors and Senior Management, Administrative Measures on the Shareholding of the Directors, Supervisors and Senior Management and the Authorization Management System of the Board of Directors, and revised the Articles of Association, involving the Company Environmental, Society, Governance (ESG), responsibilities of Special Committee of Board of Directors, performance and remuneration of the Directors, Supervisors and Senior Management and other aspects.

Meanwhile, to the best knowledge of the Board, the Company complied with all the requirements of the Code on Corporate Governance (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange in 2022, and where appropriate, endeavored to adopt the recommended best practices contained in the Code.

## Section IV Corporate Governance (Continued)

### (2) Directors and the Board

#### 1. *Composition of the Board*

In 2022, the ninth session of the Board of the Company comprised five Directors, of whom Mr. Ding Yi and Mr. Ren Tianbao were Executive Directors while Ms. Zhang Chunxia, Ms. Zhu Shaofang, and Mr. Wang Xianzhu were Non-executive Directors. All three Non-executive Directors were Independent Non-executive Directors (Independent Directors), accounting for three-fifths of the members of the Board. Two female Directors made up two-fifths of the Board.

The tenth session of the Board of the Company comprised seven Directors, of whom Mr. Ding Yi, Mr. Mao Zhanhong and Mr. Ren Tianbao were Executive Directors while Ms. Zhang Chunxia, Ms. Zhu Shaofang, Mr. Guan Bingchun and Mr. He Anrui were Non-executive Directors. All four Non-executive Directors were Independent Directors, accounting for four-sevenths of the members of the Board. Two female Directors made up two-sevenths of the Board. The term of office of such Directors was three years commencing from 1 December 2022. During the period, the term of office of the Directors of the Company shall be subject to the requirements of the relevant laws and regulations and the Articles of Association of the Company. Please refer to Section IV “Directors, Supervisors, Senior Management, and Employees” of this section for further details of names and incumbency of Directors.

The Board of the Company is committed to diversity, and reviews the composition of the Board from time to time. All of its Executive Directors are veterans in the iron and steel industry. They are experienced in the production, operation and management of iron & steel, and are capable of making rational decisions on the matters to be resolved by the Board. Among the four Independent Directors, Ms. Zhang Chunxia is a doctoral tutor in the State Key Laboratory of Advanced Steel Processes and Materials of the Central Iron and Steel Research Institute and also a member of the Expert Committee of the China Society of Metals, who mainly involves in the R&D of steel metallurgical process engineering and environmental engineering and is knowledgeable and experienced in the steel industry and environmental protection; Ms. Zhu Shaofang is the senior member of the Chinese Institute of Certified Public Accountants (CICPA), with years of experience in the auditing profession; Mr. Guan Bingchun has long been engaged in quality management and is experienced in quality system construction in metallurgical industry; Mr. He Anrui has long been engaged in the research of industrial process control and intelligent manufacturing and has made broad achievements. All Independent Directors of the Company are fully capable of evaluating internal control and reviewing financial reports. The composition of the Board of Directors fully meets the requirements of domestic and foreign laws, regulations and regulatory documents, as well as the demands of the Company’s development at the current stage. The Company purchased liability insurance for all Directors.

## Section IV Corporate Governance (Continued)

At the end of 2022, the Group had approximately 8.5% female employees. The Company's recruitment is merit-based taking into account the requirements of the industry and job positions. We will continue to strive to achieve an appropriate balance of gender diversity.

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

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

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

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

### *2. Non-Executive Director*

The term of office of the Company's Non-executive Directors is three years. Please refer to Section IV "Directors, Supervisors, Senior Management, and Employees" of this report for further details of names and incumbency.

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

### *3. Chairman and General Manager*

The positions of the Company's Chairman and General Manager are assumed by different individuals. The Chairman of the Company is Mr. Ding Yi, and the General Manager is Mr. Ren Tianbao. The Chairman and General Manager are independent and have a clear division of responsibilities:

## Section IV Corporate Governance (Continued)

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

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

#### 4. *Duties and Authorities of the Board and the Management*

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

## Section IV Corporate Governance (Continued)

There are four committees under the Board, namely the Strategic and Sustainable Development Committee, the Audit and Compliance Committee, the Nomination Committee and the Remuneration Committee. The main responsibilities of these committees are as follows:

- (1) The major duties of the Strategic Development Committee are: to research and make suggestions on long-term development strategy and long- and medium-term planning of the Company; to monitor the implementation of development plan of the Company and report any significant deviation from the development strategy to the Board of Directors; to research material changes in economic situation, industrial policies, technological advances, industry conditions, and force majeure, and make suggestions to the Company as to adjustments to its development strategy; to review and make suggestions on major investment and financing proposals as well as major capital operation and asset management projects affecting development of the Company; to check and supervise the implementation of the above major projects, receive reports and make suggestions on post-project evaluations; to be responsible for the Company's sustainable development, (including but not limited to: environmental, social and governance (ESG), etc.), and provide relevant suggestions to the Board of Directors; and other duties granted by the Board of Directors.
- (2) The major duties of the Audit Committee are: to monitor and evaluate the external audit process and propose the appointment or change of external auditors; to monitor and evaluate the internal audit process, including the Company's internal audit system and its implementation; to be responsible for the communication between the internal and external audit; to review the Company's financial information and its disclosure; to review the Company's internal control, risk management and compliance management system; and to be responsible for the laws and regulations, the Company's Articles of Association and other matters as authorized by the Board of Directors.

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

## Section IV Corporate Governance (Continued)

- (3) The major duties of the Nomination Committee are: to make recommendations to the Board on the size and composition of the Board based on the business operations, scale of assets and shareholding structure of the Company; to review the standards and procedures for the selection of Directors, General Manager and Secretary to the Board and make recommendations to the Board in relation thereto; to extensively identify candidates eligible for serving as Directors, General Manager and Secretary to the Board; to evaluate the candidates of Directors, General Manager and Secretary to the Board and make recommendations in relation thereto; to evaluate the candidates for other senior management officers to be appointed by the Board and make recommendations in relation thereto; to evaluate the independence of Independent Directors; to handle other matters as authorised by the Board.
- (4) The major duties of the Remuneration Committee are: to recommend to the Board with respect to the remuneration policies for all Directors and Senior Management of the Company, and the procedures of formulating such policies in a proper and transparent manner; to draft equity incentive plan; to review the remuneration of the Directors and Senior Management in accordance with the corporate objectives formulated by the Board; to review the compensation to be paid to the Directors or Senior Management with respect to their removal or appointment; to ensure that none of the Directors nor their associates could decide on their own remuneration; and other responsibilities as delegated by the Board.
- (5) The Company's Management performed their major responsibilities in accordance with the duties and authorities conferred by the Articles of Association, mainly including: to be in charge of the Company's production, operation and management, to co-ordinate the implementation of the resolutions of the Board; to organize the implementation of the Company's annual operating plans and investment proposals; to propose the establishment schemes of the Company's internal management structure; to propose the Company's fundamental management systems; to request the appointment or dismissal of the Company's Deputy General Manager and the financial officer; to formulate the Company's basic constitutions; to appoint or remove the officers-in-charge other than those who are appointed or removed by the Board; to decide on the rewards and penalty, promotions and demotions, increase and decrease of salaries, appointment, recruitment or removal and termination of the Company's staff; to deal with the important external businesses of the Company on its behalf; to convene and chair meetings of the general manager's office; to propose the convening of extraordinary Board meetings; to report to the Board or Supervisory Committee on the execution and implementation of any material contract or the use of funds and the profits and losses of the Company at the request of the Board or Supervisory Committee; other powers and functions authorised by the Articles of Association and the Board.

## Section IV Corporate Governance (Continued)

### 5. *The Board Meeting*

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

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

### 6. *Nomination and Election of Directors*

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

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

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

## Section IV Corporate Governance (Continued)

### (3) Supervisors and Supervisory Committee

In 2022, the ninth session of the Supervisory Committee of the Company is composed of five Supervisors, including Mr. Zhang Xiaofeng, Mr. Zhang Qianchun, Ms. Geng Jingyan, Ms. Yang Yada and Mr. Qin Tongzhou, of which Mr. Zhang Xiaofeng as the chairman of the Supervisory Committee, Mr. Zhang Xiaofeng and Ms. Geng Jingyan as employee Supervisors, and Ms. Yang Yada and Mr. Qin Tongzhou as independent Supervisors. The proportion of female Supervisors, independent Supervisors and employee Supervisors on the Supervisory Committee is two-fifths.

The tenth session of the Supervisory Committee of the Company is composed of three Supervisors, including Mr. Ma Daoju, the chairman of the Supervisory Committee, and Ms. Geng Jingyan as employee Supervisor, and Mr. Hong Gongxiang as independent Supervisor. One female Supervisor made up one-third of the Supervisory Committee. The term of office of such Supervisors commenced from 1 December 2022. Please refer to Section IV “Directors, Supervisors, Senior Management, and Employees” of this section for further details of names and incumbency of Supervisors.

### (4) Remuneration of the Directors, Supervisors and Senior Management

Pursuant to the Administrative Measures for Performance and Remuneration of Directors, Supervisors and Senior Management, the Remuneration Committee of the Board is responsible for the organisation of executive body to conduct performance appraisal of the Directors and Senior Management who shall receive remuneration from the Company and the audit of appraisal results. The Supervisory Committee is responsible for the organisation of executive body to conduct performance appraisal of the Supervisors who shall receive remuneration from the Company and the audit of appraisal results. The annual remuneration report shall be prepared based on the results and submitted to the general meeting for consideration after being considered and approved by the Board.

The Independent Directors and Independent Supervisors of the Company shall receive fixed remuneration from the Company. Approved by the Shareholders' General Meeting, each of the Independent Directors of the ninth session of the Board of the Company and each of the Independent Supervisors of the ninth session of the Company's Supervisory Committee receives a fixed annual remuneration of not more than RMB80,000 and RMB60,000 respectively (tax exclusive) from the Company. Each of the Independent Directors of the tenth session of the Board of the Company and each of the Independent Supervisors of the tenth session of the Company's Supervisory Committee receives a fixed annual remuneration of not more than RMB150,000 and RMB100,000 respectively (tax inclusive) from the Company.

## Section IV Corporate Governance (Continued)

### (5) Training and Continuing Professional Development of Directors

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

Case one: Organized all Directors to intensively study the Opinions on Combating Illegal Securities Activities in Accordance with the Laws issued by the Office of the Central Committee of the Communist Party of China and the Office of the State Council, the Typical Cases of Combating Securities Crimes by the Supreme People's Procuratorate, the Supreme People's Court, the Ministry of Public Security and China Securities Regulatory Commission (CSRC), the Work Plan on Improving the Quality of Listed Companies Controlled by Central Enterprises, the Circular on Further Supporting the Healthy Development of Listed Companies and the Measures for Supervision and Administration of Energy Conservation and Ecological Environment Protection of Central Enterprises by State-owned Assets Supervision and Administration Commission, the Notice on the Regulation of Business Transactions between Listed Companies and Finance Companies of Enterprise Groups by the CSRC and China Banking and Insurance Regulatory Commission, the Supervisory Guideline No. 8 for Listed Companies – Supervisory Requirements for Listed Companies' Capital Transactions and External Guarantees, the Regulations on Matters Relating to the Priority Use of Property of Securities Offenders for Civil Liability and the Guidelines on Investor Relations Management for Listed Companies by CSRC, Environmental, Social and Governance (ESG) Reporting Guidelines (2021 Amendment) of the Hong Kong Stock Exchange, the From CSR Report to ESG Report and the Core of High Quality ESG Report of the China Association for Public Companies, and other relevant notices and notifications of securities regulatory agencies.

## Section IV Corporate Governance (Continued)

Case two: Ms. Zhang Chunxia and Ms. Zhu Shaofang participated in online trainings on "The first phase of the series of salon on the performance of independent directors of listed companies" Organized by the China Association for Public Companies, and Ms. Zhu Shaofang participate in training on the topic of "Strictly combating financial fraud and firmly stopping capital misappropriation".

Case three: Directors Mr. Ding Yi, Mr. Mao Zhanhong, Mr. Ren Tianbao, Mr. Guan Bingchun and Mr. He Anrui completed their training for appointment as directors, supervisors and senior management of companies listed on the Shanghai Stock Exchange.

### (6) Secretaries to the Board and Company Secretaries

At the end of the Reporting Period, the secretary to the Board of the Company was Mr. Ren Tianbao, and Ms. He Hongyun serves as the joint company secretaries of the Company together with Ms. Rebecca Chiu. All Directors of the Company are entitled to obtain advice and services from company secretaries. Board secretaries report to the Chairman on board governance matters, are responsible for ensuring the compliance with the procedure of the Board, and promote the information exchange and communication between directors as well as between directors and shareholders and the management. Mr. Ren Tianbao, Ms. He and Ms. Chiu received more than 15 hours of professional training in 2022.

### (7) Accountability and Audit

#### (1) Financial Reporting

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

In 2022, the Company disclosed its annual, interim and quarterly results within three months, two months, and one month after the end of the relevant accounting period. Confirmed by the Directors, the Directors has the responsibility to prepare accounts for the year ended 31 December 2022, which truly and fairly reflected the Company's financial position, operating performance and cash flow status. The auditor Ernst & Young also stated in the Auditor's Report (Audit Report) its responsibilities as the Company's auditor.

## Section IV Corporate Governance (Continued)

### (2) Risk Management And Internal Control

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

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

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

## Section IV Corporate Governance (Continued)

The Board listened to the report on risk management and internal control and the report on risk supervision and evaluation, reviewed and confirmed that during the Reporting Period, the Company maintained proper control over operational risk, environmental risk safety risk, cash flow and "Two Funds" risks, market price fluctuations and procurement and sales synergy risks to keep the major risks under control.

On 30 March 2023, as of the reporting date for internal control assessment (31 December 2022), the Board confirmed that the Company was free from any material defect in internal controls over financial reporting, based on the identification of material defects in internal controls over financial reporting. In the opinion of the Board, the Company maintained effective internal controls over financial reporting in all material aspects as required by good practices of internal controls and relevant rules. The Board also confirmed that as of the reporting date for internal control assessment, no material deficiency in internal controls other than over financial reporting was found, based on the identification of material deficiency in internal controls other than over financial reporting. Ernst & Young audited the Company's internal controls related to financial reporting in 2022 and issued an Internal Control Audit Report with standard opinion.

### (8) The Auditor

Since Ernst & Young understood the Company on an ongoing basis and worked rigorously and meticulously, the Audit Committee recommended to re-appoint Ernst & Young as the Company's 2022 auditor, to which the Board has no objection. The relevant proposal has been reviewed and approved at the 2021 Annual General Meeting held by the Company on 23 June 2022.

Accordingly, Ernst & Young was appointed as the auditors of the Company in 2022 and had issued audit report on financial statements and internal control audit report with declaration on its reporting responsibilities in these reports.

Upon the authorization of the 2021 Annual General Meeting and recognition by the Audit Committee, the Board decided that the remuneration for auditor amounted to RMB3.66 million (tax inclusive), including 2021 annual audit fee of RMB2.21 million, internal control audit fee of RMB550,000 and the fees for agreed upon procedures on 2022 interim financial statements of RMB900,000. The aforementioned audit fees, agreed-upon procedures fees and other professional services were already inclusive of disbursements incurred by the auditors. Working meals and transportation within the factories incurred by auditors while performing professional services at the Company were provided by the Company, and other accommodation and transportation are at their own expense.

As of 31 December 2022, Ernst & Young has provided auditing services to the Company for 29 consecutive years. Ms. Guo Jing and Mr. Gong Wei were the certified public accountants who had signed the Company's 2022 auditors' reports. Ms. Guo Jing has provided auditing services to the Company for three consecutive years, while Mr. Gong Wei has provided auditing services to the Company for four consecutive years.

## Section IV Corporate Governance (Continued)

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

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

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

### (9) Shareholders' Rights and Effective Communication with Shareholders

#### (1) Shareholders' Rights

Any shareholder who holds shares carrying 10% or more of the voting rights in the Company, either individually or jointly, has the right to demand an extraordinary general meeting or Shareholders' Class Meetings according to the Articles of Association. In accordance with the Articles of Association, when the Company convenes the Annual General Meeting, any shareholder who individually or jointly hold 3% or more of the shares of the Company, has the right to submit a new proposal to the Company in writing. Shareholders who individually or jointly hold 1% or more of the shares of the Company may nominate candidates for Independent Directors, and shareholders who individually or jointly hold 3% or more of the shares of the Company may nominate candidates for Directors and Supervisors. Shareholders may send inquiries and comments to the Board by mail to the Company's office (No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC).

## Section IV Corporate Governance (Continued)

### (2) *Effective Communication*

#### 1. General Meeting

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

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

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

## Section IV Corporate Governance (Continued)

### 2. Communication with Shareholders

The Company has been using multi-channels to proactively enhance the communication with local and overseas institutional investors. During the Reporting Period, the Company has actively strengthened the communications with domestic and foreign investors through various forms including the results presentation, Internet conferences, telephone, email, and WeChat, and the understanding of investors towards the Company has further enhanced. During the Reporting Period, the Company held 37 telephone or video conferences with investors, attended seven strategy sessions, and communicated with nearly 50 institutions with more than 200 persons. In addition, the Company convened the 2021 annual results conference, the 2022 interim results conference and the 2022 third quarter results conference, receiving more than 167,000 times of viewing the live broadcast and video playback of the annual results conference. 150 questions from investors were answered through the SSE e-interactive platform.

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

Address: No. 8, Jiu Hua West Road, Maanshan City, Anhui Province, the PRC  
Phone: 86-555-2888158/2875252;  
Fax: 86-555-2887284  
Email: [mggf@baowugroup.com](mailto:mggf@baowugroup.com)

### 3. Amendments to the Articles of Association during the Reporting Period

During the Reporting Period, the Company revised the Articles of Association twice, with the main amendments including: the establishment of the General Counsel system; changes in the number of Supervisory Committee members; the renaming of the Strategic Development Committee to the Strategy and Sustainable Development Committee with additional ESG responsibilities; the renaming of the Audit Committee to the Audit and Compliance Committee with additional responsibilities for reviewing risk management and compliance management systems; and the profit distribution policy. For details, please refer to [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-08/600808\\_20220608\\_7\\_0IX5LQ9P.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-08/600808_20220608_7_0IX5LQ9P.pdf) and [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-16/600808\\_20221116\\_NAT9.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-16/600808_20221116_NAT9.pdf).

## Section IV Corporate Governance (Continued)

### (3) *Type of Shareholders and Shareholding*

As of 31 December 2022, the Company had 164,464 A shareholders with a total of 6,042,801,186 shares; 944 H shareholders with a total of 1,732,930,000 shares. Except for Baosteel Hong Kong Investment, Magang Group, and Magang Investment Limited, the total number of shares held by the remaining shareholders is 3,752,031,571 shares, including 2,378,051,571 A shares and 1,373,980,000 H shares. The public float of H shares is 79.28%, which is in compliance with the relevant requirements under Rule 8.08 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange. For the equity holdings of Baosteel Hong Kong Investment, the Holding, and Magang Investment, please refer to “(2) SHAREHOLDING OF THE TOP TEN SHAREHOLDERS AND THE TOP TEN TRADABLE SHAREHOLDER (OR SHAREHOLDERS WITHOUT SELLING RESTRICTIONS) AT THE END OF THE REPORTING PERIOD” of “3 SHAREHOLDERS AND ACTUAL HOLDERS” in Section 7 “MOVEMENTS IN SHARE CAPITAL AND SHAREHOLDERS” of this report. During the Reporting Period, save as disclosed in the “CHANGES IN SHAREHOLDING HELD BY AND EMOLUMENTS FOR INCUMBENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN The Reporting Period”, other Directors, Supervisors and senior management of the Company held no shares of the Company.

### (4) *Market Value*

On 31 December 2022, the closing price of the Company’s A shares was RMB2.81, and the market value was RMB16.98 billion; the closing price of the Company’s H shares was HKD1.82, and the market value was HKD3.154 billion. The total market value was equivalent to approximately RMB19.797 billion.

## Section IV Corporate Governance (Continued)

### (5) Log of Shareholder Matters

2022 First Extraordinary General Meeting	Share Record Date	28 January 2022
2022 First Class Meeting of the Holders of A Shares	Meeting date	10 March 2022 (Note)
2022 First Class Meeting of the Holders of H Shares		
2021 Annual General Meeting	Share Record Date	23 May 2022
	Meeting date	23 June 2022
2022 Second Extraordinary General Meeting	Share Record Date	28 November 2022
	Meeting date	1 December 2022
2022 Third Extraordinary General Meeting	Share Record Date	21 December 2022
2022 Second Class Meeting of the Holders of A Shares	Meeting date	29 December 2022
2022 Second Class Meeting of the Holders of H Shares		
2021 Annual Equity Distribution	Record date for the Cash Dividend Distribution	20 July 2022 (A shares); 4 July 2022 (H shares)
	Payment Date for Cash Dividend	21 July 2022

*Note:* The General Meetings was originally scheduled to be held on 28 February 2022. According to the relevant provisions of the Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises, the equity incentive plans of listed companies controlled by central enterprises shall be reported to the state-owned assets supervision authorities for approval after being reviewed and approved by the central enterprises group corporation. The resolutions at the General Meetings of the Company are all share incentive scheme related matters. Due to an adjustment to the date of approval issued by the state-owned assets supervision authorities, the Company announced on 20 February the postponement of the General Meetings to 10 March 2022. For details, please refer to [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-02-21/600808\\_20220221\\_1\\_A4SFbSFY.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-02-21/600808_20220221_1_A4SFbSFY.pdf).

There are no material differences between the corporate governance and the laws, administrative regulations and the regulations of the CSRC on the governance of listed companies.

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

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

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

In order to avoid horizontal competition, China Baowu issued a “Commitment Letter on Avoiding Horizontal Competition” during the restructuring of Masteel in 2019 and during the restructuring of Xinyu Steel Group in 2022, respectively, undertaking to make comprehensive use of various means to steadily promote integration of relevant businesses to resolve the issue of horizontal competition within five years. During the Reporting Period, China Baowu did not breach such undertakings.

## Section IV Corporate Governance (Continued)

### 3. SHAREHOLDERS' GENERAL MEETING

Session of Meeting	Date of Meeting	Specified Website for Publishing Resolutions	Publishing Date of Resolution
2022 First Extraordinary General Meeting, 2022 First Class Meeting of the Holders of A Shares and 2022 First Class Meeting of the Holders of H Shares	10 March 2022	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-11/600808_20220311_1_gy4gQ1Lh.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-11/600808_20220311_1_gy4gQ1Lh.pdf</a>	11 March 2022
2021 Annual General Meeting	23 June 2022	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-24/600808_20220624_1_nE8oX5A6.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-24/600808_20220624_1_nE8oX5A6.pdf</a>	24 June 2022
2022 Second Extraordinary General Meeting	1 December 2022	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-02/600808_20221202_42VT.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-02/600808_20221202_42VT.pdf</a>	2 December 2022
2022 Third Extraordinary General Meeting, 2022 Second Class Meeting of the Holders of A Shares and 2022 Second Class Meeting of the Holders of H Shares	29 December 2022	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-30/600808_20221230_WSFJ.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-30/600808_20221230_WSFJ.pdf</a>	30 December 2022

## Section IV Corporate Governance (Continued)

The explanation of the shareholders' general meeting

2022 First Extraordinary General Meeting, 2022 First Class Meeting of the Holders of A Shares and 2022 First Class Meeting of the Holders of H Shares. The Company issued a notice of meeting on 11 January 2022 to convene the 2022 First Extraordinary General Meeting, 2022 First Class Meeting of the Holders of A Shares and 2022 First Class Meeting of the Holders of H Shares on 28 February 2022. According to the relevant provisions of the Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises, the equity incentive plans of listed companies controlled by central enterprises shall be reported to the state-owned assets supervision authorities for approval after being reviewed and approved by the central enterprises group corporation. The resolutions at the General Meetings of the Company are all share incentive scheme related matters. Due to an adjustment to the date of approval issued by the state-owned assets supervision authorities, the Company has postponed the General Meetings to 10 March 2022. The meeting considered and approved the following four motions: (1) the Company's 2021 Restricted A Share Incentive Scheme (Draft) and its summary; (2) the Performance Appraisal Measures for the 2021 Restricted A Share Incentive Scheme of the Company; (3) the Administrative Measures on Share Incentives of the Company; (4) the Company's resolution on authorization to the Board to handle the related matters for the Restricted Shares Incentive Scheme by the general meeting.

2021 Annual General Meeting. Notice was given on 5 May 2022 that the 2021 AGM of the Company will be held on 23 June 2022. On 6 June 2022, Magang Group submitted a written proposal to add the proposed amendments to the Articles of Association and its Appendices to the AGM. The following 11 resolutions was considered and approved at the AGM: (1) the work report of the board of directors for the year 2021; (2) the work report of the supervisory committee for the year 2021; (3) the audited financial statements for the year 2021; (4) the proposal of the appointment of Ernst & Young Hua Ming LLP as the Company's auditor for the year 2022, and the authority the board of directors to determine its remuneration; (5) the final profit distribution plan for the year 2021; (6) the remuneration of directors, supervisors and senior management for the year 2021; (7) the Administrative Measures on the Performance and Remuneration of the Directors, Supervisors and Senior Management of the Company; (8) the resolution on capital reduction and restructuring of Anhui Ma Steel Chemical Energy Technology Co., Ltd.; (9) the resolution on the issuance of ultra-short-term financing notes by the Company; (10) the resolution on the plan for the public issuance of corporate bonds; (11) the proposed amendments to the Articles of Association and its Appendices.

## Section IV Corporate Governance (Continued)

2022 Second Extraordinary General Meeting. Notice was given on 15 November 2022 that the 2022 second extraordinary general meeting of the Company will be held on 1 December 2022. The following 6 resolutions was considered and approved at the 2022 Second EGM: (1) the proposed amendments to the Articles of Association of the Company and its appendix; (2) the resolution concerning remuneration of directors for the tenth session of the board of directors of the Company; (3) the resolution concerning remuneration of supervisors for the tenth session of the supervisory committee of the Company; (4) election of directors of the tenth session of the board of directors of the Company (excluding independent non-executive directors); (5) election of independent non-executive directors of the tenth session of the board of directors of the Company; (6) election of supervisors other than the representative of the staff for the tenth session of the supervisory committee of the Company.

2022 Third Extraordinary General Meeting, 2022 Second Class Meeting of the Holders of A Shares and 2022 Second Class Meeting of the Holders of H Shares. Notice was given on 8 December 2022 that the 2022 third extraordinary general meeting, the 2022 second class meeting of the holders of A shares and 2022 second class meeting of the holders of H shares of the Company will be held on 29 December 2022. The following 4 resolutions was considered and approved at the 2022 Third EGM: (1) the resolution in relation to repurchase and cancellation of certain restricted shares; (2) the Absorption and Merger Agreement of Baowu Group Finance Co., Ltd. and Magang Group Finance Company Limited; (3) the Financial Services Agreement entered into between the Company and Baowu Group Finance Co., Ltd.; (4) the resolution in relation to transfer of equity interest in Holly Industrial Co., Ltd., a subsidiary controlled by the Company.

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

## Section IV Corporate Governance (Continued)

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

#### (1) Changes in Shareholding Held by and Emoluments for Incumbent and Resigned Directors, Supervisors and Senior Management in the Reporting Period

Unit: 0'000 share

Name	Position (Note)	Sex	Age	Commencement date of term of office	Termination date of term of office	Opening shares held	Closing shares held	Change in increase or decrease in shares during the year	Reasons for change	Total remuneration payable by the Company	
										Company during the reporting period (before tax) (RMB0'000)	Whether received remuneration from related parties of the Company
Ding Yi	Chairman	Male	59	9 August 2013	1 December 2025	-	85	85	Equity-based awards	-	Yes
Mao Zhanhong	Vice Chairman	Male	53	1 December 2022	1 December 2025	0.01	60.01	60	Equity-based awards	-	Yes
	Deputy General Manager (Resignation)			16 March 2021	18 August 2022						
Ren Tianbao	Directors	Male	59	31 August 2011	1 December 2025	-	60	60	Equity-based awards	131.28	No
	Deputy General Manager (Resignation)			10 August 2021	18 August 2022						
	General Manager			18 August 2022	1 December 2025						
	Secretary to the Board			1 December 2022	1 December 2025						
Zhang Chunxia	Independent Director	Female	60	30 November 2017	30 November 2023	-	-	-	-	10.42	No
Zhu Shaofang	Independent Director	Female	59	30 November 2017	30 November 2023	-	-	-	-	10.42	No
Guan Bingchun	Independent Director	Male	59	1 December 2022	1 December 2025	-	-	-	-	1.25	No
He Anrui	Independent Director	Male	51	1 December 2022	1 December 2025	-	-	-	-	1.25	No

## Section IV Corporate Governance (Continued)

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

#### (1) Changes in Shareholding Held by and Emoluments for Incumbent and Resigned Directors, Supervisors and Senior Management in the Reporting Period

Unit: 0'000 share

Name	Position (Note)	Sex	Age	Commencement date of term of office	Termination date of term of office	Opening shares held	Closing shares held	Change in increase or decrease in shares during the year		Reasons for change	Total remuneration payable by the Company during the reporting period (before tax) (RMB0'000)	Whether received remuneration from related parties of the Company
Ma Daoju	Chairman of the Supervisory Committee	Male	57	1 December 2022	1 December 2025	-	-	-	-		-	Yes
Geng Jingyan	Supervisor	Female	48	29 June 2020	1 December 2025	-	-	-	-		26.99	No
Hong Gongxiang	Independent Supervisor	Male	60	1 December 2022	1 December 2025	-	-	-	-		0.83	No
Wang Xianzhu	Independent Director (Resignation)	Male	43	30 November 2017	1 December 2022	-	-	-	-		9.17	No
Zhang Xiaofeng	Chairman of the Supervisory Committee (Resignation)	Male	61	31 August 2008-8-31	1 December 2022	-	-	-	-		76.14	No
Zhang Qianchun	Supervisor (Resignation)	Male	61	30 November 2017	1 December 2022	-	-	-	-		-	Yes
Yang Yada	Independent Supervisor (Resignation)	Female	67	30 November 2017	1 December 2022	-	-	-	-		6.75	No
Qin Tongzhou	Independent Supervisor (Resignation)	Male	53	30 November 2017	1 December 2022	-	-	-	-		6.75	No
Fu Ming	Deputy General Manager	Male	56	11 October 2017	1 December 2025	-	60	60	Equity-based awards		120.86	No
Zhang Maohan	Deputy General Manager	Male	53	18 December 2020	1 December 2025	-	60	60	Equity-based awards		114.70	No
He Hongyun	Secretary to the Board (Resignation)	Female	51	19 April 2018	1 December 2025	-	28	28	Equity-based awards		56.52	No
Total	/	/	/	/	/	0.01	353.01	353	/		573.33	/

## Section IV Corporate Governance (Continued)

Explanation: Mr. Ren Tianbao, Mr. Fu Ming and Mr. Zhang Maohan are directly managed by China Baowu and their annual remuneration will ultimately be honoured in accordance with the standards approved by China Baowu. The annual emoluments after tax of the ninth session of independent Directors and independent Supervisors were RMB80,000 and RMB60,000 respectively, and personal income tax from the annual emoluments of Independent Directors and Independent Supervisors were withheld by the Company. The annual emoluments of the tenth session of independent Directors and independent Supervisors were RMB150,000 (tax inclusive) and RMB100,000 (tax inclusive) respectively, and personal income tax from the annual emoluments of Independent Directors and Independent Supervisors were withheld by the Company.

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

Name	Working Experience
Ding Yi	Mr. Ding is the current Chairman of the Company. He served as the Deputy General Manager of the Company from January 2004 to July 2011. From July 2011 to June 2013, he served as the Deputy General Manager of Magang Group. From June 2013 to December 2020, he served as the General Manager of Magang Group. Effective from August 2013, he served as the Chairman of the Company. Effective from December 2020, he served as the Chairman of Magang Group. Mr. Ding also serves as the Chairman of Magang Group Finance Co., Ltd. and the Chairman of Magang Group Investment Ltd..
Mao Zhanhong	Mr. Mao is currently Vice Chairman of the Company. From January 2017 to April 2019, he served as the Deputy Director of the Cold Rolling Technology Management Promotion Committee of Baosteel Co., Ltd., and the Deputy General Manager of Zhanjiang Iron and Steel. From April 2019 to March 2020, Mr. Mao served as the Deputy Director of the Cold Rolling Technology Management Promotion Committee and the director of the Manufacturing Management Department of Baosteel Co., Ltd. From March 2020 to February 2021, he served as the Assistant to General Manager and the Head of Manufacturing Management Department and Deputy Director of Cold Rolling Technology Management Promotion Committee of Baosteel Co., Ltd.. Since February 2021, he was appointed as a member of the Standing Committee of the Party Committee of Magang (Group) Holding Company Limited. From March 2021 to August 2022, he served as the Deputy General Manager of the Company. Effective from August 2022, he served as the Director and General Manager of Magang Group. From December 2022, he served as the Vice Chairman of the Company.

## Section IV Corporate Governance (Continued)

Name	Working Experience
Ren Tianbao	Mr. Ren is the current Director, General Manager and the Secretary to the Board of the Company. He served as the Director of the Company since August 2011. From February 2012 to May 2015, he served as the Secretary to the Board of the Company. From May 2015 to December 2019, he served as the Deputy General Manager of the Magang Group. From March 2020 to July 2022, Mr. Ren served as the Chairman of Magang Transportation Material. From August 2021 to August 2022, Mr. Ren served as the Deputy General Manager of the Company. He served as General Manager of the Company since August 2022. He served as the Secretary to the Board of the Company since December 2022.
Zhang Chunxia	Ms. Zhang is the current independent Director of the Company. From August 1994 to March 2018, she served as a professor-level senior engineer and doctoral supervisor in the State Key Laboratory of Advanced Steel Processes and Materials of the Central Iron and Steel Research Institute. Ms. Zhang is also a member of the Expert Committee of the China Society of Metals. She served as an Independent Director of the Company since 30 November 2017.
Zhu Shaofang	Ms. Zhu is the current Independent Director of the Company. From February 1999 to October 2016, she was the audit manager and partner of Deloitte Touche Tohmatsu Certified Public Accountants LLP and the managing partner of Nanjing Branch. She served as an Independent Director of the Company since 30 November 2017.
Guan Bingchun	Mr. Guan is the current Independent Director of the Company. From October 1988 to December 2002, he was the Deputy Director, Director of Quality Department of the former Ministry of Metallurgical Industry (冶金工業部), Director of Industry Management Department of State Bureau of Metallurgical Industry (國家冶金工業局) and Director of China Metallurgical Industry Quality System Certification Center (中國冶金工業質量體系認證中心). From January 2003, he served as the Chairman and General Manager of Beijing Grand Honour Management System Certification Co., Ltd. and Beijing Grand Honour Certification Co., Ltd.. Mr. Guan concurrently served as the independent Director of Anyang Iron & Steel Co., Ltd. and the Expert Committee Member of Rating Committee of China Quality Award. He served as the Independent Director of the Company since 1 December 2022.

## Section IV Corporate Governance (Continued)

Name	Working Experience
He Anrui	<p>Mr. He is the current Independent Director of the Company. From March 2011 to June 2016, he served as the Vice President and President of Institute of Metallurgical Engineering of University of Science and Technology Beijing. From June 2016 to October 2022, he served as the President of Institute of Engineering Technology of University of Science and Technology Beijing. Effective from June 2018, he served as the Vice Chairman of University of Science and Technology Beijing Engineering and Research Institute Co., Ltd.; Effective from August 2022, he served as the Director of Collaborative Innovation Center of Steel Technology of University of Science and Technology Beijing. Mr. He concurrently also served as the Director of National Engineering Research Center for Advanced Rolling and Intelligent Manufacturing. He served as the Independent Director of the Company since 1 December 2022.</p>
Ma Daoju	<p>Mr. Ma. is the current Chairman of the Supervisory Committee. From September 2008 to March 2011, He served as the head and deputy secretary of the Party Committee of Banji Coal Mine of SDIC Xinji Company. From December 2013 to August 2017, he served as the director of the Safety Supervision Bureau of SDIC Xinji Company. From August 2017 to January 2020, he served as the director of Anhui Coal Mine Safety Supervision Technology Center. He has served as the chairman of the Supervisory Committee of Magang (Group) Holding Company Limited since January 2020. He served as the chairman of the Supervisory Committee of the Company since 1 December 2022.</p>
Geng Jingyan	<p>Ms. Geng is currently the Supervisor of the Company. From January 2014 to January 2020, she successively served as Deputy Chief Inspector and Chief Inspector of the Audit Office of the Disciplinary Committee (Supervision and Audit Department) of Magang (Group) Holding Company Limited. Since January 2020, she served as the Chief Inspector of the audit function of the Audit Department of the Company, and she has served as the Staff Supervisor of the Company since 29 June 2020. In addition, Ms. Geng concurrently serves as a supervisor of Magang Hongfei Electricity Power Co., Ltd..</p>

## Section IV Corporate Governance (Continued)

Name	Working Experience
Hong Gongxiang	<p>Mr. Hong is the current Independent Supervisor of the Company. From 2007 to 2009, he served as the deputy dean of the School of Economics at the Anhui University of Technology. From September 2009 to September 2012, he served as the deputy director of the Research Department of Anhui University of Technology. From September 2012 to October 2013, he served as the dean of the School of Economics at the Anhui University of Technology. He has served as the dean of the School of Business at the Anhui University of Technology since October 2013. He has been the secretary of the Party Committee of the School of Business at the Anhui University of Technology since 2019. He served as the Independent Supervisor of the Company since 1 December 2022.</p>
Fu Ming	<p>Mr. Fu is currently the Deputy General Manager of the Company. In February 2012, he was appointed as the Manager of the Company's Production Department. From December 2013 to July 2018, he has been the Director and Deputy Party Secretary of the Company's Second Ironmaking Plant. He was appointed as the Deputy General Manager of the Company on 11 October 2017. Since December 2019, he was appointed as the Deputy General Manager and Safety Director of the Company. He resigned from the position of Safety Director in January 2021.</p>
Zhang Maohan	<p>Mr. Zhang is currently the Deputy General Manager of the Company. From September 2017 to February 2020, he served as the assistant to the General Manager of the Company and General Manager of the sales company. From February 2020 to June 2020, he served as the assistant to the General Manager of the Company, Secretary of the Party Committee and General Manager of the sales company. From June 2020 to December 2020, he served as the Assistant to the General Manager of the Company, Secretary of the Party Committee and General Manager of the sales company, and General Manager of the Marketing Center. From December 2020, Mr. Zhang served as the member of the Standing Committee of the Party Committee of the Holding, member of the Standing Committee of the Party Committee and Deputy General Manager of the Company, Secretary of the Party Committee and General Manager of the sales company, and General Manager of the Marketing Center. From January 2021, he ceases to serve as the Secretary of the Party Committee and General Manager of the sales company, and General Manager of the Marketing Center. Mr. Zhang concurrently serves as a Chairman of Ma Steel (Hong Kong) Co., Ltd..</p>

## Section IV Corporate Governance (Continued)

### (2) Current and Resigned Directors, Supervisors and Senior Management During the Reporting Period

#### 1. Positions in Shareholders' Company

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

#### 2. Positions in other Entities

Name	Name of other entities	Position in other entities
Mao Zhanhong	Anhui Metal Association Metallurgical Equipment Committee of CISA	Director, Executive Director, Vice President
Ren Tianbao	The Ninth Committee of Maanshan Science Association	Member, Vice Chairman
Zhang Maohan	Import and Export Working Committee of China Iron and Steel Association	Member

## Section IV Corporate Governance (Continued)

### (3) Emoluments for Directors, Supervisors and Senior Management

Decision-making process of emoluments for Directors, Supervisors and Senior Management	The Remuneration Committee of the Board is responsible for organizing the performance assessment of Executive Directors and Senior Management and reviewing the assessment results. The Supervisory Committee is responsible for organizing the performance assessment of Supervisors and reviewing the assessment results. Based on the assessment results, an annual remuneration report shall be prepared and submitted to the Board for consideration and approval at the general meeting.
Basis for determination of Directors, Supervisors and Senior Management	Administrative Measures on the Performance and Remuneration of the Directors, Supervisors and Senior Management
Actual payment to Directors, Supervisors and Senior Management	Please refer to the previous section “Changes in Shareholding and Emoluments”.
Total actual payment to Directors, Supervisors and Senior Management at the end of reporting period	During the Reporting Period, the total salaries for Directors, Supervisors and Senior Management who received emoluments or allowances from the Company amounted to RMB5.7333 million (tax inclusive).

## Section IV Corporate Governance (Continued)

### (4) Changes in Directors, Supervisors and Senior Management

Name	position	Movement	Reasons of movement
Mao Zhanhong	Deputy General Manager	Resignation	Job change
Ren Tianbao	Deputy Chairman	Appointment	Board appointment
	Deputy General Manager	Resignation	Job change
Ma Daoju	General Manager	Appointment	Board appointment
	Secretary to the Board	Appointment	Board appointment
Ma Daoju	Chairman of the Supervisory Committee	Appointment	Supervisory Committee appointment
Guan Bingchun	Independent Director	Appointment	Board appointment
He Anrui	Independent Director	Appointment	Board appointment
Hong Gongxiang	Independent Supervisor	Appointment	Supervisory Committee appointment
Wang Xianzhu	Independent Director	Resignation	Election of new session of the Board
Yang Yada	Independent Supervisor	Resignation	Election of new session of the Supervisory Committee
Qin Tongzhou	Independent Supervisor	Resignation	Election of new session of the Supervisory Committee
He Hongyun	Secretary to the Board	Resignation	Job change

### (5) The Company was Never Punished by Securities Regulatory Agencies in the Past Three Years.

## Section IV Corporate Governance (Continued)

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

Session	Date	Meeting resolutions
The fifty-sixth meeting of the ninth session	2022-2-28	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-01/600808_20220301_1_ygJghn3N.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-01/600808_20220301_1_ygJghn3N.pdf</a>
The fifty-seventh meeting of the ninth session	2022-3-10	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-11/600808_20220311_5_q4rGUnoE.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-11/600808_20220311_5_q4rGUnoE.pdf</a>
The fifty-eighth meeting of the ninth session	2022-3-23	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-24/600808_20220324_1_rOPnvaG6.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-24/600808_20220324_1_rOPnvaG6.pdf</a>
The fifty-ninth meeting of the ninth session	2022-3-30	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-31/600808_20220331_2_2fvIPbdM.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-31/600808_20220331_2_2fvIPbdM.pdf</a>
The sixtieth meeting of the ninth session	2022-4-29	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-04-30/600808_20220430_1_8F30QRnj.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-04-30/600808_20220430_1_8F30QRnj.pdf</a>
The sixty-first meeting of the ninth session	2022-6-7	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-08/600808_20220608_3_dYDFJMXx.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-08/600808_20220608_3_dYDFJMXx.pdf</a>
The sixty-second meeting of the ninth session	2022-6-23	A plan for adjusting the tenure system of management members and the contractual management contract text was considered; the resolution on the public listing of the transfer of equity interests in Beijing Zhonglian Steel Ecommerce Co., Ltd. was considered

## Section IV Corporate Governance (Continued)

Session	Date	Meeting resolutions
The sixty-third meeting of the ninth session	2022-7-21	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-07-22/600808_20220722_1_eubn0yHm.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-07-22/600808_20220722_1_eubn0yHm.pdf</a>
The sixty-fourth meeting of the ninth session	2022-8-18	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-08-19/600808_20220819_1_vFTBj9VD.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-08-19/600808_20220819_1_vFTBj9VD.pdf</a>
The sixty-fifth meeting of the ninth session	2022-8-30	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-08-31/600808_20220831_1_u0cIgcOJ.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-08-31/600808_20220831_1_u0cIgcOJ.pdf</a>
The sixty-sixth meeting of the ninth session	2022-10-28	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-10-29/600808_20221029_1_EChL9lfA.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-10-29/600808_20221029_1_EChL9lfA.pdf</a>
The sixty-seventh meeting of the ninth session	2022-11-15	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-16/600808_20221116_XH7X.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-16/600808_20221116_XH7X.pdf</a>
The first meeting of the tenth session	2022-12-1	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-02/600808_20221202_Z6CR.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-02/600808_20221202_Z6CR.pdf</a>
The second meeting of the tenth session	2022-12-5	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-06/600808_20221206_MKJ8.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-06/600808_20221206_MKJ8.pdf</a>
The third meeting of the tenth session	2022-12-29	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-30/600808_20221230_87QD.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-30/600808_20221230_87QD.pdf</a>

## Section IV Corporate Governance (Continued)

### 6. PERFORMANCE OF DIRECTORS

#### (1) Attendance of Directors in the Board Meetings and Shareholders' General Meeting

Attendance of directors in the board meetings								
Name of Director	Independent Director	Required attendance during the year	Attendance in person	Attendance by way of correspondence	Attendance by proxy	Absence	Two consecutive personal absence	Attendance in the General Meeting In the General Meeting Attendance
Ding Yi	No	15	9	6	0	0	No	4
Mao Zhanhong	No	3	2	1	0	0	No	1
Ren Tianbao	No	15	9	6	0	0	No	4
Zhang Chunxia	Yes	15	9	6	0	0	No	4
Zhu Shaofang	Yes	15	9	6	0	0	No	4
Guan Bingchun	Yes	3	2	1	0	0	No	1
He Anrui	Yes	3	2	1	0	0	No	1
Wang Xianzhu	Yes	12	7	5	0	0	No	2

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

Number of meetings held by the Board during the year	15
Of which: Number of face-to-face meetings	2
Number of meetings with teleconferencing	6
Number of face-to-face meetings combined with teleconferencing	7

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

Applicable       Not Applicable

## Section IV Corporate Governance (Continued)

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

#### (1) Special committees under the Board of Directors

Session	Special Committee Category	Name
The ninth session of the Board	Strategic Development Committee	Ding Yi, Zhang Chunxia, Zhu Shaofang, Wang Xianzhu
	Audit Committee	Zhu Shaofang, Zhang Chunxia, Wang Xianzhu
	Nomination Committee	Zhang Chunxia, Zhu Shaofang, Wang Xianzhu, Ding Yi
	Remuneration Committee	Wang Xianzhu, Zhang Chunxia, Zhu Shaofang
The tenth session of the Board	Strategic Development Committee	Ding Yi, Mao Zhanhong, Ren Tianbao, Zhang Chunxia, Guan Bingchun
	Audit Committee	Zhu Shaofang, Zhang Chunxia, Guan Bingchun, He Anrui
	Nomination Committee	Zhang Chunxia, Zhu Shaofang, Guan Bingchun, He Anrui, Ding Yi
	Remuneration Committee	Guan Bingchun, Zhang Chunxia, Zhu Shaofang, He Anrui

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

Date	Meeting Content
2022-3-10	Discussion on the Company's fixed asset investment plan for 2022; listen to the report on the Company's energy and environmental protection work in 2021; listen to the report on the Company's "dual carbon" work.
2022-3-22	Consider the valuation report of the Company's strategic implementation in 2021; consider the environmental, social and governance report of the Company in 2021; consider the report on the performance of the Strategic Development Committee of the Board of Directors in 2021
2022-3-30	Consider the resolution on the proposed issuance of corporate bonds; consider the resolution on the proposed issuance of short-term financing bonds.

## Section IV Corporate Governance (Continued)

During the Reporting Period, members of the committee, Mr. Ding Yi, Ms. Zhang Chunxia, Ms. Zhu Shaofang and Mr. Wang Xianzhu, attended all the meetings and all of them discussed or considered and approved the relevant resolutions. The convening and convening procedures of all meetings of the Strategic Development Committee comply with the relevant laws, regulations, the Articles of Association and the Regulations on the Work of the Strategic Development Committee of the Company's Board of Directors. All members of the committee have faithfully fulfilled their duty of confidentiality for the reports heard at the committee meeting in accordance with relevant regulations, and there is no unauthorized disclosure of relevant information.

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

Date	Meeting Content
2022-1-27	Review the Company's 2021 unaudited financial statements; review the Company's 2021 audit work summary and 2022 audit work plan.
2022-3-22	Review the audited financial report for 2021; review the Company's final profit distribution proposal for 2021; review Related Party Transactions for 2021; review the Company's guarantees as of 31 December 2021; approve the Company's internal control valuation report for 2021; approve the external accounting firm's summary of the Company's audit work for 2021; agree to pay the auditor's remuneration for 2021; approve the report on the performance of the Audit Committee for 2021; listen to the report on the Company's overall risk management and internal control work for 2021; review the auditor's report on the Company's internal control audit for 2021.
2022-4-29	Review the Company's unaudited financial report for the first quarter of 2022
2022-8-30	Review the Company's unaudited financial report for the half year 2022; listen to the report on the Company's internal control and overall risk management in the first half of 2022
2022-10-28	Review the Company's unaudited financial report for the third quarter of 2022; listen to the report on the Company's internal control and overall risk management in the third quarter of 2022
2022-12-1	Elect Ms. Zhu Shaofang as the Chairman of the Audit and Compliance Management Committee of the Board
2022-12-16	Discuss the Company's Annual Audit Plan for 2022

## Section IV Corporate Governance (Continued)

During the Reporting Period, Ms. Zhu Shaofang, Ms. Zhang Chunxia, Mr. Wang Xianzhu, Mr. Guan Bingchun and Mr. He Anrui, members of the Committee, attended all the meetings they were required to attend and all discussed or considered and approved relevant resolutions. All meetings of the Audit Committee were convened, held, voted and resolved in accordance with the relevant laws and regulations, the Articles of Association of the Company and the Regulations Governing the Work of the Audit Committee. In 2022, all members of the Committee faithfully fulfilled their obligations of confidentiality in respect of the matters discussed at the meetings of the Committee in accordance with the relevant regulations and there is no unauthorized disclosure of relevant information.

The Audit Committee reviews the financial statements of the Company and important opinions regarding financial parts of annual, interim and quarterly reports, focuses on substantial accounting and auditing issues of the financial statements, including substantial changes in accounting policies and accounting estimates, consistency of financial information, etc., and makes recommendations on the truthfulness, completeness and accuracy of the financial statements.

The Audit Committee obtains from the audit firm annually, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those for rotation of audit partners and staff. The audit committee meets with the auditor, at least annually, in the absence of management, to discuss matters relating to any issues arising from the audit and any other matters the auditor may wish to raise.

The Audit Committee reviews the summary and work plan of internal audit of the Company annually, hears internal control and overall risk management reports periodically to oversee the internal audit function and the assessment of the overall governance, risk management and internal control framework of the Company. The Committee also ensures that management has appropriate risk management and internal controls over the financial reporting process in order to maintain the effectiveness of the Company's financial reporting.

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

Date	Meeting Content
2022-3-18	Consider the Nomination Committee's Performance Report for 2021
2022-8-18	Discuss the resolution on the appointment of Mr. Ren Tianbao as the Company's General Manager
2022-10-18	Discuss and nominate candidates for the tenth session of the Board of the Company
2022-12-1	Elect Ms. Zhang Chunxia as the Chairman of the Nomination Committee; nominate the General Manager and Secretary to the Board of the Company; and nominate the Deputy General Manager of the Company.

## Section IV Corporate Governance (Continued)

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

### (5). During the Reporting Period, the Remuneration Committee held 6 meetings

Date	Meeting Content
2022-3-10	Discussion on the management of performance and remuneration of directors, supervisors and senior management
2022-3-21	Agree on the resolution on the assessment of the operating performance of the Company's executive directors and senior management in 2021 and submit it to the Board for consideration; agree on the remuneration of directors, supervisors, and senior management of the Company for the year 2021 and submit it to the Board for consideration; agree on the valuation standards for the operating performance of the Company's leadership team in 2022 and submit them to the Board for consideration; approve the performance report of the Remuneration Committee for 2021.
2022-3-30	Agree on the resolution on the First Grant of Restricted Shares to Incentive Participants under the Company's 2021 Restricted A Share Incentive Scheme
2022-10-18	Resolution on matters relating to the remuneration of members of the tenth session of the Board of the Company
2022-12-1	Elect Mr. Guan Bingchun as Chairman of the Remuneration Committee
2022-12-5	The resolution in relation to repurchase and cancellation of certain restricted shares

## Section IV Corporate Governance (Continued)

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

(6) **The specific circumstances of the objection**

Applicable       Not Applicable

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

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

## Section IV Corporate Governance (Continued)

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

#### (1) Employees

The number of current employees of the parent company	13,076
The number of current employees of the major subsidiaries	5,719
Total number of current employees	18,795
Number of retired employees whose parent company and major subsidiaries are required to bear expenses	–

#### Professional constitution

Profession category	Number of staff of Profession constitution
Production Line	15,254
Sales representative	489
Technician	2,264
Financial staff	141
Administrative staff	647
Total	18,795

#### Educational level

Education	Number of staff
Postgraduate	790
Graduate	3,723
Junior College	5,241
Vocational secondary or below	9,041
Total	18,795

## Section IV Corporate Governance (Continued)

### (2) Remuneration policy

The Company has established a diversified salary incentive system based on the performance-based remuneration system, supplemented by the annual remuneration system for performance-based positions and the competency-based remuneration system, highlighting the value of positions and establishing a broadband remuneration incentive mechanism of "multiple salaries for one position", so that the remuneration distribution is tilted towards value creators and employees are guided to achieve an increase in income through cumulative improvement. The performance orientation was highlighted, and the remuneration adjustment was directly linked to the performance evaluation results, so as to reasonably widen the gap and attract and retain talents required for the development of the enterprise. The remuneration guarantee was highlighted, the remuneration structure was optimised, the percentage of remuneration for each position was increased, the standard of night shift allowance was raised, and the remuneration distribution was tilted towards frontline staff, so as to enhance the employees' sense of gain and security in remuneration distribution.

### (3) Training program

In order to support the Company's strategy, key tasks and various talent training needs, the Company implemented 212 unified training programmes in 2022, including 32 management programmes, 97 technical programmes, 22 skills programmes and 11 service programmes.

The Company has been working closely with the goal of transformation and upgrading, establishing the concept of "all-employee training and comprehensive improvement", strengthening the construction of talent team, continuously improving the quality and capability of employees, and providing talent security for the Company's high-quality development. In 2023, the Company plans to implement 169 professional projects such as leadership training, various types of talent training and business management, 23 projects in safety management, 26 projects in special operations and 77 occupational (job) skill level certifications.

## Section IV Corporate Governance (Continued)

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

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

According to the Articles of Association of the Company, based on the principle of giving proper regard to both the need to generate reasonable investment return for shareholders and the need to fulfill reasonable funding requirements of the Company, the distribution of dividends will be given priority to cash to shareholders in proportion to their shareholdings, and the Company's cash dividend policy should be maintained on a continuous and stable basis while the conditions and procedures for the adjustment and changes of the dividend distribution policy shall also be in line with regulations and transparent.

During the Reporting Period, upon approval at the Company's 2021 annual general meeting, the Company's cash dividend policy was adjusted: the general meeting authorised the Board to decide the interim cash dividend policy based on the Company's profitability and capital demand; and the proportion of cash dividend was increased to not less than 50% of the distributable profit achieved in the year.

In the process of formulating the profit distribution plan the Independent Directors issued independent opinions. The proportion of cash dividends complied with the provisions of the Company's Articles of Association, effectively protecting the legitimate rights and interests of the majority of small and medium shareholders.

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

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

## Section IV Corporate Governance (Continued)

### (3) Profit distribution and transfer of capital reserves to share capital during the Reporting Period

Unit: 100 million RMB

Number of bonus shares per 10 shares (shares)	–
Amount of dividends per 10 shares (RMB) (tax inclusive)	0.20
Number of shares transferred per 10 shares (shares)	–
Amount of cash dividends (tax inclusive)	1.56
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements of the year of dividend distribution	-8.58
Proportion of cash dividends to net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)	-18.12
Amount of shares repurchased in cash included in distribution of cash dividends	–
Total amount of dividends (tax inclusive)	1.56
Proportion of the total amount of dividends to the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)	-18.12

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

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

Summary of matter	Index of documents
Announcement on the Results of the First Grant of the 2021 Restricted A Share Incentive Scheme	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-05-11/600808_20220511_1_z2lpjPUU.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-05-11/600808_20220511_1_z2lpjPUU.pdf</a>
Announcement on the Repurchase and Cancellation of Certain Restricted Shares	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-06/600808_20221206_KCRX.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-06/600808_20221206_KCRX.pdf</a>
Announcement on Implementation of Repurchase and Cancellation of Certain Restricted Shares under the 2021 Restricted A Share Incentive Scheme	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-07/600808_20230307_FHM0.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-07/600808_20230307_FHM0.pdf</a>

## Section IV Corporate Governance (Continued)

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

Unit: 10,000 Shares

Name	Title	Number of Restricted Shares held as at the beginning of the year	Number of new Restricted Shares granted during the Reporting Period	Grant price of Restricted Shares (RMB)	Shares unlocked	Shares locked	Number of Restricted Shares held as at the end of the period	Market value as at the end of the Reporting Period (RMB)
Ding Yi	Chairman	-	85	2.29	-	85	85	2.81
Mao Zhanhong	Vice Chairman	-	60	2.29	-	60	60	2.81
Ren Tianbao	Director, General Manager, Secretary of the Board	-	60	2.29	-	60	60	2.81
Fu Ming	Senior management	-	60	2.29	-	60	60	2.81
Zhang Maohan	Senior management	-	60	2.29	-	60	60	2.81
Total	/	-	325	/	-	325	325	/

*Note:* During the Reporting Period, Ms. He Hongyun, the former Secretary of the Board of the Company, was granted 280,000 Restricted Shares. With effect from 1 December 2022, Ms. He ceased to be the Secretary of the Board.

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

During the Reporting Period, the Company formulated and issued the Administrative Measures for Performance and Remuneration of Directors, Supervisors and Senior Management Personnel, adhering to a strategic, value-oriented and incentive-oriented approach, and establishing an appraisal mechanism with both incentives and constraints. During the Reporting Period, the system worked effectively. Details of senior executive salaries are set out in "Directors, Supervisors, Senior Management and Employees". During the Reporting Period, Mr. Fu Ming and Mr. Zhang Mao Han, senior management, participated in the Company's Restricted Share Incentive Scheme and were granted 600,000 Restricted Shares respectively.

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

During the Reporting Period, the Company's internal control system was effective and no major amendments were made. In 2022, the Company identified the major units, businesses and events as well as high-risk areas to be included in the scope of evaluation in accordance with the risk-oriented principle, focusing on safety risks, environmental protection risks, integration and integration capacity enhancement risks, demand risks in the long material market arising from real estate regulation, risks of significant fluctuations in the prices of bulk raw fuels and risks of control over accounts receivable and inventory, and the effectiveness of the design and operation of internal controls of the relevant businesses. For details, please refer to the Company's 2022 Internal Control Evaluation Report available on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

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

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

#### (1) Holding Subsidiaries

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

## Section IV Corporate Governance (Continued)

### (2) Investee Subsidiaries

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

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

Disclosure of internal control audit report: Yes

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

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

In the 2022 special governance action for listed companies, the Company conducted self-inspection in respect of the regulation of the conduct of controlling shareholders, de facto controllers and related parties, the operation of the three committees, the performance of duties by directors, supervisors and senior management, the regulation of internal control, information disclosure and transparency, etc. Seven problems were identified, five of which were rectified, and two of which were not applicable to be rectified within a time limit by the end of 2022.

# Section V Environmental and Social Responsibility

## 1. ENVIRONMENTAL INFORMATION

Whether an environmental protection mechanism has been established	Yes
Funds invested in environmental protection during the Reporting Period (Unit: ten thousand)	393,850

### (1) Notes on environmental protection by the Company and its key subsidiaries listed among key pollution producers by the environment authority

#### 1. Pollutant emission information

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

Name of Company	Pollutant Category	Typical Pollutants	Way of Discharge	Processing Equipment	Number and Distribution of Discharge Outlets
Magang Stock	Waste gases	Dust, NOX, SO2, etc.	Emitted into the air via chimney stack after dust elimination, desulfidation and denitration	305 sets	323 distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	66 sets	11
	Solid wastes	Iron dust, iron oxide scale, metallurgical slag, etc.	Comprehensive utilization, outsourced compliant disposal, compliant storage	15 sets	-
Changjiang Steel	Waste gases	Dust, NOX, SO2, etc.	Emitted into the air via chimney stack after dust elimination, desulfidation and denitration	80 sets	77 distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	13 sets	0 sewage outfall and 1 rainwater outfall
	Solid wastes	Iron dust, iron oxide scale, metallurgical slag, etc.	Comprehensive utilization, outsourced compliant disposal	-	-
Ma Steel (Hefei)	Waste gases	Dust, acid fog, alkali fog, NOX, SO2, etc.	Discharged after up to standard processing	11sets	16 distributed along the production lines
	Waste water	Acid and alkali, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	1set	1
	Solid wastes	Emulsified liquid slag, oil sludge, waste filter paper, bottom residue, etc.	Comprehensive utilization, outsourced compliant disposal	-	-
Magang Rail Transportation Equipment	Waste gases	Dust, NOX, SO2, etc.	Dust removal	11	20 distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	2	1

## Section V Environmental and Social Responsibility (Continued)

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

Name of Company	Pollutant Category	Typical Pollutants	Emission density	Emission Permit Limit (Ton/Year)	Total Emissions During the Reporting Period (Ton)
Magang Stock	Waste gases	Dust	≤10.46mg/m <sup>3</sup>	11,161.855	6,271
		SO <sub>2</sub>	≤8.45mg/m <sup>3</sup>	16,595.385	3,625
		NO <sub>x</sub>	≤14.97mg/m <sup>3</sup>	32,118.567	5,625
	Waste water	COD	≤13.41mg/l	1573.6	241
		Ammonia nitrogen	≤0.60mg/l	161.6	11
Changjiang Steel	Waste gases	Dust	≤8.69mg/m <sup>3</sup>	2,938.2	1808
		SO <sub>2</sub>	≤4.27mg/m <sup>3</sup>	3,243.25	633
		NO <sub>x</sub>	≤4.76mg/m <sup>3</sup>	7,091.746	706
	Waste water	COD	0mg/l	0	0
		Ammonia nitrogen	0mg/l	0	0
Ma Steel (Hefei)	Waste gases	Dust	≤13mg/m <sup>3</sup>	51.9	9
		SO <sub>2</sub>	≤3mg/m <sup>3</sup>	6.04	1
		NO <sub>x</sub>	≤31mg/m <sup>3</sup>	38.06	21
	Waste water	COD	≤40mg/l	106.82	15
		Ammonia nitrogen	≤2mg/l	16.1	1
Magang Rail Transportation Equipment	Waste gases	Dust	≤15mg/m <sup>3</sup>	/	7
		SO <sub>2</sub>	≤150mg/m <sup>3</sup>	/	43
		NO <sub>x</sub>	≤300mg/m <sup>3</sup>	/	96
	Waste water	COD	0mg/l	/	0
		Ammonia nitrogen	0mg/l	/	0

*Notes:* The total discharge amount during the Reporting Period is based on the standard statistics of the original Ministry of Environmental Protection (renamed as Ministry of Ecology and Environment of the PRC in 2018) in accordance with the Technical Specification for Application and Issuance of Discharge Permit for Iron and Steel Industry (HJ846-2017). During the Reporting Period, the total amount of smoke and dust (particulate) emission of the Company includes 4,487 tonnes of organised emission and 1,784 tonnes of unorganised emission. The total amount of smoke and dust emission of Changjiang Steel includes 1,290 tonnes of organised emission and 518 tonnes of unorganised emission. The total amount of smoke and dust emissions from Ma Steel (Hefei) includes 9 tonnes of organised emissions. Among them, the organised emission is calculated according to the monitoring data, while the unorganised emission is calculated according to the emission coefficient specified in the original Ministry of Environmental Protection's "Calculation Methods of Pollutants Discharge Amount for Seventeen Industries Classified in Pollutants Discharge Permitting Administration (Including Factors & Material Measuring Methods) (Trial)" in 2017.

## Section V Environmental and Social Responsibility (Continued)

Generation, disposal and storage of solid and hazardous waste in 2022 (Unit: 10,000 tonnes)

Company Name	Solid waste				Hazardous waste		
	Amount generated	Amount disposed			Amount generated	Disposal in compliance	Storage in compliance
Recycle for production and utilization		Export for comprehensive utilization	Outsource for compliant disposal				
The Company's head office	1,026.28	279.51	746.51	0.26	6.89	7.33	0.13
Changjiang Steel	246.93	60.10	186.76	0.07	0.69	0.68	0.01
Ma Steel (Hefei)	0.19	-	-	0.19	0.09	0.09	-
Magang Transportation Material	0.63	0.62	-	0.01	0.09	0.09	-
<b>Total</b>	<b>1,274.03</b>	<b>340.23</b>	<b>933.27</b>	<b>0.53</b>	<b>7.76</b>	<b>8.19</b>	<b>0.14</b>

*Note:* The amount of hazardous waste disposed of at the Company's head office includes 5,700 tonnes of compliant storage at the end of the previous year.

Emission of volatile organic compounds: No. 1 and No. 2 incinerators of color coated plate in cold rolling plant are managed for volatile organic compounds (VOC). Units such as Magang Rail Transportation Equipment and the coking factory headquarters of Maanshan Iron & Steel Company Limited have prepared VOC "one enterprise one case" according to requirements, carried out self-monitoring by enterprises, installed automatic online monitoring facilities being connected, and the VOC emission data in 2022 was stable and up to standard.

## Section V Environmental and Social Responsibility (Continued)

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

In 2022, all processes in the Company's head office have been constructed with pollution prevention and control facilities in accordance with the requirements of the EIA and were operating normally. The environmental protection facilities currently in operation include: 66 (sets) of wastewater treatment facilities, 305 (sets) of waste gas treatment facilities and 15 (sets) of solid waste treatment facilities, of which online monitoring and controlling facilities have been installed at the main discharge outlets of wastewater and waste gas, with 411 sets of online monitoring facilities (200 sets of national control and 211 sets of internal control), which were networked in accordance with government requirements; and 174 sets of video monitoring facilities. Industrial solid waste disposal facilities such as blast furnace water slag, converter steel slag, electric furnace steel slag and iron-containing dust sludge are in place. Each production process of the Company is equipped with facilities such as noise elimination, noise reduction, sound insulation and isolation, which effectively control the emission of environmental noise.

There were 2 (sets) of wastewater treatment facilities and 11 (sets) of waste gas treatment facilities of Magang Transportation Material. The pollution prevention and control facilities were running in tandem with the main production line and were in good working condition. Among them, 12 sets of online monitoring equipment for networked exhaust gas and 1 set of online monitoring equipment for rainwater discharge have been installed.

Ma Steel (Hefei) was equipped with 11 sets of exhaust gas pollution prevention and control facilities and 4 sets of wastewater pollution prevention and control facilities, all of which were in synchronous operation with the main production line and were in good working condition. Among them, there was one set of online monitoring system at the wastewater discharge outlet, which mainly monitors COD, ammonia nitrogen, pH value and drainage flow.

Changjiang Steel was equipped with 80 sets of exhaust gas pollution prevention and control facilities and 13 sets of wastewater pollution prevention and control facilities, all of which were running in tandem with the main production line and were operating in good condition. Among them, 21 sets of online monitoring equipment for exhaust gas have been installed.

## Section V Environmental and Social Responsibility (Continued)

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

In 2022, the EIA of 12 projects, including the overhaul of B blast furnace, C sintering machine and R&D centre of the Company's head office, was approved smoothly. 11 projects, including the environmental upgrade of the acid regeneration and the transformation of the desilication system in the cold rolling mill, completed the EIA registration form for filing. The key projects, including the belt roasting machine, the new 1 and 2# coke ovens, the upgrading of water treatment at Nanzhashan and the South Area Silo, were successfully accepted.

In 2022, Changjiang Steel completed the EIA registration form for 19 projects, including the reconstruction project of the dust removal facilities of the No. 2 blast furnace cast iron field and the blast furnace hot blast furnace flue gas desulphurisation project.

The Group has applied for a total of four emission permits: Magang Stock, Changjiang Steel, Ma Steel (Hefei), Magang Rail Transportation Equipment, all of which have been completed in 2022. All legal entities have commenced self-monitoring and made public their monitoring status in accordance with the requirements of the emission permits, and filed quarterly and annual reports on the implementation of the emission permits.

### 4. *Prepared emergency response plans for environmental incidents*

In 2022, Maanshan Municipal Government activated a total of 2 emergency responses to heavy air pollution in autumn and winter. Strictly in accordance with Masteel's emergency control plan for heavy polluted weather, the Company adopted measures such as production reduction, production restriction and timely adjustment of inspection and repair plans during the emergency response period, achieving good emergency emission reduction results and receiving recognition from the government.

In order to standardize management, effectively respond to environmental emergencies in daily production and operation activities, ensure rapid, orderly and effective handling, and minimize or eliminate the damage caused by environmental pollution to the surrounding environment, personnel and property, the Company completed the revision and filing of the Emergency Response Plan for Environmental Emergencies of Maanshan Iron & Steel Company Limited, with the filing number 340500-2020-101-H. The emergency plan for environmental emergencies of Changjiang Steel was completed for filing in June 2022, with the filing number 340500-2022-073-H.

## Section V Environmental and Social Responsibility (Continued)

In order to ensure that the pollution sources can be effectively controlled in case of environmental events and minimize the impact on the environment, the Company's head office, Changjiang Steel and Ma Steel (Hefei) take the legal entity as the main body, strictly implement the relevant requirements for the filing management of the government's emergency plan for environmental emergencies, and carry out drills as planned according to their respective plans. Coal coking company of the Company's head office conducted an emergency drill for ammonia leakage, the Long Products Division conducted an emergency drill for hazardous waste accidents, and the cold rolling plant conducted an emergency drill for acid pipeline leakage; Magang Transportation Material conducted an emergency drill for waste developer leakage; Ma Steel (Hefei) conducted an emergency drill for a wire installation; and Changjiang Steel conducted six emergency drills, including an emergency drill for ammonia leakage from a sintering machine denitrification facility.

### 5. *Environmental self-monitoring programme*

In strict accordance with the "Measures for Self-monitoring and Information Disclosure by National Key Monitoring Enterprises (Trial)" (Huanfa [2013] No. 81), the National Technical Guidelines for Self-monitoring and the Technical Specifications for Application and Issuance of Emission Permits, the Company has conducted a comprehensive review of waste water, waste gas, noise, radiation, soil and groundwater points, and completed self-monitoring programmes for Magang Stock, Changjiang Steel, Ma Steel (Hefei), Magang Rail Transportation Equipment respectively. The Company's self-monitoring programme for the year 2022 was reported to the Eco-environmental Bureau of Maanshan City and Hefei City for the record according to their respective locations.

The monitoring is carried out in two ways: continuous automatic monitoring and manual monitoring, with all data stored for more than one year, and the results uploaded to the "Platform for Public Disclosure of Self-monitoring and Supervisory Supervision Information of Key Emission Units"; manual monitoring by qualified third-party monitoring agencies is commissioned, and the monitoring data is made public in real time.

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

During the Reporting Period, Magang Stock, Magang Rail Transportation Equipment, Changjiang Steel and Ma Steel (Hefei) were not subject to administrative penalties for environmental issues.

## Section V Environmental and Social Responsibility (Continued)

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

Applicable       Not Applicable

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

In 2022, the Company continued to implement ultra-low emission transformation projects and made every effort to build an environmental performance A-class enterprise. Magang Stock invested RMB1.12 billion to implement 17 ultra-low emission transformation projects. The Company compiled and issued the Action Plan for Creating an Environmental Performance A-class Enterprise of Maanshan Iron & Steel Company Limited and the Specific Implementation Plan for the 100-day Campaign of Creating an Environmental Performance A-class Enterprise of Masteel. To ensure the details and implementation of all work, the Company further strengthened the scheduling process, with the scheduling on a semi-monthly basis at the beginning of the year adjusted to a weekly basis and special docking for key units conducted from time to time, and carried out inspection, assistance and guidance to coordinate and solve the existing problems, so as to boost the rapid implementation of the projects.

In order to implement the requirements of the Yangtze River Protection Law, the Company formulated the Action Plan for the "Yangtze River Protection" in 2022, accelerated and increased investment in energy conservation and emission reduction, and implemented four zero discharge transformation projects such as advanced treatment and comprehensive utilization of wastewater in the northern area, standard raising and salt separation zero discharge of biochemical wastewater in the northern area and diversion of rainwater and sewage in the northern area. Through the implementation of rainwater and sewage diversion transformation and industrial wastewater advanced treatment projects, Masteel's industrial wastewater direct discharge outlets were reduced from 25 to 6, and industrial wastewater emissions were reduced by 26.3% in 2022, which comprehensively promoted the implementation of Yangtze River Protection to achieve the goal of essential environmental protection and green low-carbon development.

In 2022, Changjiang Steel implemented a series of ultra-low emission transformation projects, mainly including dust elimination transformation of sintering machine batching and screening area, dust elimination of pellet environment and dust elimination and expansion transformation of batching, dust elimination transformation of No. 3 blast furnace ore chute and iron discharge field, blast furnace hot blast stove flue gas desulphurisation project, steel rolling heating furnace flue gas desulphurisation project and ultra-low emission unorganized emission transformation project. At the same time, the requirements of the Plan for Yangtze River Protection of China Baowu were strictly implemented, and the rainwater and sewage diversion and water system upgrade and renovation project was carried out to achieve "zero discharge of waste water".

## Section V Environmental and Social Responsibility (Continued)

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

Whether carbon reduction measures are adopted	Yes
Reduction in CO2 equivalent emissions (Unit: tonne)	1,767,121
Types of carbon reduction measures (e.g. use of clean energy for power generation, use of carbon reduction technologies in the production process, research and development and production of new products that contribute to carbon reduction, etc.)	Use of clean energy such as solar and biomass for power generation, conducting green power transactions, research and development of low-carbon metallurgical technologies, research and development of new products that contribute to carbon reduction

In 2022, the Company continued to develop clean energy alternatives. In addition to expanding the total installed capacity of photovoltaic power generation to 50MW and increasing the annual photovoltaic power generation capacity to 35 million kWh, the Company started to use biomass to generate electricity. At the same time, the Company took the lead in green power trading, with a trading volume of 265 million kWh.

The Company continued to promote the research and development and application of carbon reduction technologies. The Company has developed low-carbon metallurgical technologies represented by carbon reduction through blast furnace lime blasting and multi-energy coupled carbon reduction in the sintering process, and is stockpiling negative carbon technologies represented by industrial application of biomass instead of coal. Among them, the research on carbon sequestration by steel slag mineralisation has already achieved milestones, and a batch of permeable bricks with carbon sequestration by steel slag mineralisation has been produced.

The Company has always been committed to the research and development and production of new products that contribute to carbon reduction, developing green products with high strength, high corrosion resistance and high energy efficiency from the perspective of reducing energy consumption and increasing product life, etc. In 2022, the Company released three products EPD carbon footprints for large H-beam, small H-beam and hot galvanised steel coil, promoting the application of carbon labelling.

## Section V Environmental and Social Responsibility (Continued)

### 2. SOCIAL RESPONSIBILITY WORK

- (I) Whether a separate social responsibility report, sustainability report or ESG report is disclosed

The Company has disclosed its 2022 Environmental, Social and Governance Report, which is available on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

- (II) Specific information on social responsibility work

External Donations, Community Projects	Number/Content	Description
Total investment (RMB 10-thousand)	226	Funds invested in targeted assistance, charitable donations and subsidies for the landless elderly
Of which: Funds (RMB10-thousand)	223	Funds spent on targeted assistance, charitable donations and subsidies for the landless elderly
Materials (RMB10-thousand)	3	Hefei Company donated materials to the Feidong County Geracomium
Number of beneficiaries (persons)	Over 20,000 persons	Targeted assistance benefited 11,132 people in two villages, and the donations from the city's "One Day Donation for Charity" were mainly used to help the needy, students and patients, benefiting tens of thousands of people.

## Section V Environmental and Social Responsibility (Continued)

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

Poverty alleviation and village revitalisation projects	Number/Content	Description
Total investment (RMB 10-thousand)	119	The Company invested RMB1,144,127 in industrial projects and infrastructure improvement projects in Funan Liji Village and Hanshan Longtai Village; Hefei company supported Longtai Village with RMB50,000 for the purchase of 75 solar-powered street lamps
Of which: Funds (RMB10-thousand)	119	
Number of beneficiaries (persons)	11,132	Household population of Funan Liji Village and Hanshan Longtai Village

The Company carried out various forms of assistance work, including:

- Party building leadership: The Company has been fully utilizing the role of party building leadership, organizing grassroots party branches of relevant units and designated party branches of assisted villages to sign agreements for joint creation and development(聯創聯建協議), holding themed party day activities, introducing medical institutions to provide health checkups in the village, and donating supplies to Niuluohe Primary School in Jiangcheng.
- Industry assistance: Based on past investment returns, the Company supported the Liji village with RMB400,000 for the Liji village nursery base industry participation dividend project to expand the mature nursery industry. The Company has also supported the Longtai village with RMB300,000 to participate in the construction of standardized factory buildings for rental projects in the southern expansion of Hanshan Economic Development Zone, strengthening the collective economy of the village. The total investment of these two projects is RMB700,000 in free assistance funds. The Company is also helping to sell Liji village's nursery plants, amounting to around RMB350,000, for the Company's greening construction needs.

## Section V Environmental and Social Responsibility (Continued)

- Introduction of assistance funds and projects: The Company introduced RMB300,000 in free assistance funds to Jiangcheng County in Yunnan, investing in the purchase of recording studio equipment for the county's national cultural work team. The Company also attracted Jiangcheng Baoliang Agriculture Development Co., Ltd. and Jiangcheng Pu Shunliang Zhenwei Processing Plant to settle in Jiangcheng, investing RMB1.521 million and RMB1.56 million respectively, to initiate the construction of the high-quality grain processing plant project Bantangzhen and the green organic tea production and processing in Banhe Village, Baozang Town project.
- Education assistance: In response to the talent and skill training needs of the Longtai and Liji villages, the Company has been hosting online training for rural revitalization assistance work, promoting General Secretary Xi Jinping's important discourse on implementing the strategy of rural revitalization, and conducting special training on rural market marketing and e-commerce, elderly health and first aid measures. A total of 137 people from Masteel and the two villages participated.
- Employment assistance: Two graduates of 2022 from assisted areas were allocated to Masteel cold rolling plant and Special Steel Company for employment, and two 2020 students from Hanshan were pre-accepted by Special Steel Company.
- Infrastructure improvement: The Company invested nearly RMB450,000 in special funds to implement the Liji village lighting and upgrading project and the construction project of group III production road, as well as the Zhanglin Road environmental improvement project from Zhangtuan Railway Bridge to Pengzhuang in Longtai village. The Hefei company has been also supporting Longtai village with RMB50,000 to purchase 75 solar street lights.
- consumer assistance: throughout the year, the Company purchased and sold more than RMB10.66 million of agricultural and sideline products from Jiangcheng, Ning'er, Hanshan and Funan.

# Section VI Significant Events

## 1. PERFORMANCE OF UNDERTAKINGS

- (1) Undertakings made by actual holder, shareholders, related parties, acquirers and the company during the Reporting Period or subsisting to the Reporting Period

During the period when applying to CSRC for redemption for cash offer acquisition of the A shares of the Company in 2019, and the following 3 commitments were made:

1. to avoid horizontal competition, China Baowu issued the “Commitment Letter on Avoiding Horizontal Competition”;
2. to regulate and reduce the related party transactions between China Baowu and the Company, China Baowu issued the “Commitment Letter on Regulating and Reducing Related Party Transactions”;
3. to keep the independence of the Company, China Baowu issued the “Commitment Letter on Ensuring the Independence of Listed Companies”.

For details of such commitments, please refer to the Company's 2019 and 2020 annual reports published on the website of the Shanghai Stock Exchange or the feedback reply of China Baowu on the “Notice regarding China Securities Regulatory Commission’s First Feedback on the Review of Administrative Permission Items”. During the Reporting Period, China Baowu didn’t violate the commitments.

## 2. APPROPRIATION OF FUND ON A NON-OPERATING BASIS BY THE CONTROLLING SHAREHOLDER OR ITS RELATED PARTIES DURING THE REPORTING PERIOD

Applicable  Not Applicable

## 3. VIOLATION OF GUARANTEE DURING THE REPORTING PERIOD

Applicable  Not Applicable

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

Applicable  Not Applicable

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

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

On 31 December 2021, the Ministry of Finance issued the Notice on Issuing Interpretation No. 15 of Accounting Standards for Business Enterprises (Cai Kuai [2021] No. 35) (《關於印發〈企業會計準則解釋第15號〉的通知》(財會〔2021〕35號)) (hereinafter referred to as "Interpretation No. 15"), which prescribed the accounting treatment for fixed assets before they are brought to their intended useable condition or products produced in the R&D process or external sales of by-products, the presentation of centralised fund management and the determination of loss contracts.

In accordance with the requirements of Interpretation No. 15 and taking into account the actual situation of the Company, the content of the accounting treatment for fixed assets before they are brought to their intended useable condition or products produced in the R&D process or external sales of by-products shall be implemented from 1 January 2022.

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

The changes in accounting policies are reasonable changes made by the Company in accordance with the relevant provisions of Interpretation No. 15 issued by the Ministry of Finance, which 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 is 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.

## Section VI Significant Events (Continued)

### 6. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

Unit: ten thousand RMB

Currently employed	
Name of domestic accounting firm	Ernst & Young Hua Ming LLP
Remuneration of domestic accounting firms	366 (Including internal control audit fees and mid-term implementation of agreed procedures)
Audit period of domestic accounting firm	29
Name of certified public accountant of domestic accounting firm	Guo Jing, Gong Wei
Continued term of service of certified public accountants of the domestic accounting firm	Guo Jing, 3 years; Gong Wei, 4 years

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

In view of Ernst & Young Hua Ming's continuous understanding of the Company, diligence and continuous improvement, the Audit Committee of the Board of Directors recommended the renewal of its appointment as the Company's auditor for the year 2022. The appointment was approved by the Board of Directors and subsequently approved at the Company's 2021 Annual General Meeting on 23 June 2022.

### 7. THERE WAS NO RISK OF DELISTING DURING THE REPORTING PERIOD.

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

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

### 10. NO PUNISHMENT OR RECTIFICATION ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, ACTUAL HOLDER AND ACQUIRERS WAS MADE DURING THE REPORTING PERIOD.

## Section VI Significant Events (Continued)

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

Applicable  Not Applicable

### 12. SUBSTANTIAL RELATED PARTY TRANSACTIONS

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

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

The transactions between the Group and China Baowu were carried out in the daily course of business and were settled in cash or notes. The details of which are as follows:

- (1) The continuing related party transactions under the 2022–2024 “Sale and Purchase of Product Agreement” between the Company and China Baowu

In 2021, the Company and China Baowu signed the 2022–2024 “Sale and Purchase of Product Agreement”, as approved at the shareholders’ general meeting. During the Reporting Period, the amount of related party transactions under the Agreement was as follows:

*Unit: million RMB*

	Amount	Proportion of transaction of the same category (%)
Sales of products to China Baowu	6,412	6.30
Purchasing products from China Baowu	29,104	34.16
Total	35,516	/

The prices of ores, scrap, spare parts and other products the Group purchases from China Baowu every year are negotiated between the parties on arm’s length by referring to comparable market prices and determined as per general terms and conditions during the term of the contract.

## Section VI Significant Events (Continued)

All Directors of the Board who are not associated with China Baowu (including Independent Non-executive Directors) considered that those transactions were carried out in the daily course of business under normal commercial terms and in accordance with the terms of “Sale and Purchase of Product Agreement”. The terms were fair and were in the best interest of the shareholders of the Company as a whole. During the Reporting Period, the amount of such transaction was under the 2022 annual cap of RMB53,311 million specified in the “Sale and Purchase of Product Agreement”.

- (2) The continuing related party transactions under the 2022–2024 “Acceptance and Provision of Services Agreement” between the Company and China Baowu

In 2021, the Company and China Baowu signed the 2022–2024 “Acceptance and Provision of Services Agreement”, as approved at the shareholders’ general meeting. During the Reporting Period, the amount of related party transactions under the Agreement was as follows:

*Unit: million RMB*

	Amount	Proportion of transaction of the same category (%)
Provision of services to China Baowu	49	41.75
Receiving services from China Baowu	7,424	45.45
Total	7,463	/

The price the Group receives annually from China Baowu for the provision of infrastructure technology moderation and environmental protection engineering and other services, and the price for the provision of services including steel billets processing, metering, inspection, railway transport and others are negotiated between the parties on arm’s length by referring to comparable market prices and determined as per general terms and conditions during the term of agreement.

All Directors of the Board who are not associated with China Baowu (including Independent Non-executive Directors) considered that those transactions were carried out in the daily course of business under normal commercial terms and in accordance with the terms of “Acceptance and Provision of Services Agreement”. The terms were fair and were in the best interest of the shareholders of the Company as a whole. During the Reporting Period, the amount of such transaction was under the 2022 annual cap of RMB11,967 million specified in the “Acceptance and Provision of Services Agreement”.

## Section VI Significant Events (Continued)

- (3) The continuing related party transactions under the 2022–2024 “Financial Services Agreement” between Masteel Finance and the Holding

In 2021, Masteel Finance and the Holding signed the 2022–2024 “Financial Service Agreement”, as approved at the shareholders’ general meeting. During the Reporting Period, the transaction amount under the agreement was as follows:

*Unit: million RMB*

Business Nature	Amount of		Interest income/expenses
	loan or deposit		
Deposit	Maximum daily deposit	10,349	Interest expenses
	Monthly average maximum daily deposit	9,513	
Loan	Maximum daily loan	4,303	Interest income
	Monthly average maximum daily loan	3,905	
Other income	Net income from handling fee and commission		0.83
	Income from discount interest		37

When Masteel Finance provides the deposit service to the Holding and its subsidiaries, the deposit interest rate shall be determined with reference to the benchmark interest rate and floating range stipulated by the People’s Bank of China under the market-based principle, and not be higher than the interest rate offered by other independent commercial banks in China to the Holding and its affiliates for the same type of deposit in the same period. When Masteel Finance provides loan services to the Holding and its affiliates, the loan interest rate shall be determined with reference to the benchmark interest rate stipulated by the People’s Bank of China under the market-based principle, and not be less than the interest rate charged by other independent commercial banks in China to the Holding and its affiliates for the same type of loan interest in the same period. When Masteel Finance provides other financial services to the Holding and its affiliates, the fees shall not be less than the fees charged by other independent commercial banks in China for providing the Holding and its affiliates with other financial services of the same type in the same period, in accordance with the market-based principle.

## Section VI Significant Events (Continued)

All Directors of the Board (including Independent Non-executive Directors) who are not associated with the Holding considered that those transactions were set and conducted in daily course of business under normal commercial terms and in accordance with the terms of “Financial Services Agreement”. The terms were fair and were in the best interest of the shareholders of the Company as a whole. During the Reporting Period, such transactions were carried out according to the terms for the “Financial Services Agreement” and their transaction amount was under the annual cap of 2022 for that agreement, amounted to the maximum daily loan that did not exceed the daily cap of RMB4,900 million, while interests, handling and service fees were less than RMB250 million.

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

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

Summary of matter	Index of documents
Capital reduction and restructuring of Magang Chemical	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-31/600808_20220331_10_lbdrEd4J.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-03-31/600808_20220331_10_lbdrEd4J.pdf</a>
Transfer of 550,000 tonnes of ironmaking capacity from Changjiang Steel to Baogang Zhanjiang Iron and Steel Company, and purchase of 280,000 tonnes of steelmaking capacity by the Company from Baosteel Special Steel Co., Ltd.	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-08/600808_20220608_5_Gm54WZJy.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-06-08/600808_20220608_5_Gm54WZJy.pdf</a>
Transfer of 9.88% equity interests in Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd. to the Holding	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-07-22/600808_20220722_2_e8QtsGrv.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-07-22/600808_20220722_2_e8QtsGrv.pdf</a>

## Section VI Significant Events (Continued)

Summary of matter	Index of documents
Transfer of 75% equity interests in Ma Steel (Jinhua) Processing and Distribution Co., Ltd. and 75% equity interests in Ma Steel (Guangzhou) Processing and Distribution Co., Ltd. to the Holding	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-16/600808_20221116_HGG5.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-16/600808_20221116_HGG5.pdf</a>
Absorption and merger of Magang Group Finance Company Limited by Baowu Group Finance Co., Ltd.	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-16/600808_20221116_7008.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-16/600808_20221116_7008.pdf</a>
Transfer of 71% equity interests in Holly Industrial Co., Ltd. to the Holding	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-06/600808_20221206_EYXN.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-06/600808_20221206_EYXN.pdf</a>
Transfer of 16.14% equity interests in Ouyeel Commercial Factoring Co., Ltd. to Shanghai Ouyeel Financial Information Service Co., Ltd., a subsidiary of China Baowu	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-02-10/600808_20230210_RWIC.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-02-10/600808_20230210_RWIC.pdf</a>
Transfer of assets related to the Company's lime business to Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited, a subsidiary of China Baowu	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-02-10/600808_20230210_ZO9G.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-02-10/600808_20230210_ZO9G.pdf</a>

## Section VI Significant Events (Continued)

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

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

Summary of matter	Index of documents
Transfer of 3.11% equity interests in Huabao Duding (Shanghai) Finance Leasing Co., Ltd. by Ma Steel (Hong Kong) to Huabao Investment Co., Ltd., a holding subsidiary of China Baowu	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-10-29/600808_20221029_4_IYeL7mDf.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-10-29/600808_20221029_4_IYeL7mDf.pdf</a>
Waiver of the capital injection in Baowu Water Technology Co.,Ltd.	<a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-30/600808_20221230_C738.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-30/600808_20221230_C738.pdf</a>

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

#### 1. Deposits business

Unit: 100 million RMB

Related party	Connection	Daily maximum deposit limit	Interest rate range of deposits	Balance at the beginning of the period	Amount for the period		Balance at the end of the period
					Total amount deposited during the period	Total amount withdrawn during the period	
Maanshan Iron and Steel Group and its subsidiaries	Financial business between the Company's holding financial company and its related parties	Nil	0.42%-2.18%	66.52	1,969.99	1,957.43	79.08
Total	/	/	/	66.52	1,969.99	1,957.43	79.08

## Section VI Significant Events (Continued)

### 2. Loans business

Unit: 100 million RMB

Related party	Connection	Amount for loan	Interest rate range of Loans	Balance at the beginning of the period	Amount for the period		Total amount repaid during the period
					Balance at the end of the period	Total loan amount for the period	
Maanshan Iron and Steel Group and its subsidiaries	Financial business between the Company's holding financial company and its related parties	49	2.58%-4.6%	10.51	31.76	28.41	13.86
Total	/	/	/	10.51	31.76	28.41	13.86

### 3. Credit business or other financial business

Unit: 100 million RMB

Related party	Connection	Business types	Total	Actual amount
Maanshan Iron and Steel Group and its subsidiaries	Financial business between the Company's holding financial company and its related parties	Charge for financial services	0.82	0.82

## Section VI Significant Events (Continued)

### 13. MATERIAL CONTRACTS AND EXECUTION THEREOF

- (1) During the Reporting Period, there was no substantial entrustment, contracting and leasing made by the Company.
- (2) Major guarantees

Unit: 100 million RMB

#### Guarantees Offered by the Company (excluding guarantees offered to subsidiaries)

Total amount guarantees incurred in the Reporting Period (excluding guarantees offered to subsidiaries)	–
Total ending balance of guarantees (excluding guarantees offered to subsidiaries) (A)	–
Guarantees Offered to Subsidiaries	
Total amount of guarantees newly offered to subsidiaries during the Reporting Period	–
Total ending balance of guarantees offered to subsidiaries (B)	31.5
Total Amount of Guarantees Offered by the Company (including guarantees offered to subsidiaries)	
Total amount of guarantees (A+B)	31.5
Total amount of guarantees as a percentage of net assets of the Company (%)	12.7
of which:	
Amount of guarantees offered to shareholders, actual holder and their related parties (C)	–
Amount of debt guarantees offered to those with asset-liability ratio exceeding 70%, directly or indirectly (D)	–
The portion of total guarantees in excess of 50% of net assets (E)	–
Total amount of the above three types of guarantees (C+D+E)	31.5

Explanation on guarantees      At the end of the Reporting Period, the Company provided Ma Steel (Hong Kong) with a guarantee for banking facilities of RMB3 billion for its trade financing, and the actual amount was nil; Changjiang Steel provided its wholly-owned subsidiaries with a guarantee cap of RMB150 million, and the actual amount was nil.

- (3) During the reporting period, no entrusted cash asset management was made by the Company.

# Section VII Movements in Share Capital and Shareholders

## 1. SHARE CAPITAL MOVEMENTS

### (1) Table on share movements

#### 1. table on share movements

Unit: Share

	Before the change		Increase/(decrease) during the year					After the change		
	Number of shares	Percentage (%)	New shares issued	Shares converted	Bonus shares	from surplus reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares with selling restriction	100	0.0000013	75,050,000	-	-	-	-100	75,049,900	75,050,000	0.97
1. State-owned shares	-	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-	-
3. Other domestically owned shares	100	0.0000013	75,050,000	-	-	-	-100	75,049,900	75,050,000	0.97
Including: Domestic non-state-owned legal person shares	-	-	-	-	-	-	-	-	-	-
Shares owned by domestic natural persons	100	0.0000013	75,050,000	-	-	-	-100	75,049,900	75,050,000	0.97
4. Foreign shareholding	-	-	-	-	-	-	-	-	-	-
Including: Overseas legal person shares	-	-	-	-	-	-	-	-	-	-
Overseas natural person shares	-	-	-	-	-	-	-	-	-	-
II. Shares without selling restriction	7,700,681,086	99.9999987	-	-	-	-	100	100	7,700,681,186	99.03
1. RMB ordinary shares	5,967,751,086	77.4999987	-	-	-	-	100	100	5,967,751,186	76.75
2. Foreign shares listed domestically	-	-	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	1,732,930,000	22.5	-	-	-	-	-	-	1,732,930,000	22.29
4. Other shares	-	-	-	-	-	-	-	-	-	-
III. Total	7,700,681,186	100	75,050,000	-	-	-	-	75,050,000	7,775,731,186	100

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

### 2. Description of securities issuance and share changes

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

### 3. Impacts of changes in shares on the financial indicators of earnings per share, net assets per share for the most recent year and the most recent period (if any)

Applicable  Not Applicable

#### (2) Changes in restricted shares

Unit: '0,000 shares

Name of shareholders	No. of Restricted Shares at the beginning of the year	No. of shares unlocked during the year	No. of new Restricted Shares during the year	No. of Restricted Shares at the end of the year	Reason for selling restriction	Unlocking date
Equity incentive participants	-	-	7,505	7,505	Equity incentive	Note
Total	-	-	7,505	7,505	/	/

Note: According to the Incentive Scheme, if the conditions for unlocking restricted shares are met, the restricted shares will be unlocked in three batches, and the lock-up periods for each batch are 24 months, 36 months and 48 months from 10 May 2022, respectively.

## 2. ISSUANCE AND LISTING OF SECURITIES

### (1) Changes in the total number of shares and shareholders structure of the Company and changes in the Company's assets and liabilities structure

During the Reporting Period, the Company issued 75.05 million restricted A Shares, representing 0.97% of the original number of shares, as a result of the implementation of the Share Incentive Scheme, which had no significant impact on the assets and liabilities structure of the Company. Details of the total number of shares and changes in the shareholders structure of the Company are set out in "(I) Table on share movements" in this section.

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

### 3. SHAREHOLDERS AND ACTUAL HOLDERS

#### (1) Total shareholders

Numbers of Shareholders as end of the Reporting Period (unit)	165,408
Numbers of Shareholders as end of last month prior to the report date (unit)	161,250

#### (2) Shareholding of the top ten shareholders and the top ten tradable shareholders (or shareholders without selling restrictions) at the end of the Reporting Period

Unit: Share

Shareholding of the top ten shareholders							
Name of Shareholder (Full Name)	Increase/Decrease within the Reporting Period	No. of Shares at the End of Period	Percentage (%)	No. of Shares under Restricted Condition for Sales	Pledged or Frozen Situations		Shareholder Nature
					Share Status	Number	
Magang (Group) Holding Co., Limited	-	3,506,467,456	45.10	-	Nil	-	State-owned shareholder
Hong Kong Securities Clearing Company (Nominees) Limited	-1,684,030	1,716,644,520	22.08	-	Unknown	Unknown	Unknown
Magang Group Investment Ltd.	-	158,282,159	2.04	-	Nil	-	State-owned shareholder
Central Huijin Investment Ltd.	-	139,172,300	1.79	-	Unknown	Unknown	State-owned shareholder
Hong Kong Securities Clearing Company Limited	-58,167,886	119,307,546	1.53	-	Unknown	Unknown	Unknown
China Merchants Bank Co., Ltd. – SSE dividend trading open-ended index securities investment fund	Unknown	93,493,727	1.20	-	Unknown	Unknown	Unknown
China Life Pension Strategy No. 4 Equity Pension Product – Industrial and Commercial Bank of China Limited	Unknown	34,531,120	0.44	-	Unknown	Unknown	Unknown
Beijing Guoxing Real Estate Management Co., Ltd.	12,395,793	32,463,300	0.42	-	Unknown	Unknown	Unknown
Zhang Wu	3,300,000	26,300,000	0.34	-	Unknown	Unknown	Unknown
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund	Unknown	20,776,496	0.27	-	Unknown	Unknown	Unknown

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

Top Ten Shareholders with unrestricted selling condition			
Name of Shareholder	The number of unrestricted Outstanding shares held	Type and Quantity of Shares	
		Type	Quantity
Magang (Group) Holding Co., Limited	3,506,467,456	Ordinary shares in RMB	3,506,467,456
Hong Kong Securities Clearing Company (Nominees) Limited	1,716,644,520	Overseas listed shares	1,716,644,520
Magang Group Investment Ltd.	158,282,159	Ordinary shares in RMB	158,282,159
Central Huijin Investment Ltd.	139,172,300	Ordinary shares in RMB	139,172,300
Hong Kong Securities Clearing Company Limited	119,307,546	Ordinary shares in RMB	119,307,546
China Merchants Bank Co., Ltd. – SSE dividend trading open-ended index securities investment fund	93,493,727	Ordinary shares in RMB	93,493,727
China Life Pension Strategy No. 4 Equity Pension Product – Industrial and Commercial Bank of China Limited	34,531,120	Ordinary shares in RMB	34,531,120
Beijing Guoxing Real Estate Management Co., Ltd.	32,463,300	Ordinary shares in RMB	32,463,300
Zhang Wu	26,300,000	Ordinary shares in RMB	26,300,000
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund	20,776,496	Ordinary shares in RMB	20,776,496

Notes on the above shareholders' affiliated relation or concerted action

At the end of the Reporting Period, the controlling shareholder of Magang Group Investment Ltd. is Magang (Group) Holding Co., Limited, hence they are persons acting in concerted action. In addition, Magang (Group) Holding Company Limited has no affiliated relation with any of the other foregoing shareholders, nor is a person acting in concerted action; however, it is not in the knowledge of the Company whether there is any affiliated relation among other foregoing shareholders and whether they are persons acting in concerted action.

*Note:* At the end of the Reporting Period, Hong Kong Securities Clearing Company (Nominees) Ltd. held 1,716,644,520 H shares of the Company on behalf of its clients, among which, 358,950,000 shares are held on behalf of Baosteel Hong Kong Investment Company Limited.

During the Reporting Period, no shares held by the Magang (Group) Holding Company Limited, Magang Group Investment Ltd. and Baosteel Investment were pledged, frozen or hosted. However, the Company was unaware whether shares held by other shareholders who have 5% and above of the total were pledged, frozen or hosted.

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

Shareholding of the top ten shareholders with selling restrictions and the selling restrictions:

*Unit: 0'000 shares*

Serial number	Name of shareholders with selling restrictions	No. of shares with selling restrictions held	Shares with selling restrictions available for trading and selling restrictions
1	Ding Yi	85	These persons are all incentive participants under the Company's 2021 Restricted A Share Incentive Scheme and the availability for trading and selling restrictions are set out in the Company's announcement <a href="http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-05-11/600808_20220511_1_z2lpjPUU.pdf">http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-05-11/600808_20220511_1_z2lpjPUU.pdf</a> .
2	Liu Guowang	85	
3	Mao Zhanhong	60	
4	Tang Qiming	60	
5	Ren Tianbao	60	
6	Fu Ming	60	
7	Zhang Maohan	60	
8	Wang Guangya	45	
9	Deng Songgao	45	
10	Luo Wulong	45	
11	Yang Xingliang	45	

Notes on the above shareholders' affiliated relation or concerted action

The above shareholders are all incentive participants of the Company's 2021 Restricted A Share Incentive Scheme.

*Note:* Mr. Liu Guowang is no longer eligible for the Incentive Scheme due to job transfer and the Company intends to repurchase and cancel 850,000 restricted shares granted to him but not yet unlocked, please refer to the Company's announcement for details [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-06/600808\\_20221206\\_KCRX.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-06/600808_20221206_KCRX.pdf).

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

### (3) Interests or short positions recorded according to the Securities and Futures Ordinance

As of 31 December 2022, the Company was aware of below interests or short positions recorded according to the Securities and Futures Ordinance.

Name of Shareholder	Identity held or deemed to be interested	Number of shares held or deemed to be in equity of the Company's issued H shares (shares)	Approximate percentage of the Company's issued H shares (%)
Baosteel Hong Kong Investment Company Limited	Beneficial holder	358,950,000 (Long position)	20.71

As at 31 December 2022, for details of changes in shareholdings of directors, supervisors and senior executives of the Company, please refer to "(1) Changes in shareholdings of current and outgoing directors, supervisors and senior executives in the Reporting Period" in "3. Information on Directors, Supervisors and Senior Executives" in this section. Except for that, none of the directors, supervisors, or senior management had any interests or short positions in the share capital or relevant share capital and bonds of the Company or any of its associated corporations (definition refers to the Securities and Futures Ordinance).

Save as disclosed above, as at 31 December 2022, the Company was no aware of any interests or short positions recorded according to the Securities and Future Ordinance.

### (4) During the Reporting Period, no strategic investors or general legal persons became the top ten shareholders of the Company due to the placement of new shares.

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

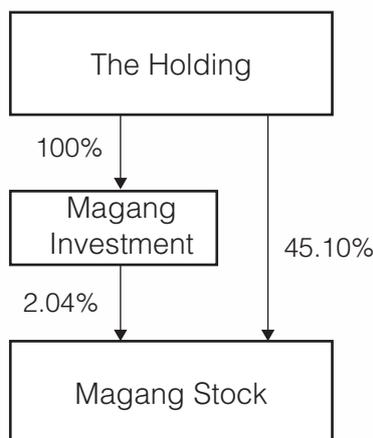
### 4. SUBSTANTIAL SHAREHOLDERS AND ACTUAL HOLDER

#### (1) Controlling shareholders

##### 1. Legal person

Name	Magang (Group) Holding Co., Limited
Head of unit or legal representative	Ding Yi
Date of Incorporation	1 September 1993
Major business operations	Mining and sorting of mineral products; construction, construction materials, machine manufacturing, maintenance and design; external trading; domestic trading; distribution and storage of materials; property management; consulting service; rental services; agriculture and forestry.
Equity in other domestic and overseas listed companies controlled or partially owned during the Reporting Period	At the end of the Reporting Period, in addition to the Company's stock, Magang (Group) Holding Company Limited also held 0.77% of Baoxin Sight, 0.01% of Huishang Bank. During the Reporting Period, the substantial shareholders did not control or partially own any other domestic and overseas listed Company.

##### 2. Block diagram of property rights and controlling relationships between the Company and controlling shareholders



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

### (2) Actual holder

#### 1. Legal person

Name the Company is the SASAC of the State Council

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

Name China Baowu Steel Group Corporation Limited

Head of unit or legal representative Chen Derong

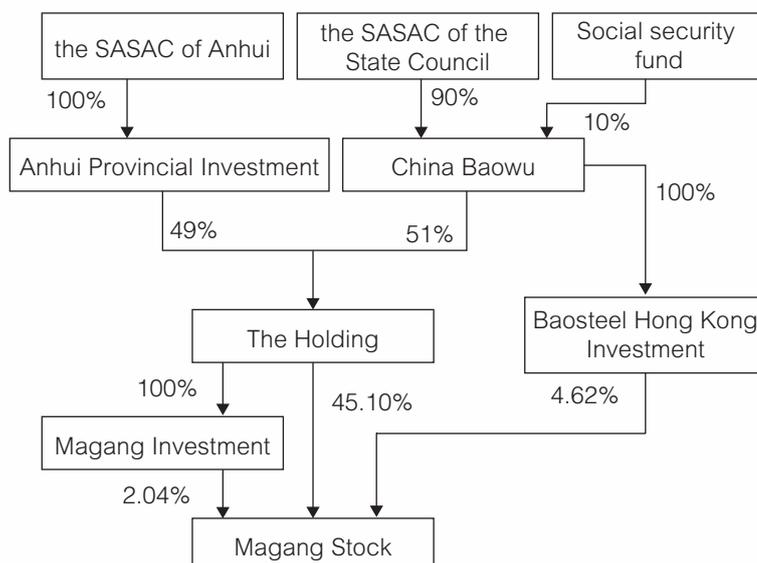
Date of Incorporation 1 January 1992

Major business operations Operation of state-owned assets within the range authorized by the State Council; operation and investment of state-owned capital

Equity in other domestic and overseas listed companies controlled or partially owned during the Reporting Period As of the end of 2022, the listed companies with over 5% shares being held by China Baowu directly or indirectly were as follows: Baoshan Iron & Steel Co., Ltd. (62.30%), Shanghai Baoxin Sight Co., Ltd. (50.50%), Xinjiang Bayi Iron and Steel Co., Ltd. (49.35%), Guangdong Zhongnan Iron & Steel Co., Ltd. (52.95%), Shanghai Baosteel Packaging Co., Ltd. (60.52%), Shanxi Taigang Stainless Steel Co., Ltd. (62.92%), Tibet Mining Development Co., Ltd. (20.86%), Xinyu Iron & Steel Co Ltd. (44.81%) Daming International Holdings Limited (16.28%), Beijing Shougang Co., Ltd. (10.15%), China Pacific Insurance (Group) Co., Ltd. (14.06%), Nanjing Yunhai Special Metal Co., Ltd. (14.00%), New China Life Insurance Co., Ltd. (13.05%), Shanxi Securities Co., Ltd. (10.23%) and Shanghai Rural Commercial Bank Co.,Ltd (8.29%).

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

2 *Block diagram of property rights and control relationships between the Company and actual holders*



### 5. THE CUMULATIVE NUMBER OF PLEDGED SHARES OF THE CONTROLLING SHAREHOLDERS OR THE LARGEST SHAREHOLDER OF THE COMPANY AND THE PERSON ACTING IN CONCERT WITH THEM ACCOUNTS FOR MORE THAN 80% OF THE SHARES OF THE COMPANY HELD BY THEM

Applicable       Not Applicable

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

### 6. EXPLANATION OF RESTRICTIONS ON REDUCTION OF HOLDING OF SHARES

Applicable       Not Applicable

### 7. IMPLEMENTATION OF THE SHARE REPURCHASE DURING THE REPORTING PERIOD

On 5 December 2022, the Resolution in relation to Repurchase and Cancellation of Certain Restricted Shares was considered and approved at the second meeting of the tenth session of the Board of Directors and the second meeting of the tenth session of the Board of Supervisors of the Company, agreeing six incentive participants to withdraw from the Company's 2021 Restricted A Share Incentive Scheme for their respective reasons and the Company intended to repurchase and cancel a total of 1,864,000 Restricted Shares held by them which had been granted but not yet unlocked. The independent Directors of the Company have expressed their independent opinion in this regard. The resolution was approved by the Company at the 2022 Third Extraordinary General Meeting, the 2022 Second Class Meeting of the Holders of A Shares and the 2022 Second Class Meeting of the Holders of H Shares on 29 December 2022. The cancellation of the relevant shares was completed on 9 March 2023 as detailed in: [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-07/600808\\_20230307\\_FHM0.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-07/600808_20230307_FHM0.pdf).

# Section VIII Independent Auditor's Report

Ernst & Young Hua Ming (2023) Shen Zi No. 60438514\_L01  
Maanshan Iron & Steel Company Limited

To the shareholders of Maanshan Iron & Steel Company Limited

## 1. OPINION

We have audited the financial statements of Maanshan Iron & Steel Company Limited, which are comprised of the consolidated and company statements of financial position as of 31 December 2022, and the consolidated and company income statements, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of Maanshan Iron & Steel Company Limited present fairly, in all material respects, the consolidated and company financial position of Maanshan Iron & Steel Company Limited as of 31 December 2022 and their financial performance and cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

## 2. BASIS FOR OPINION

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

## 3. KEY AUDIT MATTERS

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

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

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

### 3. KEY AUDIT MATTERS (CONTINUED)

#### Key audit matter

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

##### *Impairment of inventories*

As of 31 December 2022, inventories amounted to RMB11,036,249,667 with an impairment of RMB791,707,933 in the consolidated financial statements. Management performed impairment testing of inventories and if the cost is in excess of the net realisable value, impairment of inventories is recognised. Net realisable value is determined based on the estimated selling price on normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. During the process, management needs to make significant judgement and estimation regarding the future selling price, production costs, selling expenses, related taxes and etc.

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

The disclosures related to the net realisable value of inventories of Maanshan Iron & Steel Company Limited are disclosed in Notes III.10, III. 34 and V.8 to the financial statements.

### 4. OTHER INFORMATION

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

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

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

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

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

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

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

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

### **6. AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

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

### 6. AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

### 6. AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

**Ernst & Young Hua Ming LLP**

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

**Gong Wei**  
Chinese Certified Public Accountant

Beijing, the People's Republic of China

30 March 2023

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

Renminbi Yuan

ASSETS	Note V	31 December 2022	31 December 2021
<b>CURRENT ASSETS</b>			
Cash and bank balances	1	<b>6,534,701,307</b>	6,667,853,614
Financial assets held for trading	2	<b>625,997,138</b>	5,732,467,255
Notes receivables	3	<b>1,933,419,913</b>	466,956,969
Trade receivables	4	<b>1,376,878,400</b>	1,107,071,353
Financing receivables	5	<b>2,659,676,438</b>	4,795,905,782
Prepayments	6	<b>523,771,038</b>	1,534,440,838
Other receivables	7	<b>330,510,759</b>	310,005,481
Inventories	8	<b>10,244,541,734</b>	12,463,004,529
Financial assets purchased under agreements to resell	9	<b>2,680,209,514</b>	784,602,397
Loans and advances to customers	10	<b>2,644,197,648</b>	4,726,693,965
Other current assets	11	<b>9,763,174,357</b>	4,669,834,825
<b>Total current assets</b>		<b>39,317,078,246</b>	43,258,837,008
<b>NON-CURRENT ASSETS</b>			
Long-term receivables	12	<b>4,136,391</b>	11,142,621
Long-term equity investments	13	<b>4,449,421,983</b>	5,158,883,895
Other equity instrument investments	14	<b>541,406,510</b>	641,943,339
Investment properties	15	<b>57,207,919</b>	60,811,604
Property, plant and equipment	16	<b>42,432,233,911</b>	28,605,250,896
Construction in progress	17	<b>7,766,555,935</b>	10,999,333,300
Right-of-use assets	18	<b>289,244,099</b>	568,919,288
Intangible assets	19	<b>1,875,095,733</b>	1,727,329,824
Deferred tax assets	20	<b>150,908,792</b>	171,800,693
Other non-current assets		<b>4,020,703</b>	3,490,550
<b>Total non-current assets</b>		<b>57,570,231,976</b>	47,948,906,010
<b>TOTAL ASSETS</b>		<b>96,887,310,222</b>	91,207,743,018

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2022

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2022	31 December 2021
<b>CURRENT LIABILITIES</b>			
Customer deposits	21	<b>9,082,110,579</b>	9,253,057,291
Repurchase agreements	22	<b>659,635,255</b>	925,465,952
Short-term loans	23	<b>9,198,483,165</b>	8,952,209,045
Financial liabilities held for trading	24	–	31,663,498
Notes payable	25	<b>5,220,978,025</b>	3,953,458,712
Trade payables	26	<b>17,224,018,731</b>	10,437,709,731
Contract liabilities	27	<b>4,987,638,416</b>	5,741,241,284
Payroll and employee benefits payable	28	<b>488,255,914</b>	349,524,741
Taxes payable	29	<b>639,849,357</b>	1,073,613,979
Other payables	30	<b>3,917,090,333</b>	3,954,899,554
Non-current liabilities due within one year	31	<b>2,059,412,922</b>	1,358,293,333
Accrued liabilities	32	<b>25,699,276</b>	37,618,128
Other current liabilities	33	<b>648,392,994</b>	746,361,366
<b>Total current liabilities</b>		<b>54,151,564,967</b>	46,815,116,614
<b>NON-CURRENT LIABILITIES</b>			
Long-term loans	34	<b>7,982,390,765</b>	5,452,250,052
Lease liabilities	35	<b>305,546,394</b>	571,979,597
Long-term payable	36	<b>168,053,940</b>	–
Long-term employee benefits payable	37	<b>16,423,474</b>	28,537,508
Deferred revenue	38	<b>933,916,449</b>	911,424,466
Deferred tax liabilities	20	<b>3,397,498</b>	17,251,303
<b>Total non-current liabilities</b>		<b>9,409,728,520</b>	6,981,442,926
<b>TOTAL LIABILITIES</b>		<b>63,561,293,487</b>	53,796,559,540

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2022

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)	Note V	31 December 2022	31 December 2021
SHAREHOLDERS' EQUITY			
Share capital	39	<b>7,775,731,186</b>	7,700,681,186
Capital reserve	40	<b>8,442,757,852</b>	8,344,594,034
Less: Treasury shares	41	<b>171,864,500</b>	–
Other comprehensive income	42	<b>(30,006,411)</b>	12,271,369
Special reserve	43	<b>107,567,088</b>	45,427,634
Surplus reserve	44	<b>4,720,262,452</b>	4,688,014,995
General reserve	45	<b>271,501,110</b>	300,334,506
Retained earnings	46	<b>8,078,876,545</b>	11,661,535,210
Equity attributable to owners of the parent		<b>29,194,825,322</b>	32,752,858,934
Non-controlling interests		<b>4,131,191,413</b>	4,658,324,544
Total shareholders' equity		<b>33,326,016,735</b>	37,411,183,478
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>96,887,310,222</b>	91,207,743,018

The financial statements were signed by the following persons:

*Legal Representative:*  
**Ding Yi**

*Chief Accountant:*  
**Ren Tianbao**

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

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

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

Renminbi Yuan

	Note V	2022	2021 (Restated)
Revenue	47	<b>102,153,602,375</b>	113,851,189,379
Less: Cost of sales	47	<b>98,846,467,731</b>	102,287,854,503
Taxes and surcharges	48	<b>477,114,798</b>	660,957,131
Selling expenses	49	<b>295,129,468</b>	300,098,085
General and administrative expenses	50	<b>1,263,771,737</b>	1,388,782,842
R&D expenses	51	<b>1,167,297,776</b>	1,148,406,760
Financial expenses	52	<b>519,456,330</b>	631,748,011
Including: Interest expense		<b>472,856,092</b>	653,603,557
Interest income		<b>46,140,803</b>	29,644,120
Add: Other income	53	<b>172,641,171</b>	125,072,388
Investment income	54	<b>814,285,702</b>	834,975,866
Including: Share of profits of associates and joint ventures		<b>423,321,646</b>	690,501,616
Gain on the changes in fair value	55	<b>30,075,870</b>	84,773,531
Credit impairment gains	56	<b>33,008,666</b>	3,489,661
Asset impairment losses	57	<b>(1,558,665,706)</b>	(1,337,467,241)
Gain from disposal of assets	58	<b>440,339,732</b>	223,736,352
Operating (loss)/profit		<b>(483,950,030)</b>	7,367,922,604
Add: Non-operating income	59	<b>13,246,032</b>	38,728,760
Less: Non-operating expenses	60	<b>89,913,246</b>	390,322,193
(Loss)/Profit before tax		<b>(560,617,244)</b>	7,016,329,171
Less: Income tax expense	62	<b>259,236,476</b>	1,022,354,526
Net (loss)/profit		<b>(819,853,720)</b>	5,993,974,645
Categorised by operation continuity			
Net (loss)/profit from continuing operations		<b>(819,853,720)</b>	5,993,974,645
Categorised by ownership			
Net (loss)/profit attributable to owners of the parent		<b>(858,225,310)</b>	5,332,253,043
Net profit attributable to non-controlling interests		<b>38,371,590</b>	661,721,602

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

# CONSOLIDATED INCOME STATEMENT (Continued)

For the year ended 31 December 2022

Renminbi Yuan

	Note V	2022	2021
Other comprehensive income, net of tax	42	<b>(41,791,159)</b>	44,301,302
Other comprehensive income attributable to owners of the parent, net of tax		<b>(41,791,159)</b>	44,301,302
Other comprehensive income that will not be reclassified to profit or loss:			
Changes in fair value of other equity instrument investments		<b>(58,960,711)</b>	107,116,903
Other comprehensive income that may be reclassified to profit or loss:			
Other comprehensive income using the equity method that may be reclassified to profit or loss		<b>17,169,552</b>	(62,815,601)
Changes in fair value of other debt investments		<b>163,625</b>	933,291
Exchange differences on translation of foreign operations		<b>(9,249,030)</b>	470,700
		<b>26,254,957</b>	(64,219,592)
Other comprehensive income attributable to non-controlling interests, net of tax		–	–
<b>Total comprehensive income</b>		<b>(861,644,879)</b>	6,038,275,947
Attributable to:			
Owners of the parent		<b>(900,016,469)</b>	5,376,554,345
Non-controlling interests		<b>38,371,590</b>	661,721,602
<b>EARNINGS PER SHARE:</b>			
Basic earnings per share (cents/share)	63	<b>(11.50)</b>	69.24
Diluted earnings per share (cents/share)	63	<b>(11.50)</b>	69.24

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Renminbi Yuan

2022

	Attributable to owners of the parent										Total shareholders' equity
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	
	(Note V 39)	(Note V 40)	(Note V 41)	(Note V 42)	(Note V 43)	(Note V 44)	(Note V 45)	(Note V 46)			
1. Balance at the beginning of the year	7,700,681,186	8,344,594,034	-	12,271,369	45,427,634	4,688,014,995	300,334,506	11,661,535,210	32,752,858,934	4,658,324,544	37,411,183,478
2. Increase/(decrease) during the year											
1) Total comprehensive income	-	-	-	(41,791,159)	-	-	-	(858,225,310)	(900,016,469)	38,371,590	(861,644,879)
2) Shareholders' contributions and reduction in capital											
(i) Capital contributions/(reduction) by shareholders	75,050,000	96,814,500	171,864,500	-	-	-	-	-	-	(79,220,079)	(79,220,079)
(ii) Changes in 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) Profit appropriation											
(i) Transfer to surplus reserve	-	-	-	-	-	32,198,795	-	(32,198,795)	-	-	-
(ii) Transfer to general reserve	-	-	-	-	-	-	(28,833,396)	28,833,396	-	-	-
(iii) Distribution to shareholders	-	-	-	-	-	-	-	(2,721,505,915)	(2,721,505,915)	(491,481,270)	(3,212,987,185)
4) Other comprehensive income carried forward to retained earnings	-	-	-	(486,621)	-	48,662	-	437,959	-	-	-
5) Special reserve											
(i) Additions	-	-	-	-	121,042,007	-	-	-	121,042,007	18,472,354	139,514,361
(ii) Utilisation	-	-	-	-	(82,084,770)	-	-	-	(82,084,770)	(13,229,360)	(95,314,130)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	-	23,321,311	-	-	-	23,321,311	-	23,321,311
(iv) Disposal of a subsidiary	-	-	-	-	(139,094)	-	-	-	(139,094)	(46,366)	(185,460)
3. Balance at the end of the year	7,775,731,186	8,442,757,852	171,864,500	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,078,876,545	29,194,825,322	4,131,191,413	33,326,016,735

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2022

Renminbi Yuan

**2021**

	Attributable to owners of the parent							Sub-total	Non-controlling interests	Total shareholders' equity
	Share capital (Note V 39)	Capital reserve (Note V 40)	Other comprehensive income (Note V 42)	Special reserve (Note V 43)	Surplus reserve (Note V 44)	General reserve (Note V 45)	Retained earnings (Note V 46)			
1. Balance at the beginning of the year	7,700,681,186	8,361,457,903	(23,151,783)	37,295,614	4,687,127,180	248,156,969	7,374,557,923	28,386,124,992	4,225,060,973	32,611,185,965
2. Increase/(decrease) during the year										
1) Total comprehensive income	-	-	44,301,302	-	-	-	5,332,253,043	5,376,554,345	661,721,602	6,038,275,947
2) Shareholders' contributions and reduction in capital										
(i) Capital contributions by shareholders	-	-	-	-	-	-	-	-	6,435,000	6,435,000
(ii) Changes in other equity of associates and joint ventures	-	(16,863,869)	-	-	-	-	-	(16,863,869)	-	(16,863,869)
3) Profit appropriation										
(i) Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-
(ii) Transfer to general reserve	-	-	-	-	-	52,177,537	(52,177,537)	-	-	-
(iii) Distribution to shareholders	-	-	-	-	-	-	(1,001,088,554)	(1,001,088,554)	(236,624,809)	(1,237,713,363)
4) Other comprehensive income carried forward to retained earnings	-	-	(8,878,150)	-	887,815	-	7,990,335	-	-	-
5) Special reserve										
(i) Additions	-	-	-	68,456,848	-	-	-	68,456,848	13,357,705	81,814,553
(ii) Utilisation	-	-	-	(59,848,488)	-	-	-	(59,848,488)	(11,625,927)	(71,474,415)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	(476,340)	-	-	-	(476,340)	-	(476,340)
3. Balance at the end of the year	7,700,681,186	8,344,594,034	12,271,369	45,427,634	4,688,014,995	300,334,506	11,661,535,210	32,752,858,934	4,658,324,544	37,411,183,478

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

Renminbi Yuan

	Note V	2022	2021
1. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		<b>89,402,281,159</b>	106,726,134,987
Tax refunds received		<b>1,380,979,545</b>	5,722,962
Net decrease in deposits in the central bank		<b>130,479,969</b>	849,508
Net increase in repurchase agreements		–	726,985,008
Net decrease in financial assets purchased under agreements to resell		–	562,137,604
Net increase in customer deposits and balances from banks and other financial institutions		–	2,632,925,094
Net decrease in loans and advances to customers		<b>2,143,875,524</b>	–
Cash received for interest charges, fees and commissions		<b>326,085,821</b>	412,043,770
Cash received relating to other operating activities	64(1)	<b>399,084,967</b>	204,959,284
Sub-total of cash inflows		<b>93,782,786,985</b>	111,271,758,217
Cash paid for purchases of goods and services		<b>(77,467,644,712)</b>	(84,760,290,787)
Net decrease in repurchase agreements		<b>(265,830,697)</b>	–
Net decrease in customer deposits and balances from banks and other financial institutions		<b>(170,946,712)</b>	–
Net increase in loans and advances to customers		–	(83,620,774)
Cash paid to or on behalf of employees		<b>(4,635,583,250)</b>	(5,426,066,966)
Taxes and surcharges paid		<b>(2,019,740,186)</b>	(3,239,773,238)
Net increase in financial assets purchased under agreements to resell		<b>(1,895,613,906)</b>	–
Cash paid for interest charges, fees and commissions		<b>(166,498,844)</b>	(179,297,311)
Cash paid relating to other operating activities	64(2)	<b>(519,227,091)</b>	(808,232,709)
Sub-total of cash outflows		<b>(87,141,085,398)</b>	(94,497,281,785)
Net cash flows from operating activities	65(1)	<b>6,641,701,587</b>	16,774,476,432

## CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

	Note V	2022	2021
2. Cash flows from investing activities			
Cash received from disposal of investments		<b>22,743,160,659</b>	31,841,017,645
Cash received from investment income		<b>382,470,601</b>	248,003,849
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets		<b>477,502,462</b>	187,332,662
Net cash received from disposal of subsidiaries and other business units	65(2)	<b>449,763,136</b>	–
Cash received relating to other investing activities	64(3)	<b>56,354,452</b>	–
Sub-total of cash inflows		<b>24,109,251,310</b>	32,276,354,156
Purchases of property, plant and equipment, intangible assets and other non-current assets		<b>(8,342,161,649)</b>	(7,586,327,238)
Cash paid for investments		<b>(22,865,049,616)</b>	(35,394,272,916)
Cash paid relating to other investing activities	64(4)	–	(17,443,494)
Sub-total of cash outflows		<b>(31,207,211,265)</b>	(42,998,043,648)
Net cash flows used in investing activities		<b>(7,097,959,955)</b>	(10,721,689,492)

# CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

	Note V	2022	2021
3. Cash flows from financing activities			
Cash received from borrowings		<b>16,408,462,049</b>	16,618,863,222
Cash received from investors		<b>171,864,500</b>	9,375,000
Including: Capital injection from a subsidiary's non-controlling interests		–	9,375,000
Cash received relating to other financing activities	64(5)	<b>549,341,708</b>	–
Sub-total of cash inflows		<b>17,129,668,257</b>	16,628,238,222
Repayment of borrowings		<b>(12,953,712,984)</b>	(19,556,873,889)
Cash paid for distribution of dividends or profits and for interest expenses		<b>(3,625,015,435)</b>	(1,842,152,922)
Including: Dividends or profits paid to non-controlling interests by subsidiaries		<b>(482,950,740)</b>	(236,624,809)
Cash paid relating to other financing activities	64(6)	<b>(34,369,893)</b>	(129,537,940)
Sub-total of cash outflows		<b>(16,613,098,312)</b>	(21,528,564,751)
Net cash flows from/(used in) financing activities		<b>516,569,945</b>	(4,900,326,529)
4. Effect of foreign exchange rate changes on cash and cash equivalents		<b>77,364,944</b>	(52,995,362)
5. Net increase in cash and cash equivalents		<b>137,676,521</b>	1,099,465,049
Add: Cash and cash equivalents at the beginning of the year		<b>4,223,061,890</b>	3,123,596,841
6. Cash and cash equivalents at the end of the year	65(3)	<b>4,360,738,411</b>	4,223,061,890

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

# STATEMENT OF FINANCIAL POSITION

31 December 2022

Renminbi Yuan

ASSETS	Note XV	31 December 2022	31 December 2021
<b>CURRENT ASSETS</b>			
Cash and bank balances		<b>4,947,811,247</b>	2,580,562,187
Financial assets held for trading		<b>40,471,388</b>	–
Notes receivable		<b>2,028,976,500</b>	670,651,738
Trade receivables	1	<b>1,554,799,112</b>	2,370,751,287
Financing receivables		<b>2,090,411,894</b>	2,178,463,701
Prepayments		<b>442,776,048</b>	860,597,030
Other receivables	2	<b>150,558,816</b>	260,814,759
Inventories		<b>7,002,397,080</b>	8,376,609,561
Other current assets		<b>462,906,022</b>	1,236,749,828
<b>Total current assets</b>		<b>18,721,108,107</b>	18,535,200,091
<b>NON-CURRENT ASSETS</b>			
Long-term equity investments	3	<b>11,994,505,601</b>	13,247,074,179
Other equity instrument investments		<b>447,058,919</b>	550,164,412
Investment properties		<b>57,207,919</b>	60,811,604
Property, plant and equipment		<b>33,336,863,387</b>	20,624,876,783
Construction in progress		<b>6,636,259,808</b>	10,187,178,312
Right-of-use assets		<b>271,004,308</b>	551,147,382
Intangible assets		<b>1,357,773,436</b>	1,085,272,031
Deferred tax assets		<b>82,176,642</b>	85,734,913
<b>Total non-current assets</b>		<b>54,182,850,020</b>	46,392,259,616
<b>TOTAL ASSETS</b>		<b>72,903,958,127</b>	64,927,459,707

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

# STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2022

Renminbi Yuan

LIABILITIES AND SHAREHOLDERS' EQUITY	31 December 2022	31 December 2021
<b>CURRENT LIABILITIES</b>		
Short-term loans	<b>9,677,805,231</b>	9,812,742,107
Financial liabilities held for trading	–	31,663,498
Notes payable	<b>2,468,071,491</b>	397,205,795
Trade payables	<b>15,008,917,007</b>	9,662,660,374
Contract liabilities	<b>4,221,839,659</b>	4,313,631,584
Payroll and employee benefits payable	<b>354,868,355</b>	240,906,555
Taxes payable	<b>474,452,288</b>	805,680,949
Other payables	<b>3,972,412,391</b>	3,808,000,336
Non-current liabilities due within one year	<b>2,057,457,424</b>	1,357,008,967
Other current liabilities	<b>548,839,156</b>	560,772,106
<b>Total current liabilities</b>	<b>38,784,663,002</b>	30,990,272,271
<b>NON-CURRENT LIABILITIES</b>		
Long-term loans	<b>8,214,390,765</b>	5,452,250,052
Lease liabilities	<b>288,254,300</b>	554,191,729
Long-term payable	<b>168,053,940</b>	–
Long-term employee benefits payable	–	2,499,619
Deferred revenue	<b>692,633,615</b>	763,616,571
<b>Total non-current liabilities</b>	<b>9,363,332,620</b>	6,772,557,971
<b>Total liabilities</b>	<b>48,147,995,622</b>	37,762,830,242
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	<b>7,775,731,186</b>	7,700,681,186
Capital reserve	<b>8,447,275,568</b>	8,349,111,750
Less: Treasury shares	<b>171,864,500</b>	–
Other comprehensive income	<b>132,591,787</b>	193,384,920
Special reserve	<b>69,568,483</b>	19,760,287
Surplus reserve	<b>3,883,475,865</b>	3,851,228,408
Retained earnings	<b>4,619,184,116</b>	7,050,462,914
<b>Total shareholders' equity</b>	<b>24,755,962,505</b>	27,164,629,465
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>72,903,958,127</b>	64,927,459,707

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

# STATEMENT OF INCOME STATEMENT

For the year ended 31 December 2022

Renminbi Yuan

	Note XV	2022	2021 (Restated)
Revenue	4	<b>84,684,262,198</b>	96,485,934,101
Less: Cost of sales	4	<b>83,042,691,760</b>	89,398,173,635
Taxes and surcharges		<b>330,517,885</b>	472,847,673
Selling expenses		<b>153,954,265</b>	162,595,706
General and administrative expenses		<b>944,360,695</b>	914,165,262
R&D expenses	5	<b>826,772,430</b>	830,797,022
Financial expenses		<b>485,750,966</b>	579,872,331
Including: Interest expense		<b>436,364,199</b>	627,508,438
Interest income		<b>26,123,496</b>	20,005,992
Add: Other income		<b>126,419,483</b>	74,113,704
Investment income	6	<b>2,712,431,411</b>	1,345,439,824
Including: Share of profits of associates and joint ventures		<b>400,470,289</b>	684,410,285
Gain/(loss) on the changes in fair value		<b>72,134,886</b>	64,505,812
Credit impairment losses		<b>(19,231,231)</b>	(4,636,098)
Assets impairment losses		<b>(1,448,422,857)</b>	(876,811,914)
Gain from disposal of non-current assets		<b>76,393,705</b>	266,988,309
Operating profit		<b>419,939,594</b>	4,997,082,109
Add: Non-operating income		<b>1,556,088</b>	25,923,311
Less: Non-operating expenses		<b>54,572,103</b>	335,808,748
Profit before tax		<b>366,923,579</b>	4,687,196,672
Less: Income tax expense		<b>44,935,626</b>	298,163,148
Net profit		<b>321,987,953</b>	4,389,033,524
Categorised by operation continuity Net profit from continuing operations		<b>321,987,953</b>	4,389,033,524
Other comprehensive income, net of tax		<b>(60,306,512)</b>	103,383,581
Other comprehensive income that will not be reclassified to profit or loss:		<b>(60,470,137)</b>	102,450,290
Changes in fair value of other equity instrument investments		<b>(60,470,137)</b>	102,450,290
Other comprehensive income that may be reclassified to profit or loss:		<b>163,625</b>	933,291
Other comprehensive income using the equity method that may be reclassified to profit or loss		<b>163,625</b>	933,291
Total comprehensive income		<b>261,681,441</b>	4,492,417,105

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

Renminbi Yuan

2022

	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total Shareholders' equity
1. Balance at the beginning of the year	7,700,681,186	8,349,111,750	-	193,384,920	19,760,287	3,851,228,408	7,050,462,914	27,164,629,465
2. Increase/(decrease) during the year								
1) Total comprehensive income	-	-	-	(60,306,512)	-	-	321,987,953	261,681,441
2) Capital contributions and reduction								
(i) Capital contributions by shareholders	75,050,000	96,814,500	171,864,500	-	-	-	-	-
(ii) Changes in the share of other equity of associates and joint ventures	-	(31,477,552)	-	-	-	-	-	(31,477,552)
(iii) Amount of share-based payments recognised in equity	-	32,826,870	-	-	-	-	-	32,826,870
3) Profit appropriation								
(i) Transfer to surplus reserves	-	-	-	-	-	32,198,795	(32,198,795)	-
(ii) Distribution to shareholders	-	-	-	-	-	-	(2,721,505,915)	(2,721,505,915)
4) Other comprehensive income carried forward to retained earnings	-	-	-	(486,621)	-	48,662	437,959	-
5) Special reserve								
(i) Additions	-	-	-	-	73,829,521	-	-	73,829,521
(ii) Utilisation	-	-	-	-	(47,342,636)	-	-	(47,342,636)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	-	23,321,311	-	-	23,321,311
3. Balance at the end of the year	7,775,731,186	8,447,275,568	171,864,500	132,591,787	69,568,483	3,883,475,865	4,619,184,116	24,755,962,505

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

# STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2022

Renminbi Yuan

**2021**

	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total Shareholders' equity
1. Balance at the beginning of the year	7,700,681,186	8,365,975,619	98,879,489	15,187,813	3,850,340,593	3,654,527,609	23,685,592,309
2. Increase/(decrease) during the year							
1) Total comprehensive income	-	-	103,383,581	-	-	4,389,033,524	4,492,417,105
2) Changes in the share of other equity of associates and joint ventures	-	(16,863,869)	-	-	-	-	(16,863,869)
3) Profit appropriation							
(i) Transfer to surplus reserves	-	-	-	-	-	-	-
(ii) Distribution to shareholders	-	-	-	-	-	(1,001,088,554)	(1,001,088,554)
4) Other comprehensive income carried forward to retained earnings	-	-	(8,878,150)	-	887,815	7,990,335	-
5) Special reserve							
(i) Additions	-	-	-	47,916,514	-	-	47,916,514
(ii) Utilisation	-	-	-	(42,867,700)	-	-	(42,867,700)
(iii) Changes in the share of associates and joint ventures' special reserve, net	-	-	-	(476,340)	-	-	(476,340)
3. Balance at the end of the year	7,700,681,186	8,349,111,750	193,384,920	19,760,287	3,851,228,408	7,050,462,914	27,164,629,465

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

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

Renminbi Yuan

	2022	2021
1. Cash flows from operating activities		
Cash received from sale of goods and rendering of services	<b>66,573,688,100</b>	80,691,733,728
Tax refunds received	<b>1,091,873,190</b>	855,019
Cash received relating to other operating activities	<b>197,746,068</b>	263,881,306
Sub-total of cash inflows	<b>67,863,307,358</b>	80,956,470,053
Cash paid for purchase of goods and services	<b>(59,369,484,712)</b>	(65,043,192,009)
Cash paid to or on behalf of employees	<b>(3,195,275,990)</b>	(3,937,636,480)
Taxes and surcharges paid	<b>(1,048,813,735)</b>	(1,823,483,514)
Cash paid relating to other operating activities	<b>(524,439,544)</b>	(115,219,171)
Sub-total of cash outflows	<b>(64,138,013,981)</b>	(70,919,531,174)
Net cash flows from operating activities	<b>3,725,293,377</b>	10,036,938,879
2. Cash flows from investing activities		
Cash received from disposal of investments	<b>484,788,584</b>	43,640,189
Cash received from investment income	<b>2,200,722,710</b>	980,808,835
Net cash received from disposal of property, plant and equipment, intangible assets and other non-current assets	<b>182,496,910</b>	86,314,682
Net cash received from disposal of subsidiaries and other business units	<b>641,771,981</b>	16,501,871
Cash received relating to other investing activities	<b>56,354,452</b>	-
Sub-total of cash inflows	<b>3,566,134,637</b>	1,127,265,577
Purchase of property, plant and equipment, intangible assets and other non-current assets	<b>(6,079,588,190)</b>	(6,441,260,719)
Cash paid for investments	<b>(20,965,443)</b>	(95,877,202)
Net cash paid for acquisition of a subsidiary and other operating units	-	(316,417,082)
Cash paid relating to other investing activities	-	(17,443,494)
Sub-total of cash outflows	<b>(6,100,553,633)</b>	(6,870,998,497)
Net cash flows used in investing activities	<b>(2,534,418,996)</b>	(5,743,732,920)

# STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

	2022	2021
3. Cash flows from financing activities		
Cash received from borrowings	<b>15,542,968,076</b>	15,133,364,829
Cash received from investors	<b>171,864,500</b>	–
Cash received relating to other financing activities	<b>549,341,708</b>	32,638,447
Sub-total of cash inflows	<b>16,264,174,284</b>	15,166,003,276
Repayment of borrowings	<b>(12,242,768,052)</b>	(17,406,510,518)
Cash paid for the distribution of dividend or profits and for interest expenses	<b>(3,106,863,018)</b>	(1,596,829,065)
Cash paid relating to other financing activities	<b>(30,643,889)</b>	(52,723,820)
Sub-total of cash outflows	<b>(15,380,274,959)</b>	(19,056,063,403)
Net cash flows from/(used in) financing activities	<b>883,899,325</b>	(3,890,060,127)
4. Effect of foreign exchange rate changes on cash and cash equivalents	<b>37,649,947</b>	(32,773,082)
5. Net increase in cash and cash equivalents	<b>2,112,423,653</b>	370,372,750
Add: Cash and cash equivalents at the beginning of the year	<b>2,531,052,187</b>	2,160,679,437
6. Cash and cash equivalents at the end of the year	<b>4,643,475,840</b>	2,531,052,187

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

Renminbi Yuan

## I. GENERAL INFORMATION OF THE GROUP

Maanshan Iron & Steel Company Limited (the “Company”), a joint stock limited company incorporated after the reorganisation of a state-owned enterprise known as Maanshan Iron and Steel Company (the “Original Magang”, now named as Magang (Group) Holding Company Limited), was established in Maanshan City, Anhui Province, the People’s Republic of China (the “PRC”) on 1 September 1993. The unified social credit code of the Company’s business licence is 91340000610400837Y. The Company’s A shares and H shares were issued and listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, respectively. The headquarter of the Company is located at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC.

As of 31 December 2022, the Company had issued 7,775,730,000 shares in total, including ordinary A shares of 5,967,750,000 shares, restrictive A shares of 75,050,000 shares and ordinary H shares of 1,732,930,000 shares. The nominal value of each share is RMB1.

The Company, together with its subsidiaries (collectively known as the “Group”), is principally engaged in the manufacture and sale of iron and steel products and related by-products.

The parent company of the Group is Magang (Group) Holding Company Limited (the “Holding”), which was established in the PRC.

The ultimate controller of the Group is China Baowu Steel Group Corporation Limited (“China Baowu”).

The financial statements were approved by the Board of Directors on 30 March 2023.

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## II. BASIS OF PREPARATION

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

The financial statements are prepared on a going concern basis.

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

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. Provision for asset impairment is provided in accordance with related regulations.

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group has determined the accounting policies and accounting estimates based on the characteristics of the operation, especially those related to provision for impairment of financial assets measured at amortised cost, valuation method of inventories, depreciation of property, plant and equipment. Amortisation of intangible assets, impairment of non-current assets excluding the financial instruments (other than goodwill), recognition of deferred tax assets, recognition and measurement of revenue, share-based payment, provision for safety production reserve, etc.

### 1. Statement of compliance with the CAS

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

### 2. Accounting period

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 3. Reporting currency

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

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

### 4. Business combinations

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

#### *Business combinations involving entities under common control*

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 4. Business combinations (Continued)

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

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination.

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

### 5. Consolidated financial statements

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 5. Consolidated financial statements (Continued)

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 6. Joint arrangements and joint operations

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

The joint arrangements of the Group are all joint ventures.

### 7. Cash and cash equivalents

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

### 8. Foreign operations and foreign currency translation

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

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

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

### 9. Financial instruments

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

#### *Recognition and derecognition of financial instruments*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 9. Financial instruments (Continued)

#### *Recognition and derecognition of financial instruments (Continued)*

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

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

#### *Classification and measurement of financial assets*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 9. Financial instruments (Continued)

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

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

Debt instrument investments measured at amortised cost

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

Debt instrument investments measured at fair value through other comprehensive income

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

Equity instrument investments measured at fair value through other comprehensive income

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 9. Financial instruments (Continued)

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

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

Financial assets measured at fair value through profit or loss

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

#### *Classification and measurement of financial liabilities*

Except for the financial guarantee contract issued and financial liabilities arising from the failure to meet the conditions for termination of recognition of financial assets transfer or continued involvement in the transferred financial assets, the Group classifies its financial liabilities at initial recognition as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortised cost. With respect to financial liabilities at fair value through profit or loss, transaction costs are charged to profit or loss; whereas for financial liabilities measured at amortised cost, transaction costs are recognised at initial cost.

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

Financial liabilities measured at fair value through profit or loss

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 9. Financial instruments (Continued)

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

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

Financial liabilities measured at amortised cost

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

#### *Impairment of financial assets*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 9. Financial instruments (Continued)

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

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

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

The factors that the Group consider for measuring the expected credit loss include unbiased probabilistic weighted average amounts determined by evaluating a range of possible outcomes, the time value of money, reasonable and evidence-based information about past events, current conditions and projections of future economic conditions that can be obtained at the balance sheet date without additional cost or effort.

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

#### *Offsetting of financial instruments*

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 9. Financial instruments (Continued)

#### *Financial guarantee contracts*

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

#### *Derivative financial instruments*

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

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

#### *Transfer of financial assets*

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 9. Financial instruments (Continued)

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

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

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

### 10. Inventories

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

Inventories are initially recognised at cost, which comprises purchase cost, processing cost, and other costs. Costs of delivered inventories, other than construction contracts and spare parts, are determined on the weighted average basis. Costs of general spare parts, lower valued consumables and packing materials are charged to profit or loss at consumption; accident spare parts are amortised in 8 years with 4% residual rate; large rolls on rolling mills are amortised according to the grinding amount.

Inventories are accounted for using the perpetual inventory system.

At the end of each reporting period, inventories shall be measured at the lower of cost and net realisable value. If the cost is in excess of the amounts expected to be realised from their sale or use, provision for inventories is recognised in profit or loss. Net realisable value is the estimated selling price on normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes. Provision is considered on a category basis for raw materials, work in progress and finished goods. For the inventories sold, the relevant inventory provision shall be written off accordingly, and the current period's cost of sales shall be reversed.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 11. Long-term equity investments

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

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

### 12. Investment properties

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 13. Property, plant and equipment

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

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

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

	<b>Estimated useful life</b>	<b>Estimated residual value</b>	<b>Annual depreciation rate</b>
Buildings	10 – 30 years	3%	3.2 – 9.7%
Plant and machinery	10 – 15 years	3%	6.5 – 9.7%
Office equipment	5 – 10 years	3%	9.7 – 19.4%
Motor vehicles	5 – 8 years	3%	12.1 – 19.4%

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

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

### 14. Construction in progress

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 15. Borrowing costs

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

The capitalisation of borrowing costs commences when:

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 16 Right-of-use assets

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

### 17 Intangible assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 17 Intangible assets (Continued)

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

	<b>Useful life</b>
Concession rights	25 years
Land use rights	50 years
Mining rights	25 years
Patents and others	3-20 years

Concession right is the right to operate water supply factories. It is recorded at cost minus accumulative amortisation and impairment, if any. The amortisation is calculated within a period of 25 years using the straight-line method.

Land use rights that are purchased by the Group are accounted for as intangible assets. For internally generated plants and other buildings, the land use rights and buildings are accounted for as intangible assets and property, plant and equipment, respectively. With respect to the land use right purchased together with buildings, the acquisition cost is allocated between the two parts proportionately, or otherwise, is wholly accounted for as property, plant and equipment if it is difficult to allocate reasonably.

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

Intangible assets with uncertain useful lives are tested annually, regardless of whether there are signs of impairment. Such intangible assets are not amortized and their useful lives are reviewed in each accounting period. If there is evidence that the useful life is limited, the accounting treatment is carried out in accordance with the policy on intangible assets with a limited useful life described above.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 17 Intangible assets (Continued)

The expenditures for internal research and development projects of the Group were classified as research expenditures and development expenditures. All research expenditures are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised if, and only if, an entity can demonstrate all of the following: (a) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (b) its intention to complete the intangible asset and use or sell it; (c) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (d) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; (e) its ability to measure reliably the expenditure attributable to the intangible asset during its development. Product development expenditure which does not meet these criteria is expensed when incurred.

### 18. Impairment of assets

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

The Group assesses whether any indicator of impairment exists as of the end of each reporting period, and, if yes, performs an impairment test by estimation of the asset's recoverable amount. For goodwill acquired in business combinations, intangible assets with indefinite lives and intangible assets that not available for use, an annual impairment test is performed no matter whether there is any indicator of impairment.

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

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

Impairment losses cannot be reversed in subsequent accounting periods.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 19. Payroll and employee benefits payable

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

#### *Short-term employee benefits payable*

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

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

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

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

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

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

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

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

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

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

#### *Termination benefits*

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

#### *Other long-term employee benefits*

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 20. Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. Lease payments include fixed and substantial fixed payments net of lease incentives, variable lease payments depending on index or ratio, amounts expected to be payable based on the residual value of the guarantee, and the exercise price of the purchase option or the amount to be required to exercise the termination option, provided that the Group reasonably determines that the option or the term of the lease reflects the Group's exercise of the option to terminate the lease.

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

After commencement date of the lease, the Group increases the carrying amount of the lease liability when it recognises interest and decreases the carrying amount of the lease liability when it makes the lease payments. A lessee shall remeasure the lease liability by discounting the revised lease payments, if (a) there is a change in the actual fixed lease payments; (b) there is a change in the amounts expected to be payable under a residual value guarantee; (c) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; (d) there is a change in the assessment of an option to purchase the underlying asset, to renew the lease or a change in the actual exercise of the option.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 21. Provisions

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

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

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

Financial guarantee contracts for subsequent measurement of expected credit losses are listed in accrued liabilities.

### 22. Share-based Payment

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 22. Share-Based Payment (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled share-based award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

### 23. Repurchase and reverse repurchase transactions

Assets sold under agreements to repurchase at a specified future date (“repos”) are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised as “repurchase agreement” on the statement of financial position, reflecting the economic nature that such cash is a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date (“reverse repos”) are not recognised in the statement of financial position as a “reverse repurchase agreement.” The corresponding cash paid, including accrued interest, is recognised as a “reverse repurchase agreement” in the statement of financial position. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 24. Revenue from contracts with customers

Revenue is recognised when the Group has satisfied its performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services. To obtain control of the relevant good and services is to have the ability to direct the use of, and obtain substantially all of the remaining benefits from of the relevant good and services.

#### *Contracts for the sale of goods*

Contracts for the sale of goods between the Group and its customers usually only involve the performance obligations of the transferring of the goods. The Group generally recognises revenue based on the following considerations, taking into account the timing of control transfer. This includes obtaining the current collection rights of the goods, the transfer of the main risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the acceptance of the goods by the customer.

#### *Contracts for the rendering of services*

The service contract between the Group and its customers usually includes performance obligations for packaging, processing, technical consulting or technical services. As a result of the satisfaction of the performance obligation the Group, the customers obtain and consume the economic benefits of the service while the Group provides the service simultaneously. The Group is entitled to recover from the accumulative performance of the contract that has been completed to date, except when progress of the performance cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. When the progress of the performance cannot be reasonably determined, and the costs incurred by the Group are expected to be compensated, the revenue will be recognised based on the amount of costs incurred, until the progress of the performance can be reasonably determined.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 24. Revenue from contracts with customers (Continued)

#### *Variable considerations*

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

#### *Sales involving right of return*

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

#### *Significant financing component*

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 24. Revenue from contracts with customers (Continued)

#### *Principal versus agent*

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

#### *Other revenue*

##### Interest income

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

##### Lease income

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 25. Contract assets and contract liabilities

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

#### *Contract assets*

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

#### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration or an amount of consideration is due from the customer, such as an amount of consideration that an entity has received before the transfer of the promised goods or services.

### 26. Government grants

Government grants are recognised in profit or loss, when they are highly probable to be received and all conditions are fulfilled. If a government grant is in form of monetary asset, it is measured at the amount received or receivable. If a government grant is in form of non-monetary asset, it is measured at fair value of the asset. If the fair value cannot be reliably determined, it is measured at the nominal amount.

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 26. Government grants (Continued)

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

For discounts appropriated to lending banks by the government, and the lending banks provide loans with policy preferential discounts, the Group accounts for the loans with the actual received amount, and calculates the relevant borrowing expenses based on principal and the preferential discounts of the loans.

### 27. Deferred tax

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 27. Deferred tax (Continued)

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

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

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

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 28. Leases

At inception of a contract, the Group shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset or assets for a period of time in exchange for consideration.

#### *As a lessee*

Except for short-term leases and leases of low value, the Group recognizes the right-of-use assets and lease liability for the lease. Please refer to Note III. 16 and Note III. 20 for the accounting policies the Group chose as a lessee.

#### Short-term leases and leases of low value

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

#### *As a lessor*

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

#### As an operating lease lessor

The Group would recognise lease payments from operating leases in profit or loss on a straight-line basis. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred. Initial direct expenses are capitalized and are apportioned on the same basis as rental income recognition during the lease term and booked into current profit and loss in stages.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 29. Share repurchase

The consideration and transaction fees paid reduce shareholders' equity. In addition to share payments, the issuance (including refinancing), repurchase, sale or cancellation of its own equity instruments is treated as a change in equity.

### 30. Profit distribution

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

### 31. Safety production reserve

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

### 32. General reserve

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 33. Fair value measurement

The Group measures listed equity instrument investments, financing receivables and financial assets/liabilities held for trading at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

### 34. Significant accounting judgments and estimates

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

#### *Judgments*

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

#### *Judgments (Continued)*

##### Going concern

As stated in Note II, the going-concern of the Group relies on the cash inflows from borrowings and operating activities, in order to maintain sufficient cash on the due date of the relevant liabilities. The uncertainty of the Group's going-concern exists once the Group cannot obtain sufficient cash. The financial statements do not include any necessary adjustments related to book value and classification of assets and liabilities when the Group cannot operate continuously.

##### Operating lease – as lessor

The Group has entered into operating leases on its investment properties. The Group has determined that it retains substantially all the significant risks and rewards of ownership of these properties which are leased out and hence has classified the leases as operating leases according to the lease contracts.

##### Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the portions are accounted for separately. If the portions could not be sold separately, the property is an investment property only if the portion held for use in the production or supply of goods or services or for administrative purposes is not significant.

Judgement is made on an individual basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

#### *Judgments (Continued)*

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

As of 31 December 2022, the Group held 16.34% equity interests in Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. (“Xinchuang Environmental Protection”). The Company designates one director and one supervisor to Xinchuang Environmental Protection according to the Articles of Association and the directors of the Company believe the Company can exercise significant influence over Xinchuang Environmental Protection, despite the equity share is under 20%. Thus, the Group accounts for the investment in Xinchuang Environmental Protection as an associate.

As of 31 December 2022, the Group held 18.19% equity interests in Phima Intelligence Technology Co., Ltd. (“Phima Intelligence”). The Company designates one director to Phima Intelligence according to the Articles of Association. The directors of the Company believe the Company can exercise significant influence over Phima Intelligence, despite the equity share is under 20%. Thus, the Group accounts for the investment in Phima Intelligence as an associate.

As of 31 December 2022, the Group held 11% equity interests in Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd. (“Ouyeel Blockchain Finance”). The Company designates one director to Ouyeel Blockchain Finance according to the Articles of Association. The directors of the Company believe the Company can exercise significant influence over Ouyeel Blockchain Finance, despite the equity share is under 20%. Thus, the Company accounts for the investment in Ouyeel Blockchain Finance as an associate.

As of 31 December 2022, the Group held 16.14% equity interests in Ouyeel Commercial Factoring Co., Ltd. (“Ouyeel Factoring”). The Company designates one director to Ouyeel Factoring according to the Articles of Association. The directors of the Company believe the Company can exercise significant influence over Ouyeel Factoring, despite the equity share is under 20%. Thus, the Company accounts for the investment in Ouyeel Factoring as an associate.

As of 31 December 2022, the Group held 19.25% equity interests in Baowu Water Technology Co., Ltd. (“Baowu Water”). The Company designates one director to Baowu Water according to the Articles of Association. The directors of the Company believe the Company can exercise significant influence over Baowu Water, despite the equity share is under 20%. Thus, the Company accounts for the investment in Baowu Water as an associate.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

#### *Judgments (Continued)*

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

The Group determines lease term as the non-cancellable period of a lease, together with periods (if applicable) covered by an option to extend the lease if the Group is reasonably certain to exercise that option. Some leases of the Group contain options to extend the leases to undertrained period. When the Group reassess whether it is reasonably certain to exercise an extension option, the Group would comprehensively consider the facts and situations that would bring economic benefits if chosen to extend the lease, including the expecting changes to the facts and situations from the commencement date to the exercise date. In the commencement date, compared with the market price, the contract terms and articles are more economic, the cost of terminating a lease is expensive, and the leased assets are of great importance for the Group's operating and irreplaceable, the Group would reasonably certain to exercise the option to extension. Thus the lease term should include the period covered by the option to extend the lease. After the commencement of the lease term, in the event of major events or changes within the control of the Group that affect whether the Group can reasonably determine to exercise the corresponding renewal option, the Group will reevaluate whether to exercise the renewal option and modify the lease term according to the result of the reevaluation.

Business model

The classification of a financial asset at initial recognition depends on the Group's business model of managing financial assets. In judging the business model, the Group considers the methods of corporate evaluation and reporting of financial asset performance to key management personnel, the risks affecting the performance of financial assets and their management methods, and the manner in which relevant management personnel are paid. In assessing whether to set the target for acquiring contractual cash flows, the Group needs to analyse and judge the reasons, time, frequency and value of the sale before the maturity date of the financial assets.

The characteristics of contractual cash flows

The classification of a financial asset at initial recognition depends on the characteristics of its contractual cash flows. This requires a determination of whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. It requires judgement to determine whether the contractual cash flows differ significantly with benchmark cash flows when assessing the adjustment of the time value of money. For financial assets with characteristics of paying in advance, it requires judgement to determine whether the fair value of this characteristics is insignificant.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

#### *Estimation uncertainty*

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

#### Impairment of financial assets

The group adopts expected credit loss model to assess the impairment of financial assets. The application of expected credit losses model requires significant judgements and estimates. The management needs to consider all reasonable and supportable information including forecasts information. When making the judgements and estimates, the Group should also infer the debtor's expected change in credit risk based on the past repayment statistics combining the economic policies, macro-economic indicators and industrial risk factors. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future

#### Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When the carrying amount of an asset or asset group is higher than its recoverable amount, that is the higher of fair value less costs to sell and the present value of estimated future cash flows, the related asset or asset group is impaired. The fair value less costs to sell of an asset is determined as the contractual price of similar assets in an arm's length transaction, or the observable market price of similar assets, after deducting the additional costs directly attributable to the disposal of this asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

#### *Estimation uncertainty (Continued)*

##### Fair value of unlisted equity investments

The Group values the unlisted equity investments based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty.

##### Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary difference and unused tax credit can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with tax planning strategies.

##### Variable considerations involving discounts and right of return

For contracts with sales clause involving discounts and right of return, the Group forms a reasonable estimate of the discounts or the rate of return based on sales historical data, current sales, and consider all relevant information such as customer changes, market changes and etc. Estimates of the expected discounts or return rate may not be representative of the actual discounts or returns in the future. The Group re-evaluates the discounts or return rate on each balance sheet date and determines the accounting treatment based on the re-evaluated discounts or return rate.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

#### *Estimation uncertainty (Continued)*

##### Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

##### Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful life of its fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions.

##### Estimation of inventories under net realisable value

Management reviews the condition of inventories (including spare parts) of the Group and their net realisable values and makes provision accordingly. Net realisable value of inventories is the estimated based on expected selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of a similar nature. Management reassesses the estimation at the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 35. Changes in accounting policies and estimates

#### *Changes in accounting policies*

Incidental sales of products during research and development progress

According to *Accounting Standards for Business Enterprises Interpretation No. 15*, starting from January 1, 2022, the Group has separately accounted the income and costs related to the external sales of products or by-products produced before the fixed assets reach the intended state of use or during the research and development process (hereinafter collectively referred to as trial sales) and recorded them in the profit or loss of the current period (those that are daily activities are shown in the items of “operating income” and “operating costs”, and those that are non-routine activities are shown in the items of “income from the disposal of assets”). The net amount of revenue related to trial sales, which offsets related costs, will no longer be offset by fixed asset costs or R&D expenses. The relevant products or by-products produced by the trial operation are indeed considered inventories or other related assets before they meet the conditions for asset recognition before they are sold to the customers. For the trial sales that occurred in 2021, the Group made retrospective adjustments in accordance with the provisions of *Accounting Standards for Business Enterprises Interpretation No. 15*.

The detail impacts are set out as follows:

The Group

#### **2022**

	Before	Changes in accounting policies	After
Cost of sales	96,034,016,289	2,812,451,442	98,846,467,731
R&D expenses	3,979,749,218	(2,812,451,442)	1,167,297,776

#### 2021

	Before	Changes in accounting policies	After
Cost of sales	98,929,683,370	3,358,171,133	102,287,854,503
R&D expenses	4,506,577,893	(3,358,171,133)	1,148,406,760

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

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

The detail impacts are set out as follows:

The Company

#### **2022**

	Before	Changes in accounting policies	After
Cost of sales	80,715,437,631	2,327,254,129	83,042,691,760
R&D expenses	3,154,026,559	(2,327,254,129)	826,772,430

#### 2021

	Before	Changes in accounting policies	After
Cost of sales	86,596,575,649	2,801,597,986	89,398,173,635
R&D expenses	3,632,395,008	(2,801,597,986)	830,797,022

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## IV. TAX

### 1. The principal kinds of taxes and related tax rates

Value-added tax      Output VAT rate of domestic sales is 13%. VAT payable is the net difference between output VAT and deductible input VAT. According to national tax regulations, the Company adopted the “Exempt, Offset, Refund” arrangements for VAT in export sales with the refund rates of 10% to 13%.

Income tax            The Company and the Group’s subsidiaries, Mascometal Co.,Ltd. (“Mascometal”) and Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. (“Masteel Transportation Materail”) are recognised as high-tech enterprises, which adopted preferential tax rate and subject to corporate income tax (“CIT”) at a rate of 15% on their taxable profits. In addition to the above three subsidiaries, the Group and other subsidiaries located in mainland China are subject to CIT at a rate of 25% on their taxable profits.

Maanshan Iron & Steel (HK) Limited (“Ma Steel (HK)”) was established and registered in Hong Kong (China), the applicable income tax rate is 16.5%. Maanshan Iron and Steel (Australia) Proprietary Limited (“Ma Steel (Australia)”) was established and registered in Australia, the applicable income tax rate is 30%. MG Trading and Development GmbH (“MG Trading”) was established and registered in Germany, the applicable income tax rate is 30%. MG-VALDUNES S.A.S was established and registered in France, the applicable income tax rate is 25%.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## IV. TAX (CONTINUED)

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

Land appreciation tax	Payable based on appreciation of land use rights and buildings at tax rates of 30%-60% as a result of the transfer of ownership.
City construction and maintenance tax	Payable based on 5% to 7% of the turnover taxes to be paid.
Education surcharge	Payable based on 3% of the turnover taxes to be paid.
Local education surcharge	Payable based on 2% of the turnover taxes to be paid.
Property tax	Payable based on a certain percentage of the cost of real estate with legal title in accordance with relevant regulations.
Environment protection tax	Payable based on the actual air pollution generated with RMB1.2 per pollution equivalent; payable based on the actual water pollution generated with RMB1.4 per water equivalent.
Other taxes	In accordance with tax laws and other relevant regulations.

### 2. Tax preference

The company was recognized as a high-tech enterprise in 2022. The certificate number is GR202234000489, and the issuance date is 18 October 2022. According to *Measures for Administration of the Recognition of Hi-tech Enterprises* and *Law of the People's Republic of China on Enterprise Income Tax*, the preferential income tax rate of 15% is applicable for three years from 2022.

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## V. MAJOR NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

	31 December 2022	31 December 2021
Cash on hand	2,210	43,411
Bank balances	4,360,736,201	4,208,627,033
Other monetary assets	1,366,044,310	1,520,784,615
Mandatory reserves of Masteel Finance deposited in the central bank	807,918,586	938,398,555
	<b>6,534,701,307</b>	6,667,853,614
Including: Restricted amount due to mortgage, pledge or freeze	1,366,044,310	1,506,393,169

As of 31 December 2022, the Group had cash and bank balances amounting to RMB524,484,279 that have been deposited outside the PRC (31 December 2021: RMB525,670,751).

Cash deposited in current accounts earns interest at floating interest rates.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 2. Financial assets held for trading

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss		
Derivative financial assets- Futures contracts	40,471,388	–
Debt instrument investments	585,525,750	5,732,467,255
	<b>625,997,138</b>	5,732,467,255

As at 31 December 2022, the Group's fair value of the forward foreign exchange contracts were determined by the foreign exchange rate on the last trading day of 2022.

As of 31 December 2022, the Group's debt instrument investments were mainly investments in financial and trust products. There was no material restriction on the realisation of these investments.

### 3. Notes receivable

	31 December 2022	31 December 2021
Bank acceptance notes	1,933,419,913	466,956,969

As of 31 December 2022, the Group pledged the bank acceptance notes of RMB581,980,154 (31 December 2021: RMB32,638,447) for the short-term loan.

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 4. Trade receivables

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

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

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

The balances of trade receivables are analysed as follows:

	31 December 2022				31 December 2021					
	Book value		Provision for bad debts		Book value		Provision for bad debts		Book value	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	
Assessed bad debt provision individually	-	-	-	-	-	-	-	-	-	-
Assessed bad debt provision in portfolios based on credit risk characteristics	1,453,228,703	100	(76,350,303)	5	1,376,878,400	1,163,971,309	100	(56,899,956)	5	1,107,071,353
	<b>1,453,228,703</b>	<b>100</b>	<b>(76,350,303)</b>	<b>5</b>	<b>1,376,878,400</b>	1,163,971,309	100	(56,899,956)	5	1,107,071,353

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 4. Trade receivables (Continued)

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

	31 December 2022			31 December 2021		
	Carrying amount expected to default	Expected credit loss ratio (%)	Expected credit loss	Carrying amount expected to default	Expected credit loss ratio (%)	Expected credit loss
Within one year	<b>1,335,955,228</b>	<b>1</b>	<b>(13,359,552)</b>	1,098,242,556	1	(10,982,426)
One to two years	<b>58,996,750</b>	<b>16</b>	<b>(9,439,480)</b>	13,779,855	16	(2,204,777)
Two to three years	<b>8,591,735</b>	<b>45</b>	<b>(3,866,281)</b>	14,707,402	44	(6,471,257)
Over three years	<b>49,684,990</b>	<b>100</b>	<b>(49,684,990)</b>	37,241,496	100	(37,241,496)
	<b>1,453,228,703</b>		<b>(76,350,303)</b>	1,163,971,309		(56,899,956)

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

	Opening balance	Increase	Reversal	Write-off	Disposal of subsidiaries	Exchange gains or losses	Closing balance
2022	<b>56,899,956</b>	<b>24,871,073</b>	<b>(2,684,929)</b>	-	<b>(2,967,666)</b>	<b>231,869</b>	<b>76,350,303</b>
2021	61,016,972	29,248,928	(25,550,461)	(6,351,633)	-	(1,463,850)	56,899,956

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 4. Trade receivables (Continued)

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

31 December 2022	Relationship with the Group	Ending balance	Age	Percentage of trade receivables	Ending balance of bad debt provision
Company 1	Related party	216,344,542	Within 1 year	15%	(2,163,445)
Company 2	Third party	122,489,920	Within 1 year	8%	(1,224,899)
Company 3	Third party	85,482,142	Within 1 year and within 2 years	6%	(2,052,599)
Company 4	Third party	55,571,978	Within 1 year	4%	(555,720)
Company 5	Third party	53,828,607	Within 3 years and over 3 years	4%	(42,991,871)
		<b>533,717,189</b>		<b>37%</b>	<b>(48,988,534)</b>

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 5. Financial receivables

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

As of 31 December 2022, there were no bank acceptance notes pledged to obtain a short-term loan (31 December 2021: Nil).

The undue notes endorsed or discounted were as follows :

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 6. Prepayments

Age analysis of the prepayments is as follows:

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

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

The top five prepayments classified by debtors are as follows:

31 December 2022	Relationship with the Group	Ending balance	Age	Percentage of prepayments
Company 1	Third party	97,859,301	Within 1 year	19%
Company 2	Third party	55,328,760	Within 1 year	11%
Company 3	Third party	51,544,820	Within 1 year	10%
Company 4	Associate of the Holding	49,960,538	Within 1 year	10%
Company 5	Third party	48,632,393	Within 1 year	9%
		<b>303,325,812</b>		<b>59%</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 6. Prepayments (Continued)

The top five prepayments classified by debtors are as follows: (Continued)

31 December 2021	Relationship with the Group	Ending balance	Age	Percentage of prepayments
Company 1	Associate of the Holding	377,892,620	Within 1 year	25%
Company 2	Third party	359,025,945	Within 1 year	23%
Company 3	Third party	91,882,550	Within 1 year	6%
Company 4	Third party	89,701,750	Within 1 year	6%
Company 5	Third party	57,242,433	Within 1 year	4%
		975,745,298		64%

### 7. Other receivables

	31 December 2022	31 December 2021
Dividends receivable	–	56,527,195
Other receivables	<b>330,510,759</b>	253,478,286
	<b>330,510,759</b>	310,005,481

#### *Dividends receivable*

	31 December 2022	31 December 2021
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd (“Ouyeel Blockchain Finance”)	–	55,226,911
Ouyeel Factoring	–	1,300,284
	–	56,527,195

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 7. Other receivables (Continued)

#### *Other receivables*

Age analysis of other receivables is as follows:

	31 December 2022	31 December 2021
Within one year	328,454,904	250,457,497
One to two years	4,644,213	1,472,703
Two to three years	1,181,678	2,703,480
Over three years	71,478,066	69,409,300
	<b>405,758,861</b>	324,042,980
Less: Provision for bad debts	75,248,102	70,564,694
	<b>330,510,759</b>	253,478,286

Other receivables analysed by nature were as follows:

	31 December 2022	31 December 2021
Due from trading companies	103,543,396	82,610,176
Deposit for steel futures	81,935,967	138,290,419
Prepaid import tariff and VAT deposit	30,020,000	37,523,667
Tax refunds	237,911	9,845,911
Asset deposition	169,786,572	2,902,260
Others	20,235,015	52,870,547
	<b>405,758,861</b>	324,042,980
Less: Provision for bad debts	75,248,102	70,564,694
	<b>330,510,759</b>	253,478,286

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 7. Other receivables (Continued)

#### *Other receivables (Continued)*

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

#### **2022**

	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses	Phase III Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	1,009,562	18,919,748	50,635,384	70,564,694
Changes due to the opening balance	-	-	-	-
Accrual	58,075	3,730,373	1,000,893	4,789,341
Disposal of a subsidiary	(108,176)	-	-	(108,176)
Other changes	2,243	-	-	2,243
Closing balance	961,704	22,650,121	51,636,277	75,248,102

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 7. Other receivables (Continued)

#### *Other receivables (Continued)*

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

2021

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 7. Other receivables (Continued)

#### *Other receivables (Continued)*

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

	Opening balance	Provided	Reversal	Write-off	Other changes	Closing balance
2022	<b>70,564,694</b>	<b>4,789,341</b>	-	-	<b>(105,933)</b>	<b>75,248,102</b>
2021	429,769,204	2,914,441	(2,379,631)	(359,405,095)	(334,225)	70,564,694

As of 31 December 2022, the top five other receivables were as follows:

	Carrying amount	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
Company 1	168,212,000	41	Land transfer to the government	Within 1 year	(1,682,120)
Company 2	45,390,133	11	Due from trading companies	Over 3 years	(45,390,133)
Company 3	44,388,394	11	Deposit for steel futures	Within 1 year	-
Company 4	37,545,573	9	Deposit for steel futures	Within 1 year	-
Company 5	29,950,000	7	Deposit	Within 1 year	(299,500)
	325,486,100	79			(47,371,753)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 7. Other receivables (Continued)

#### *Other receivables (Continued)*

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

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

As of 31 December 2022, the government grants receivable were as follows:

Government grant project	Balance	Aging	Expected receiving time, amount and basis
Other receivables due from Taibai Town Government	237,911	Over 3 years	Note 1

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 7. Other receivables (Continued)

#### *Other receivables (Continued)*

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

	Government grant project	Balance	Aging	Expected receiving time, amount and basis
Other receivables due from Taibai Town Government	Policy return from 2004 to 2009	237,911	Over 3 years	Note 1
Other receivables due from Maanshan Finance Bureau	Industry support policy incentives to promote manufacturing upgrades in 2020	5,923,000	Within 1 year	Note 2
Other receivables due from Maanshan Finance Bureau	Financial reward	3,685,000	Within 1 year	Note 3

*Note 1:* The balance is the government grant received by a subsidiary named Anhui Changjiang Iron and Steel Co., Ltd. ("Anhui Changjiang Iron and Steel") in 2009 from the Town Government of Taibai, Dangtu in Anhui Province for its timely and full tax payments between 2004 and 2009. This government grant was recorded as non-operating income in 2009, there is still RMB237,911 to be received and full accrued allowance/provision for bad debts in 2022.

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

*Note 3:* The balance is the financial reward to a subsidiary named Masteel Transportation Materail from Maanshan Finance Bureau and the amount was collected in 2022.

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 8. Inventories

	31 December 2022			31 December 2021		
	Book amount	Provision for impairment	Carrying amount	Book amount	Provision for impairment	Carrying amount
Raw materials	5,479,948,207	(529,418,028)	4,950,530,179	6,168,125,040	(562,061,442)	5,606,063,598
Work in progress	2,240,249,064	(159,685,964)	2,080,563,100	3,308,153,751	(400,889,711)	2,907,264,040
Finished goods	1,589,139,490	(80,073,281)	1,509,066,209	2,569,094,658	(276,843,115)	2,292,251,543
Spare parts	1,468,865,282	(22,530,660)	1,446,334,622	1,572,326,839	(149,611,606)	1,422,715,233
Others	258,047,624	-	258,047,624	234,710,115	-	234,710,115
	<b>11,036,249,667</b>	<b>(791,707,933)</b>	<b>10,244,541,734</b>	<b>13,852,410,403</b>	<b>(1,389,405,874)</b>	<b>12,463,004,529</b>

The movements of impairment provision against inventories were as follows:

#### 2022

	Opening balance	Provided	Decrease			Closing balance
			Reversal or write-off	Exchange gains or losses	Disposal of a subsidiary	
Raw materials	562,061,442	1,057,011,585	(1,087,148,930)	333,134	(2,839,203)	529,418,028
Work in progress	400,889,711	293,656,554	(535,003,352)	143,051	-	159,685,964
Finished goods	276,843,115	212,598,860	(406,168,152)	121,545	(3,322,087)	80,073,281
Spare parts	149,611,606	7,555,409	(134,715,846)	79,491	-	22,530,660
	<b>1,389,405,874</b>	<b>1,570,822,408</b>	<b>(2,163,036,280)</b>	<b>677,221</b>	<b>(6,161,290)</b>	<b>791,707,933</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 8. Inventories (Continued)

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

2021

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

At the balance sheet date, inventories were measured at the lower of costs and net realisable values, and provision for impairment was made for items whose costs were higher than their net realisable values. Net realisable value is the estimated selling price under normal business terms deducted by the estimated costs to completion, the estimated selling expenses and related taxes.

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

	31 December 2022	31 December 2021
Bonds	2,680,219,906	784,606,000
Less: Provision for impairment	10,392	3,603
	<b>2,680,209,514</b>	784,602,397

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

### 10. Loans and advances to customers

	31 December 2022	31 December 2021
Loans	1,470,238,970	1,650,146,683
Discounted notes	1,248,912,989	3,212,880,800
	<b>2,719,151,959</b>	4,863,027,483
Less: Bad debt provision for loans and advances to customers	74,954,311	136,333,518
	<b>2,644,197,648</b>	4,726,693,965

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

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

	31 December 2022	31 December 2021
Unsecured loans	<b>2,684,385,093</b>	4,827,481,811
Pledged loans	<b>34,766,866</b>	35,545,672
	<b>2,719,151,959</b>	4,863,027,483

All customers related to loans and advances are the Holding and its subsidiaries. The Group applies the “expected credit loss (“ECL”) model” to evaluate the credit loss of loans and advances to customers. As of 31 December 2022, there was no non-performing loan in the Group’s loans and advances to customers.

The movements of provisions for bad debts against loans and advances between January and December 2022 are as follows:

	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses	Phase III Credit-impaired financial assets (lifetime expected credit losses)	Total
Opening balance	<b>136,333,518</b>	-	-	<b>136,333,518</b>
Changes due to the opening balance	-	-	-	-
Accrual	-	-	-	-
Reversal	<b>(61,379,207)</b>	-	-	<b>(61,379,207)</b>
Closing balance	<b>74,954,311</b>	-	-	<b>74,954,311</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

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

	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses	Phase III Credit-impaired financial assets (lifetime expected credit losses)	Total
Opening balance	143,340,270	-	-	143,340,270
Changes due to the opening balance	-	-	-	-
Accrual	-	-	-	-
Reversal	(7,006,752)	-	-	(7,006,752)
Closing balance	136,333,518	-	-	136,333,518

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 11. Other current assets

	31 December 2022	31 December 2021
Prepaid income tax	401,579,513	716,069,983
Deductible value added tax	477,778,603	882,148,142
Debt instrument investments (i)	8,883,816,241	3,071,616,700
	<b>9,763,174,357</b>	4,669,834,825

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

	31 December 2022			31 December 2021		
	Book amount	Provision for impairment	Carrying amount	Book amount	Provision for impairment	Carrying amount
Interbank deposits	8,883,816,241	-	8,883,816,241	3,071,674,065	(57,365)	3,071,616,700

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 11. Other current assets (Continued)

The movements of provisions for bad debts against debt instrument investments between January and December 2022 are as follows:

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

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

	Phase I 12-month expected credit losses	Phase II Lifetime expected Credit losses	Phase III Credit-impaired Financial assets (lifetime expected credit losses)	Total
Opening balance	709,958	-	-	709,958
Changes due to the opening balance	-	-	-	-
Provided	-	-	-	-
Reversal	(652,593)	-	-	(652,593)
Closing balance	57,365	-	-	57,365

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 12. Long-term receivables

	31 December 2022	31 December 2021
Sales and leaseback receivables	<b>4,136,391</b>	11,142,621

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 13. Long-term equity investments

31 December 2022

	Opening balance	Movements during the year							Closing balance	Impairment at the end of the year	
		Increase	Decrease	Investment income under the equity method	Other comprehensive income	Other equity movement	Cash dividend declared	Other changes			Provision for impairment
Joint ventures											
Maanshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel")	307,367,524	-	-	83,462,900	-	-	(93,000,000)	-	-	297,830,424	-
Associates											
Henan JinMa Energy Co., Ltd. ("Henan JinMa Energy")	870,862,596	-	-	98,170,142	234,768	1,600,362	(36,000,000)	-	-	934,867,868	-
Shenglong Chemical Co., Ltd. ("Shenglong Chemical")	1,068,420,632	-	-	44,970,320	-	678,964	-	-	-	1,114,069,916	-
Xinchuang Environmental Protection	74,212,749	-	-	7,260,385	-	(13,076)	(5,471,007)	-	-	75,989,051	-
Ouyeel Factoring	159,107,630	-	-	3,116,814	-	-	-	1,300,284	-	163,524,728	-
Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy") (Note1)	773,242,851	-	(500,232,300)	90,285,248	-	(1,138,062)	(120,515,965)	34,815,723	-	276,457,495	-
Anhui Masteel K.Wah New Building Materials Co., Ltd. ("Masteel K. Wah") (Note2)	117,087,596	-	(117,087,596)	-	-	-	-	-	-	-	-
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd. ("Ouyeel Blockchain Finance") (Note3)	347,391,985	-	(351,167,916)	31,818,502	-	(9,599,571)	(18,443,000)	-	-	-	-
Phima Intelligence	213,619,073	-	-	22,851,358	-	-	(12,065,865)	-	-	224,404,566	-
OBEI	422,657,885	-	-	3,377,519	(71,143)	(412,526)	-	-	-	425,551,735	-
Baowu Water	655,562,950	-	-	21,097,679	-	(5,663)	(14,805,691)	-	-	661,849,275	-
Anhui Masteel Gas Technology Co., Ltd. (Masteel Gases)	149,350,424	-	-	34,681,963	-	733,331	(10,303,528)	-	-	174,462,190	-
Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial") (Note 4)	-	100,414,735	-	-	-	-	-	-	-	100,414,735	-
	5,158,883,895	100,414,735	(968,487,812)	441,092,830	163,625	(8,156,241)	(310,605,056)	36,116,007	-	4,449,421,983	-

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

31 December 2021

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

*Note 3:* In September 2022, the Company entered into an equity transfer agreement with the Holding to transfer 9.88% of the equity of Ouyeel Blockchain Finance held by the Company to the Holding for RMB348.5234 million, and the Company does not hold the equity of Ouyeel Blockchain Finance.

*Note 4:* In December 2022, the Company transferred the 71% equity of Holly Industrial to The Holding for RMB239.4845 million. The Company holds 29% of the equity of Holly Industrial indirectly through Ma Steel (HK). Though the Company does not control Holly Industrial any more, it can still exercise significant influence on Holly Industrial. Therefore the Company accounts the remaining equity of Holly Industrial using the equity method instead of the cost method.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### 14. Other equity instrument investments

**31 December 2022**

	Cost	Changes in fair value accumulated in other comprehensive income	Fair value	Dividend	
				Equity instruments derecognised in the year	Equity instruments held
Henan Longyu Energy Co., Ltd. ("Henan Longyu")	10,000,000	49,170,155	59,170,155	-	-
China MCC17 Group Co., Ltd. ("MCC17")	8,554,800	37,759,427	46,314,227	-	-
Anshan Huatai CDQ Engineering Technology Co., Ltd. ("Anshan Huatai")	400,000	1,425,672	1,825,672	-	(250,000)
Linhan Coking Co., Ltd ("Linhan Coking")	114,500,456	53,684,997	168,185,453	-	(21,597,770)
Masteel Lihua Metal Resources co. Ltd. ("Masteel Lihua")	4,500,000	1,212,591	5,712,591	-	-
Huabao Duding (Shanghai) Financial Leasing Co., Ltd. ("Huabao Duding")	82,951,875	5,683,125	88,635,000	-	(4,020,634)
Baowu Clean Energy	155,446,360	16,117,052	171,563,412	-	-
	<b>376,353,491</b>	<b>165,053,019</b>	<b>541,406,510</b>	<b>-</b>	<b>(25,868,404)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

31 December 2021

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### 15. Investment properties

Investment properties measured using the cost method:

**2022**

	<b>Plant and buildings</b>
Cost:	
Opening balance	<b>77,302,542</b>
Addition	–
Transferred to property, plant and equipment	–
Closing balance	<b>77,302,542</b>
Accumulated depreciation:	
Opening balance	<b>16,490,938</b>
Provided	<b>3,603,685</b>
Transferred to property, plant and equipment	–
Closing balance	<b>20,094,623</b>
Provision for impairment:	
Opening and closing balance	–
Net carrying amount:	
At the ending of the year	<b>57,207,919</b>
At the beginning of the year	<b>60,811,604</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 15. Investment properties (Continued)

Investment properties measured using the cost method: (Continued)

2021

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

### 16. Property, plant and equipment

	31 December 2022	31 December 2021
Property, plant and equipment	42,421,162,633	28,585,265,256
Property, plant and equipment to be disposed of	11,071,278	19,985,640
	42,432,233,911	28,605,250,896

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

2022

	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land (Note 1)	Total
Cost:						
At the beginning of the year	27,665,360,092	54,589,960,027	266,963,097	401,764,886	10,143,423	82,934,191,525
Addition	104,973,909	382,689,132	11,196,710	2,385,086	–	501,244,837
Transferred from construction in progress (Note V. 17)	6,402,530,901	9,286,317,692	390,042,789	770,037,069	–	16,848,928,451
Reclassification	–	–	298,034	(298,034)	–	–
Disposal	(82,826,669)	(490,841,553)	(31,950,262)	(91,273)	–	(605,709,757)
Disposal of a subsidiary	(213,350,064)	(134,629,347)	(2,677,823)	(10,305,505)	–	(360,962,739)
Exchange realignment	1,140,452	6,958,652	233,079	317,884	285,489	8,935,556
At the end of the year	33,877,828,621	63,640,454,603	634,105,624	1,163,810,113	10,428,912	99,326,627,873
Accumulated depreciation:						
At the beginning of the year	14,221,559,782	39,320,604,524	196,260,273	324,145,867	–	54,062,570,446
Provided	887,885,152	2,219,367,708	38,316,581	50,413,355	–	3,195,982,796
Reclassification	–	–	194,882	(194,882)	–	–
Disposal	(20,370,191)	(373,447,768)	(28,065,344)	(87,026)	–	(421,970,329)
Disposal of a subsidiary	(107,132,825)	(107,476,179)	(2,542,823)	(5,337,410)	–	(222,489,237)
Exchange realignment	238,834	1,690,594	173,595	101,930	–	2,204,953
At the end of the year	14,982,180,752	41,060,738,879	204,337,164	369,041,834	–	56,616,298,629
Impairment:						
At the beginning of the year	11,439,841	272,315,398	2,268,404	332,180	–	286,355,823
Disposal	–	–	–	(2,864)	–	(2,864)
Exchange realignment	447,716	2,292,884	63,845	9,207	–	2,813,652
At the end of the year	11,887,557	274,608,282	2,332,249	338,523	–	289,166,611
Net carrying amount:						
At the end of the year	18,883,760,312	22,305,107,442	427,436,211	794,429,756	10,428,912	42,421,162,633
At the beginning of the year	13,432,360,469	14,997,040,105	68,434,420	77,286,839	10,143,423	28,585,265,256

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

2021

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

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

As of 31 December 2022, certificates of ownership in respect of 56 buildings of the Group in Mainland China, mainly used for production and operation, with an aggregate cost of RMB1,555,606,783 (31 December 2021: RMB1,577,595,176), have not been obtained from the relevant government authorities. The directors represented that the Group was in the process of obtaining the relevant certificates, and this will not have any significant adverse impact on the Group's operations.

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

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

	31 December 2022	31 December 2021
Plant and buildings	–	6,549,943
Machinery and equipment	<b>11,071,278</b>	12,095,604
Motor vehicles	–	1,340,093
	<b>11,071,278</b>	19,985,640

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 17. Construction in progress

	31 December 2022	31 December 2021
Construction in progress	<b>7,766,555,935</b>	10,999,333,300

#### *Construction in progress*

	31 December 2022		31 December 2021			
	Carrying amount	Provision for impairment	Carrying amount	Carrying amount	Provision for impairment	Carrying amount
Product quality projects	<b>3,414,899,160</b>	-	<b>3,414,899,160</b>	3,786,404,228	-	3,786,404,228
Energy-saving and environmental protection projects	<b>1,872,185,401</b>	-	<b>1,872,185,401</b>	3,820,740,766	-	3,820,740,766
Equipment advancement and other modification projects	<b>1,150,747,707</b>	-	<b>1,150,747,707</b>	1,844,663,165	-	1,844,663,165
Other projects	<b>1,328,723,667</b>	-	<b>1,328,723,667</b>	1,547,525,141	-	1,547,525,141
<b>Total</b>	<b>7,766,555,935</b>	<b>-</b>	<b>7,766,555,935</b>	10,999,333,300	-	10,999,333,300

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 17. Construction in progress (Continued)

#### *Construction in progress (Continued)*

In 2022, the movements of significant projects were as follows:

Name of projects	Budget	Opening balance	Addition	Transferred to property, plant and equipment (Note V.16)	Closing balance	Source of fund	The proportion of projects	Percentage of completion	Capitalised	Capitalised	The capitalised
							accounted for investment		interest accumulated	interest in current period	interest rate in current period
	RMB'000	RMB	RMB	RMB	RMB		(%)	(%)	RMB	RMB	(%)
Product quality projects	28,267,928	3,786,404,228	4,627,247,965	(4,998,753,033)	3,414,899,160	Internally and externally financed	30%	30%	11,599,989	11,599,989	2.8%
Energy-saving and environmental protection projects	12,006,489	3,820,740,766	4,493,548,573	(6,442,103,938)	1,872,185,401	Internally and externally financed	69%	69%	92,083	92,083	2.5%
Equipment advancement and other modification projects	7,758,408	1,844,663,165	3,762,046,912	(4,455,962,370)	1,150,747,707	Internally and externally financed	72%	72%	5,937,915	5,937,915	2.9%
Other projects	N/A	1,547,525,141	733,307,636	(952,109,110)	1,328,723,667	Internally financed	N/A	N/A	-	-	-
Less: impairment		10,999,333,300	13,616,151,086	(16,848,928,451)	7,766,555,935				17,629,987	17,629,987	2.8%
		10,999,333,300	13,616,151,086	(16,848,928,451)	7,766,555,935				17,629,987	17,629,987	2.8%

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 17. Construction in progress (Continued)

#### *Construction in progress (Continued)*

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 18. Right-of-use assets

**2022**

	Plant and buildings	Motor vehicles	Land use rights	Total
Cost				
At the beginning of the year	645,698,484	–	3,629,119	649,327,603
Addition	2,579,306	–	190,203	2,769,509
Disposal	(262,658,925)	–	–	(262,658,925)
At the end of the year	385,618,865	–	3,819,322	389,438,187
Accumulated depreciation:				
At the beginning of the year	80,065,687	–	342,628	80,408,315
Provided	19,686,439	–	99,334	19,785,773
Disposal	–	–	–	–
At the end of the year	99,752,126	–	441,962	100,194,088
Impairment:				
At the beginning of the year and at the end of the year	–	–	–	–
Net carrying amount:				
At the end of the year	285,866,739	–	3,377,360	289,244,099
At the beginning of the year	565,632,797	–	3,286,491	568,919,288

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

2021

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 19. Intangible assets

**2022**

	Land use rights	Mining rights	Patents	Total
Cost:				
At the beginning of the year	2,584,246,587	128,117,262	2,236,612	2,714,600,461
Addition	150,184,960	–	172,085,477	322,270,437
Disposal	(97,451,794)	(129,566,967)	(125,703)	(227,144,464)
Disposal of a subsidiary	(62,428,514)	–	–	(62,428,514)
Exchange realignment	–	1,449,705	62,949	1,512,654
At the end of the year	2,574,551,239	–	174,259,335	2,748,810,574
Accumulated amortisation:				
At the beginning of the year	857,241,924	128,117,262	1,911,451	987,270,637
Provided	56,330,748	–	5,245,738	61,576,486
Disposal	(26,187,219)	(129,566,967)	(119,763)	(155,873,949)
Disposal of a subsidiary	(20,767,311)	–	–	(20,767,311)
Exchange realignment	–	1,449,705	59,273	1,508,978
At the end of the year	866,618,142	–	7,096,699	873,714,841
Impairment:				
At the beginning of the year and at the end of the year	–	–	–	–
Net carrying amount:				
At the end of the year	1,707,933,097	–	167,162,636	1,875,095,733
At the beginning of the year	1,727,004,663	–	325,161	1,727,329,824

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### 19. Intangible assets (Continued)

2021

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 19. Intangible assets (Continued)

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

### 20. Deferred tax assets/liabilities

Deferred tax assets and deferred liabilities before being offset:

	31 December 2022		31 December 2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Asset impairment provision	<b>67,118,714</b>	<b>17,414,242</b>	427,889,632	107,573,448
Sales incentive	<b>26,578,129</b>	<b>6,644,532</b>	181,823,205	45,455,801
Payroll payable	<b>11,506,429</b>	<b>3,246,267</b>	16,343,408	4,565,446
Government grants	<b>170,910,246</b>	<b>32,340,167</b>	264,655,855	66,163,964
Deductible losses	<b>642,599,026</b>	<b>96,389,851</b>	–	–
Others	<b>148,701,549</b>	<b>36,710,775</b>	188,182,457	47,707,399
	<b>1,067,414,093</b>	<b>192,745,834</b>	1,078,894,557	271,466,058

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

	31 December 2022		31 December 2021	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustments related to business combinations not under common control	<b>60,176,608</b>	<b>13,802,368</b>	65,473,416	16,368,354
Changes in fair value of futures	<b>40,471,387</b>	<b>6,070,708</b>	–	–
Changes in fair value of other equity instrument investments	<b>159,369,891</b>	<b>24,026,743</b>	266,230,852	66,102,861
Dividends from overseas subsidiaries	–	–	405,240,624	34,445,453
Others	<b>5,338,882</b>	<b>1,334,721</b>	–	–
	<b>265,356,768</b>	<b>45,234,540</b>	736,944,892	116,916,668

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

	31 December 2022		31 December 2021	
	Offset amount	Net amount	Offset amount	Net amount
Deferred tax assets	<b>41,837,042</b>	<b>150,908,792</b>	99,665,365	171,800,693
Deferred tax liabilities	<b>41,837,042</b>	<b>3,397,498</b>	99,665,365	17,251,303

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

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

	31 December 2022	31 December 2021
Deductible temporary differences	<b>3,278,153,136</b>	3,853,803,721
Deductible tax losses	<b>4,376,951,555</b>	633,610,877
	<b>7,655,104,691</b>	4,487,414,598

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

	31 December 2022	31 December 2021
To expire in 2022	–	4,694,134
To expire in 2023	<b>10,821,092</b>	11,988,109
To expire in 2024	<b>24,315,670</b>	24,315,670
To expire in 2025	<b>14,580,461</b>	14,580,461
To expire in 2026	–	–
To expire in 2027 and subsequent years (Note)	<b>4,327,234,332</b>	578,032,503
Total	<b>4,376,951,555</b>	633,610,877

*Note:* As of 31 December 2022, overseas subsidiaries of the Company have deductible tax losses amounting to RMB661,192,737 (31 December 2021: RMB578,032,503) without an expiration date.

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

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

	31 December 2022	31 December 2021
Taxable temporary differences (Note)	<b>1,438,521,807</b>	1,755,117,449

*Note:* The Group's taxable temporary differences of unrecognised deferred tax liabilities are arising from long-term equity investments in its domestic joint ventures, associates and overseas subsidiaries. These taxable temporary differences would be reversed with tax consequences on the Group through future disposal of shares or receipt of dividends from overseas subsidiaries. Since the Group can control the dividend plans of overseas subsidiaries and would not dispose of equity investments in these joint ventures and associates in the foreseeable future, it has not recognised any deferred tax liabilities according to the above mentioned taxable temporary differences.

### 21. Customer deposits

	31 December 2022	31 December 2021
Demand deposits	<b>2,533,157,419</b>	5,898,362,065
Notice deposits	<b>2,164,630,175</b>	1,821,877,753
Time deposits	<b>4,384,322,985</b>	1,532,817,473
	<b>9,082,110,579</b>	9,253,057,291

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 22. Repurchase agreements

	31 December 2022	31 December 2021
Bonds	500,000,000	–
Notes	159,635,255	925,465,952
	<b>659,635,255</b>	925,465,952

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

### 23. Short-term loans

	31 December 2022	31 December 2021
Pledged loans (Note 1)	581,980,154	32,638,447
Unsecured loans	8,616,503,011	8,919,570,598
	<b>9,198,483,165</b>	8,952,209,045

*Note 1:* As of 31 December 2022, the Group pledged the bank acceptance notes of RMB581,980,154 (31 December 2021: RMB32,638,447) for the short-term loan.

As of 31 December 2022, the interest rates of the above short-term loans ranged from 0.770%-3.500% (31 December 2021: 0.350%-3.750%).

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 24. Financial liabilities held for trading

	31 December 2022	31 December 2021
Derivative financial liabilities		
Forward foreign exchange contracts	–	31,663,498

As of 31 December 2022, the fair value of foreign exchange forward contracts held by the Group is determined based on the forward foreign exchange rate on the last trading day of 2022.

### 25. Notes payable

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 26. Trade payables

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

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

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

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

As of 31 December 2022, the material trade payables aged over one year were as follows :

	Amount due	Reason for non-settlement
Company 1	55,083,290	Note
Company 2	35,682,626	Note
Company 3	25,361,136	Note
Company 4	10,781,821	Note
Company 5	10,298,929	Note
	<b>137,207,802</b>	

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 27. Contract liabilities

	31 December 2022	31 December 2021
Advances from customers	<b>4,987,638,416</b>	5,741,241,284

As of 31 December of 2022, contract liabilities aged over one year amounting to RMB31,839,540 (31 December 2021: RMB19,318,171), were mainly due to the contracts that were not fully executed.

### 28. Payroll and employee benefits payable

**2022**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term employee benefits	<b>341,523,209</b>	<b>3,854,591,009</b>	<b>3,809,283,717</b>	<b>386,830,501</b>
Post-employment benefits (defined contribution plans)	<b>1,617,049</b>	<b>642,618,800</b>	<b>548,849,128</b>	<b>95,386,721</b>
Supplementary retirement benefits due within one year (i) (Note V.37)	<b>1,780,083</b>	<b>1,290,704</b>	<b>752,707</b>	<b>2,318,080</b>
One-off termination compensation (ii)	<b>1,840,527</b>	<b>370,842,845</b>	<b>370,842,845</b>	<b>1,840,527</b>
Early retirement benefits due within one year (iii) (Note V.37)	<b>2,763,873</b>	<b>1,880,085</b>	<b>2,763,873</b>	<b>1,880,085</b>
	<b>349,524,741</b>	<b>4,871,223,443</b>	<b>4,732,492,270</b>	<b>488,255,914</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

2021

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

- (i) The Group's overseas subsidiary MG-VALDUNES provided employees with other post-retirement supplementary benefits, mainly including supplementary pension allowances, reimbursement of medical expenses and supplementary medical insurance, and these supplementary benefits after retirement are regarded as defined benefit plans. The present value of the defined benefit plan is determined by discounting the estimated future cash outflow at the interest rate of government bonds with a maturity date similar to the expected payment period for supplementary benefits after retirement. According to the Note III.19, the cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method. MG-VALDUNES has made no investment for the defined benefit plans. Based on assumptions including local mortality rate, 2% expected wage growth rate and government bond discount rate for the same period, MG-VALDUNES made an annual estimate of the defined benefits payable under the plan, and also took into account the actual settlement of defined benefit obligations each year. As there was no financial management and no investment made for the benefit plan, as of 31 December 2022, there are no plan assets under the benefit plan. The defined benefit payable under the benefit plan was approximately RMB16,681,532 (31 December 2021: RMB24,277,581), accounting approximately 0.02% of the total assets of the Group only (31 December 2021: 0.03%). The interest plan maintained by MG-VALDUNES is considered to be relatively simple. Since the said defined benefit plan is not significant, the estimates carried out by the Group should be sufficient, and it would not be necessary to engage professional actuary to conduct actuarial valuation of said defined benefit plan. The part payable over one year is listed in the long-term payroll employee benefits payable.
- (ii) One-off termination compensation is the termination compensation paid by the Company to its employees due to human resource optimisation.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

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

- (iii) The Group also provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement benefits refer to the wages and social insurance premiums paid to employees who have not reached the national retirement age but have voluntarily quit their jobs with the approval of the management of the Group. Although employees who accept early retirement arrangements have not terminated their labor contracts with the Group, they will no longer provide services to the Group in the future and cannot bring economic benefits to the Group, and the Group will no longer pay salary and make welfare payments after the employees formally retire, what the Group promises to provide is substantially financial compensation with the nature of dismissal benefits, and shall be dealt with by reference to dismissal benefits before the employees' official retirement date. Since the aforementioned early retirement benefits will be settled more than 12 months after the end of the annual reporting period, an evaluation was done in respect of the plan internally by the Group at the end of 2021, and the evaluation method was the projected cumulative unit credit method. The source of funds for the plan mainly came from the daily working capital of the Group, and the Group has not designated any specific assets for the plan. There is no standardized calculation method for the amount to be distributed, and each member of the Group can determine its own contribution standard in accordance with its internal policies. Based on assumptions including mortality rate, 3% expected salary growth rate and national debt discount rate for the same period, the human resources personnel of the Group made annual estimates of the defined benefits payable under the said early retirement plan, and also considered the actual settlement amount under the annual defined benefit obligations. As there was no financial management and no investment made for the said early retirement plan, as of 31 December 2022, there were no plan assets under the said early retirement plan, and the defined benefits payable amounted to approximately RMB3,940,107 (31 December 2021: RMB8,803,883), accounting for approximately 0.004% of the Group's total assets as of 31 December 2022 only (31 December 2021: 0.01%). Since the said early retirement plan is relatively straightforward, the estimates carried out by the Group should be sufficient, and it would not be necessary to engage professional actuary to conduct actuarial valuation of said early retirement plan. The part payable over one year is listed in the long-term payroll employee benefits payable.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

Short-term employee benefits:

**2022**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses and subsidies	293,590,746	2,914,582,875	2,926,275,792	281,897,829
Welfare	11,731,175	184,983,293	196,340,611	373,857
Social insurance	1,670,348	273,360,077	222,160,748	52,869,677
Including: Medical insurance	1,660,386	243,946,103	197,340,760	48,265,729
Work-related injury insurance	6,438	27,878,467	23,281,556	4,603,349
Maternity insurance	3,524	1,535,507	1,538,432	599
Housing fund	1,200	392,218,423	392,218,423	1,200
Labor union fee and employee education fee	34,529,740	89,446,341	72,288,143	51,687,938
	<b>341,523,209</b>	<b>3,854,591,009</b>	<b>3,809,283,717</b>	<b>386,830,501</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

Short-term employee benefits: (Continued)

2021

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

Defined contribution plans:

**2022**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	1,604,378	476,130,806	385,196,489	92,538,695
Unemployment insurance	4,815	14,648,043	11,805,067	2,847,791
Supplementary pension scheme	7,856	151,839,951	151,847,572	235
	<b>1,617,049</b>	<b>642,618,800</b>	<b>548,849,128</b>	<b>95,386,721</b>

**2021**

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

The Group's pension plan is mainly based on the social insurance plans established by government departments in accordance with regulations. The plan is regarded as a defined contribution scheme. According to the provisions of the plan, the Group shall not use any forfeited contributions to reduce the current level of contributions. If employees withdraw from the plan for any reason before actually receiving the relevant contributions, the Group will no longer pay pension and unemployment insurance premiums on their behalf.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

All full-time employees of the Group participate in the basic pension insurance scheme formulated by the government in accordance with national policies. In 2022, the basic pension insurance premiums were paid based on 16% of the Group's employees' basic salary (2021: 16%), which does not exceed the upper limit prescribed by the government department, and the employees shall pay the basic pension insurance premiums in proportion to their own wages stipulated by the government. After employees reach the legal retirement age, they receive basic pensions on a monthly basis. In 2022, the basic pension insurance premiums payable by the Group amounted to approximately RMB476,130,806 (2021: RMB413,477,419), which was recorded as labour costs.

In addition, the Group has established an enterprise annuity plan. The expenses required for the enterprise annuity shall be paid jointly by the enterprise and individual employees. The Group and employees who enjoy the annuity plan use the employee social insurance payment base as the payment base. The employee's payment and deposit ratio is 1%, and the enterprise's payment and deposit ratio is 6%. The Group has no further statutory or presumed obligation after such payment and deposit, and the Group treated the plan as a defined contribution scheme. The total amount of the Group's corporate annuity expenses in 2022 was approximately RMB151,839,951(2021: RMB105,543,044), which was recorded as labour costs.

### 29. Taxes payable

	31 December 2022	31 December 2021
Value-added tax	<b>205,366,278</b>	485,389,546
Corporate income tax	<b>28,331,657</b>	121,010,106
Land use tax	<b>125,109,881</b>	130,696,672
Personal income tax	<b>6,530,536</b>	12,140,607
Water conservancy funds	<b>210,520,533</b>	171,864,296
City construction and maintenance tax	<b>1,712,886</b>	26,710,473
Environment protection tax	<b>5,702,797</b>	15,299,911
Other taxes	<b>56,574,789</b>	110,502,368
	<b>639,849,357</b>	1,073,613,979

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 30. Other payables

	31 December 2022	31 December 2021
Dividends payable	15,143,264	6,612,733
Other payables	3,901,947,069	3,948,286,821
	<b>3,917,090,333</b>	3,954,899,554

#### *Dividends payable*

	31 December 2022	31 December 2021
Dividends paid	15,143,264	6,612,733

As of 31 December 2022, due to the unclaimed dividends declared from the year of 2007 to 2011, the Group has accumulated unpaid dividends payable over one year amounting to RMB6,612,733.

#### *Other payables*

	31 December 2022	31 December 2021
Payable for forfeiting	2,491,745,076	2,113,943,628
Special funds (Note 1)	829,114,284	849,625,962
Payable for construction, maintenance and inspection fees	154,762,316	170,959,064
Sales incentives	190,803,442	380,604,725
Employee settlement for productivity shutting down	–	152,568,484
Social welfare and housing fund payable	11,522,083	12,421,091
Service fees payable	41,730	41,530
Others	223,958,138	268,122,337
	<b>3,901,947,069</b>	3,948,286,821

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 30. Other payables (Continued)

#### *Other payables (Continued)*

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

At of 31 December 2022, significant other payables aged over one year were as follows :

	Amount payable	Reason for non-settlement
Company 1	8,000,000	Note
Company 2	1,550,000	Note
Company 3	1,255,000	Note
Company 4	1,000,000	Note
Company 5	1,000,000	Note
	12,805,000	

*Note:* The Group's other payables aged over one year were mainly transaction payables. Since the project did not meet the terms of settlement, the payments were not settled.

### 31. Non-current liabilities due within one year

	31 December 2022	31 December 2021
Long-term loans due within one year (Note V.34)	<b>2,043,898,497</b>	1,333,790,955
Lease liabilities due within one year (Note V.35)	<b>15,514,425</b>	24,502,378
	<b>2,059,412,922</b>	1,358,293,333

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 32. Accrued liabilities

**2022**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pending litigation or arbitration	10,032,690	1,272,978	6,009,963	5,295,705
Pending onerous contract (Note)	23,942,730	–	9,107,120	14,835,610
Others	3,642,708	2,757,056	831,803	5,567,961
	<b>37,618,128</b>	<b>4,030,034</b>	<b>15,948,886</b>	<b>25,699,276</b>

**2021**

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

*Note:* The accrued liabilities of the pending onerous contract represented expected losses from executing some sales orders signed by the Group's subsidiary, MG-VALDUNES. The management of the Group estimated that the cost of executing those orders would exceed the agreed price and estimated the provision accordingly.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 33. Other current liabilities

	31 December 2022	31 December 2021
Advances for output tax	<b>648,392,994</b>	746,361,366

### 34. Long-term loans

	31 December 2022	31 December 2021
Guaranteed loans (Note)	<b>22,000,000</b>	33,000,000
Unsecured loans	<b>10,004,289,262</b>	6,753,041,007
	<b>10,026,289,262</b>	6,786,041,007
Less: Long-term loans due within one year (Note V.31)	<b>2,043,898,497</b>	1,333,790,955
	<b>7,982,390,765</b>	5,452,250,052

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

As of 31 December 2022, the interest rates of the above long-term loans ranged from 1.20% to 3.75% (31 December 2021: from 1.20% to 3.40%).

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

	31 December 2022	31 December 2021
Within one year or on demand (Note V.31)	<b>2,043,898,497</b>	1,333,790,955
One to two years (inclusive)	<b>3,324,812,973</b>	1,938,095,192
Two to three years (inclusive)	<b>4,576,377,792</b>	3,467,954,860
Three to five years (inclusive)	<b>68,000,000</b>	33,000,000
Over five years	<b>13,200,000</b>	13,200,000
	<b>10,026,289,262</b>	6,786,041,007

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 35. Lease liabilities

	31 December 2022	31 December 2021
Plant and buildings	317,627,507	593,137,239
Land use rights	3,433,312	3,344,736
	<b>321,060,819</b>	596,481,975
Less: Lease liabilities due within one year (Note V.31)	15,514,425	24,502,378
	<b>305,546,394</b>	571,979,597

### 36. Long-term payable

	31 December 2022	31 December 2021
Equity incentive plan repurchase obligations	168,053,940	–

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 37. Long-term payroll and employee benefits payable

	31 December 2022	31 December 2021
1. Early retirement benefits (Note 1)	<b>3,940,107</b>	8,803,883
Less : Early retirement benefits due within one year	<b>1,880,085</b>	2,763,873
2. Supplementary retirement benefits (Note 2)	<b>16,681,532</b>	24,277,581
Less : Supplementary retirement benefits due within one year	<b>2,318,080</b>	1,780,083
	<b>16,423,474</b>	28,537,508

Note 1: Early retirement benefits

2022	Opening balance	Increase during the year	Unrecognised financing expense	Decrease during the year	Closing balance	Less: Due within one year	Closing balance
Early retirement benefits	8,803,883	1,309,967	167,529	6,341,272	3,940,107	1,880,085	2,060,022

Note 2: Supplementary retirement benefits

2022	Opening balance	Increase during the year	Decrease during the year	Closing balance	Less: Due within one year	Closing balance
Supplementary retirement benefits	24,277,581	1,290,704	8,886,753	16,681,532	2,318,080	14,363,452

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

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

Early retirement benefits expected to be paid by the Group:

	31 December 2022	31 December 2021
Undiscounted value		
Within one year	<b>1,880,085</b>	2,763,873
One to two years	<b>1,229,050</b>	2,339,992
Two to three years	<b>528,616</b>	1,804,913
Over three years	<b>454,721</b>	2,214,999
	<b>4,092,472</b>	9,123,777
Financing expense unrecognised	<b>(152,365)</b>	(319,894)
	<b>3,940,107</b>	8,803,883
Less: Due within one year	<b>1,880,085</b>	2,763,873
	<b>2,060,022</b>	6,040,010

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 38. Deferred revenue

**2022**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Government grants	911,424,466	93,511,079	71,019,096	933,916,449

**2021**

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 38. Deferred revenue (Continued)

As of 31 December 2022, liabilities related to government grants were as follows:

	Opening balance	Increase during the year	Included in other income	Closing balance	Related to assets/income
Technological transformation fund for Phase II silicon steel	64,241,669	-	(4,380,767)	59,860,902	assets
Subsidy for the hot-rolled 1580 project	28,908,750	-	(1,971,345)	26,937,405	assets
New-zone Thermal Power Plant CAPP system engineering	9,505,972	-	(4,240,727)	5,265,245	assets
EMU steel wheel production line project	23,974,990	-	(2,196,352)	21,778,638	assets
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	10,109,300	-	(566,896)	9,542,404	assets
Subsidy for a thin plate project	35,272,544	-	(4,728,493)	30,544,051	assets
Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT)	10,516,791	-	(589,747)	9,927,044	assets
Alloy bar production line refinement project of electric furnace plant	27,414,360	-	(1,481,905)	25,932,455	assets
Intelligent manufacturing special fund	13,879,683	-	(1,365,215)	12,514,468	assets
1#2# shaft furnace flue gas desulfurization project	10,333,646	-	(553,605)	9,780,041	assets
Flue gas desulfurization BOT project for thermoelectric 135MW units	10,109,300	-	(566,896)	9,542,404	assets
Research and innovation of high-quality plates	11,320,364	-	(22,566)	11,297,798	assets
Comprehensive utilization project of steel slag treatment in Magang South District	8,606,666	-	(439,503)	8,167,163	assets
Comprehensive utilization of gas for power generation of a thermal power plant	19,245,303	-	(1,089,394)	18,155,909	assets
Subsidy for Maanshan railway industry (Maanshan)	19,936,100	-	(2,080,289)	17,855,811	assets
Subsidy funds for 4# blast furnace project	149,990,651	-	(8,613,060)	141,377,591	assets
Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area	4,761,667	-	(219,775)	4,541,892	assets

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 38. Deferred revenue (Continued)

As of 31 December 2022, liabilities related to government grants were as follows: (Continued)

	Opening balance	Increase during the year	Included in other income	Closing balance	Related to assets/income
Flue gas desulfurization BOT project for thermoelectric 135MW units	20,800,000	-	(314,286)	20,485,714	assets
Fixed asset subsidies for galvanizing projects	9,411,814	-	(1,145,670)	8,266,144	assets
Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant	17,000,000	-	(62,271)	16,937,729	assets
Liufen River dredging and landscape improvement project	48,180,000	-	-	48,180,000	assets
Digital high-speed axle manufacturing inspection capabilities upgraded	-	62,590,000	-	62,590,000	assets
Transformation Project of Fugitive Emissions of Ironmaking General Plant (Phase I)	-	23,930,000	-	23,930,000	assets
5 million tons of new area project	8,807,162	-	(5,051,103)	3,756,059	assets
Plate spray aluminium powder project	892,513	-	(72,366)	820,147	assets
Development and application research of efficient and economical building steel	11,733,424	-	(701,887)	11,031,537	assets
Others	336,471,797	6,991,079	(28,564,978)	314,897,898	assets
<b>Total</b>	<b>911,424,466</b>	<b>93,511,079</b>	<b>(71,019,096)</b>	<b>933,916,449</b>	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 38. Deferred revenue (Continued)

As of 31 December 2021, liabilities related to government grants were as follows:

	Opening balance	Increase during the year	Included in other income	Other changes	Closing balance	Related to assets/income
Subsidy funds for 4# blast furnace project	158,614,655	-	(8,624,004)	-	149,990,651	assets
Technological transformation fund for Phase II silicon steel	68,641,669	-	(4,400,000)	-	64,241,669	assets
Subsidy for the hot-rolled 1580 project	30,888,750	-	(1,980,000)	-	28,908,750	assets
New-zone Thermal Power Plant CCPP system engineering	13,817,972	-	(4,312,000)	-	9,505,972	assets
EMU steel wheel production line project	26,174,990	-	(2,200,000)	-	23,974,990	assets
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	10,676,900	-	(567,600)	-	10,109,300	assets
Subsidy for a thin plate project	40,001,037	-	(4,728,493)	-	35,272,544	assets
Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT)	11,107,275	-	(590,484)	-	10,516,791	assets
Alloy bar production line refinement project of electric furnace plant	28,898,040	-	(1,483,680)	-	27,414,360	assets
Subsidy for Maanshan railway industry (Maanshan)	22,036,100	-	(2,100,000)	-	19,936,100	assets
Comprehensive utilization of gas for power generation of a thermal power plant	20,336,063	-	(1,090,760)	-	19,245,303	assets
Intelligent manufacturing special fund	15,253,122	-	(1,373,439)	-	13,879,683	assets
Subsidies for galvanization projects	10,656,175	-	(1,244,361)	-	9,411,814	assets
Special fund for the strong foundation project of the Ministry of Industry and Information Technology	22,580,000	-	-	-	22,580,000	assets
Coking plant 8# coke oven flue gas desulfurisation and denitration project	1,251,840	-	(23,467)	-	1,228,373	assets

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 38. Deferred revenue (Continued)

As of 31 December 2021, liabilities related to government grants were as follows: (Continued)

	Opening balance	Increase during the year	Included in other income	Other changes	Closing balance	Related to assets/income
Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area	4,981,667	-	(220,000)	-	4,761,667	assets
Special fund for the environmental protection improvement and reconstruction project of a comprehensive stockyard	6,400,000	-	-	-	6,400,000	assets
Transformation project of dedusting facilities in a blast furnace tapping yard and ore trough of Anhui Changjiang Iron and Steel	2,863,977	-	(212,225)	-	2,651,752	assets
Desulfurisation and denitration system engineering of sintering machine in Anhui Changjiang Iron and Steel	8,540,000	-	(534,848)	-	8,005,152	assets
Ironmaking plant 1#2# sintering machine transformation project	-	20,800,000	-	-	20,800,000	assets
Liufen River dredging and landscape improvement project	-	48,180,000	-	-	48,180,000	assets
Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant	-	17,000,000	-	-	17,000,000	assets
Development and demonstration application of on-line detection and sensing technology for key parameters of special steel production	-	8,750,000	-	-	8,750,000	assets
Others	369,229,049	9,791,143	(21,976,480)	(8,384,117)	348,659,595	assets
<b>Total</b>	<b>872,949,281</b>	<b>104,521,143</b>	<b>(57,661,841)</b>	<b>(8,384,117)</b>	<b>911,424,466</b>	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 39. Share capital

**31 December 2022**

Registered, issued and fully paid	Opening balance		Increase/(decrease) during the year			Closing balance	
	Number of shares	Percentage (%)	Shares issued	Others	Sub-total	Number of shares	Percentage (%)
A. Shares with selling restrictions							
1. State-owned shares	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-
3. Other domestically owned shares	100	-	75,050,000	(100)	75,049,900	75,050,000	1.0
Including: Shares owned by domestic natural persons	100	-	75,050,000	(100)	75,049,900	75,050,000	1.0
Sub-total	100	-	75,050,000	(100)	75,049,900	75,050,000	1.0
B. Shares without selling restrictions							
1. A shares	5,967,751,186	77.5	-	100	100	5,967,751,086	76.7
2. H shares	1,732,930,000	22.5	-	-	-	1,732,930,000	22.3
Sub-total	7,700,681,186	100.0	-	100	100	7,700,681,186	99.0
C. Total shares	7,700,681,186	100.0	75,050,000	-	75,050,000	7,775,731,186	100.0

*Note:* On March 30, 2022, the 59th meeting of the 9th Board of Directors and the 49th meeting of the 9th Supervisory Board of the Company deliberated and passed the "Proposal on the First Grant of Restricted Shares to the Incentive Recipients of the Company's 2021 A-Share Restricted Stock Incentive Plan", granting 75,050,000 reserved restricted shares to 260 eligible incentive recipients. The registration was completed at the Shanghai Branch of China Securities Depository and Clearing Co., Ltd. on May 9, 2022.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 39. Share capital (Continued)

31 December 2021

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

Other than H share dividends, which are paid in Hong Kong dollars, all shares, including A shares and H shares, have the same right to the Company's operating results and voting rights. The par value for each A share or H share is RMB1.00.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 40. Capital reserve

**31 December 2022**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium (Note 1)	8,333,840,683	96,814,500	–	8,430,655,183
Others (Note 2)	10,753,351	32,826,870	31,477,552	12,102,669
Total	8,344,594,034	129,641,370	31,477,552	8,442,757,852

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

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

**31 December 2021**

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

### 41. Treasury shares

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 42. Other comprehensive income

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

	1 January 2021	Increase/ (decrease)	31 December 2021	Increase/ (decrease)	30 December 2022
Other comprehensive income that may not be reclassified to profit or loss: Change in fair value of other equity instrument investments	101,748,234	98,238,753	199,986,987	<b>(59,447,332)</b>	<b>140,539,655</b>
Other comprehensive income that will be reclassified to profit or loss: Changes in the fair value of other debt investments	–	470,700	470,700	<b>(9,249,030)</b>	<b>(8,778,330)</b>
Other comprehensive income to be reclassified to profit or loss under the equity method	(2,745,469)	933,291	(1,812,178)	<b>163,625</b>	<b>(1,648,553)</b>
Exchange differences arising from foreign currency translation	(122,154,548)	(64,219,592)	(186,374,140)	<b>26,254,957</b>	<b>(160,119,183)</b>
	(23,151,783)	35,423,152	12,271,369	<b>(42,277,780)</b>	<b>(30,006,411)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 42. Other comprehensive income (Continued)

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

**2022**

	Amount before tax	Less: charged to other comprehensive income before and reclassified to profit or loss in the current period	Less: income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that may not be reclassified to profit or loss:					
Change in fair value of other equity instrument investments	(101,036,829)	(486,621)	42,076,118	(59,447,332)	-
Other comprehensive income that will be reclassified to profit or loss:					
Changes in the fair value of other debt investments	(9,249,030)	-	-	(9,249,030)	-
Other comprehensive income using the equity method that may be reclassified to profit or loss	163,625	-	-	163,625	-
Exchange differences arising from foreign currency translation	26,254,957	-	-	26,254,957	-
	(83,867,277)	(486,621)	42,076,118	(42,277,780)	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 42. Other comprehensive income (Continued)

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

2021

	Amount before tax	Less: charged to other comprehensive income before and reclassified to profit or loss in the current period	Less: income tax	Attributable to owners of the parent	Attributable to non-controlling interests
Other comprehensive income that may not be reclassified to profit or loss:					
Change in fair value of other equity instrument investments	130,425,536	8,878,150	(32,186,783)	107,116,903	-
Other comprehensive income that will be reclassified to profit or loss:					
Changes in the fair value of other debt investments	470,700	-	-	470,700	-
Other comprehensive income using the equity method that may be reclassified to profit or loss	933,291	-	-	933,291	-
Exchange differences arising from foreign currency translation	(64,219,592)	-	-	(64,219,592)	-
	67,609,935	8,878,150	(32,186,783)	44,301,302	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 43. Special reserve

**2022**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Safety fund	45,427,634	144,363,318	(82,223,864)	107,567,088

**2021**

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

Special reserve is the safety fund accrued according to the article of [2022] No.136 "The regulation on the accrual and usage of enterprise's safety production fee", carried out by the Ministry of Finance and State Administration of Work Safety on 13 December 2022. The fees are mainly related to the industries of gas, communication and transportation, metallurgy, manufacturing and construction services.

### 44. Surplus reserve

**2022**

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory reserve (Note i)	3,997,663,759	32,247,457	–	4,029,911,216
Discretionary surplus reserve (Note ii)	529,154,989	–	–	529,154,989
Reserve fund (Note iii)	95,685,328	–	–	95,685,328
Enterprise expansion fund (Note iii)	65,510,919	–	–	65,510,919
	4,688,014,995	32,247,457	–	4,720,262,452

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 44. Surplus reserve (Continued)

2021

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

- (i) In accordance with the Company Law of the PRC and the Articles of Association of the Company, the Company is required to allocate 10% of its profit after tax, as determined in accordance with the CAS and related regulations applicable to these companies, to the statutory reserve (the “SR”) until such reserve reaches 50% of the registered capital of these companies. Part of the SR may be capitalised as these companies’ share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of these companies.
- (ii) The Company is authorised to allocate the discretionary surplus reserve from profit after tax after the allocation of the statutory reserve. Upon the approval of the Board of Directors, the discretionary surplus reserve can be used to cover losses or increase capital.
- (iii) Upon the approval of the Board of Directors, these subsidiaries are required to allocate certain of their profit after tax as determined in accordance with the CAS and related regulations to the enterprise expansion fund and the reserve fund. The allocation rates are determined by their respective boards of directors.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 45. General reserve

	31 December 2022	31 December 2021
General reserve (Note)	<b>271,501,110</b>	300,334,506

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

### 46. Retained earnings

	2022	2021
Retained earnings at beginning of the period/year	<b>11,661,535,210</b>	7,374,557,923
Net (loss)/profit attributable to owners of the parent	<b>(858,225,310)</b>	5,332,253,043
Less: Transfer to surplus reserve	<b>32,198,795</b>	887,815
(Extract)/Transfer to general reserve	<b>(28,833,396)</b>	52,177,537
Other comprehensive income carried forward to retained earnings	<b>(437,959)</b>	(8,878,150)
Distribute to shareholders (Note V.67)	<b>2,721,505,915</b>	1,001,088,554
Retained earnings at the end of the year	<b>8,078,876,545</b>	11,661,535,210

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 47. Revenue and cost of sales

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

Revenue is presented as follows:

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

Timing of revenue recognition from contracts with customers:

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 47. Revenue and cost of sales (Continued)

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

	2022	2021
Revenue from contracts with customers	<b>5,709,401,744</b>	4,377,105,559

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 48. Taxes and surcharges

	2022	2021
City construction and maintenance tax	<b>36,889,609</b>	158,407,288
Land usage tax	<b>97,060,125</b>	96,486,155
Education surcharge	<b>26,081,380</b>	117,590,172
Property tax	<b>118,973,063</b>	111,413,142
Environment protection tax	<b>27,458,768</b>	44,103,531
Stamp duty	<b>79,500,745</b>	80,265,369
Other taxes	<b>91,151,108</b>	52,691,474
	<b>477,114,798</b>	660,957,131

### 49. Selling expenses

	2022	2021
Employee benefits	<b>155,502,750</b>	160,128,840
Transportation fees	<b>38,032,808</b>	40,249,150
Insurance premium	<b>14,873,751</b>	13,326,879
Others	<b>86,720,159</b>	86,393,216
	<b>295,129,468</b>	300,098,085

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 50. General and administrative expenses

	2022	2021
Employee benefits	<b>408,323,893</b>	471,774,616
Employee termination benefits	<b>370,842,845</b>	338,969,150
Office expenses	<b>156,975,624</b>	280,658,425
Amortisation of intangible assets	<b>49,281,148</b>	52,367,708
Depreciation of property, plant and equipment	<b>85,869,253</b>	94,373,405
Travel and entertainment expenses	<b>11,503,074</b>	16,785,408
Maintenance expenses	<b>43,236,220</b>	81,421,321
Environmental greening expense	<b>58,773,928</b>	20,718,050
Others	<b>78,965,752</b>	31,714,759
	<b>1,263,771,737</b>	1,388,782,842

### 51. R&D expenses

	2022	2021 (Restated)
Material and power expenses	<b>796,064,350</b>	660,363,015
Employee benefits	<b>201,571,536</b>	240,239,483
Depreciation of property, plant and equipment	<b>87,789,907</b>	116,891,929
Testing and processing expenses	<b>31,203,903</b>	46,849,170
Outsourced research expenses	<b>25,541,570</b>	52,724,730
Others	<b>25,126,510</b>	31,338,433
	<b>1,167,297,776</b>	1,148,406,760

According to *Accounting Standard for Business Enterprises Interpretation No. 15*, the R&D expenses recognized by the Group in its operating costs in connection with the trial production of new products in the development stage are as follows:

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 51. R&D expenses (Continued)

	2022	2021
Cost of trial production of new products in the development stage (Note III.35):	<b>2,812,451,442</b>	3,358,171,133
Material and power expenses	<b>2,409,946,346</b>	2,720,579,767
Employee benefits	<b>45,773,140</b>	46,986,011
Depreciation of property, plant and equipment	<b>285,250,429</b>	435,054,343
Testing and processing expenses	<b>56,712,012</b>	26,901,314
Others	<b>14,769,515</b>	128,649,698

### 52. Financial expenses

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

*Note:* The Group's interest expense included interest on bank loans, lease liabilities and discounted bank acceptance notes. The capitalized borrowing costs has been included in construction in progress, please refer to Note V. 17.

### 53. Other income

	2022	2021
Government grants related to daily operating activities	<b>166,337,673</b>	124,158,588
Refund of withholding personal income tax commission	<b>6,303,498</b>	913,800
	<b>172,641,171</b>	125,072,388

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 53. Other income (Continued)

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

	2022	2021	Related to assets/income
Advanced enterprises rising and energy-saving technology reform fund	5,459,500	–	income
Industry support policy incentives to promote manufacturing upgrades	30,000,000	11,846,000	income
Economic and Information Bureau Incentive of Dangtu	4,330,000	1,000,000	income
Special funds for base guidance	–	1,090,000	income
Tax refund	141,750	4,809,162	income
Support Fund from Town Government of Yangxing	–	1,940,000	income
Support Fund from Town Government of Yangxing	47,807,426	26,575,719	income
Manufacturing Upgrade Policy County Matching Funds	–	1,132,750	income
Subsidy funds for 4# blast furnace project	8,613,060	8,624,004	asset
5million tons of new area project	5,051,103	5,115,727	asset
Subsidy for a thin plate project	4,728,493	4,728,493	asset
Technological transformation fund for phase II silicon steel	4,380,767	4,400,000	asset
New-zone thermal power plant CAPP system engineering	4,240,727	4,312,000	asset
EMU steel wheel production line project	2,196,352	2,200,000	asset
Subsidy for Maanshan railway industry (Maanshan)	2,080,289	2,100,000	asset
Subsidy for the hot-rolled 1580 project	1,971,345	2,200,000	asset
Alloy bar production line refinement project of electric furnace plant	1,481,905	1,483,680	asset
Special fund for development of Maanshan Bureau of Commerce			
Intelligent manufacturing special fund	1,365,215	1,373,439	asset
Fixed asset subsidies for galvanizing projects	1,145,670	1,134,462	asset

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 53. Other income (Continued)

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

	2022	2021	Related to assets/income
Comprehensive utilization of gas for power generation of a thermal power plant	<b>1,089,394</b>	1,090,760	asset
1#-4# dry quenching	<b>912,044</b>	920,480	asset
6# Full combustion blast furnace gas boiler	<b>903,116</b>	918,280	asset
Dezincification rotary hearth furnace of the Three Iron General Plant	<b>870,610</b>	880,000	asset
Environmental protection subsidy for flue gas desulfurization project of sintering group of iron general plant	<b>589,747</b>	–	asset
Environmental subsidy fund for flue gas desulfurization project of 135MW thermoelectric unit	<b>566,896</b>	–	asset
1#2# shaft furnace flue gas desulfurization project	<b>553,605</b>	554,263	asset
Ironmaking 1#2# sintering machine transformation	<b>314,286</b>	–	asset
Flue gas desulfurization and denitrification transformation of 3# sintering machine in the southern area of ironmaking	<b>219,775</b>	220,000	asset
Other grants related to income	<b>7,579,900</b>	18,103,116	income
Other grants related to assets	<b>27,744,698</b>	15,406,253	asset
	<b>166,337,673</b>	124,158,588	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 54. Investment income

	2022	2021
Investment income from long-term equity investments under the equity method	423,321,646	690,501,616
Gain from disposal of subsidiaries that lose control	47,969,999	83,779,998
Gain from disposal of subsidiaries	159,743,160	24,143,097
Gain from disposal of financial assets held for trading	157,283,307	21,797,251
Gain from dividend income of other equity investments in duration	25,868,404	14,753,904
Gain from disposal of associates	99,186	–
	<b>814,285,702</b>	<b>834,975,866</b>

### 55. Gain/(loss) on the changes in fair value

	2022	2021
Financial assets held for trading	(1,587,628)	20,468,089
Including: Derivative financial instruments	40,471,388	200,370
Financial liabilities held for trading	31,663,498	64,305,442
	<b>30,075,870</b>	<b>84,773,531</b>

### 56. Credit impairment Gain/(loss)

	2022	2021
Bad debt impairment	(34,403,722)	(2,773,475)
Debt instrument investment impairment	(57,365)	(652,593)
Provision – loan commitment	58,667	(519,732)
Impairment losses for financial assets purchased under agreement to resell	6,789	(14,561)
Other debt investments impairment	1,386,965	470,700
	<b>(33,008,666)</b>	<b>(3,489,661)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 57. Asset impairment losses

	2022	2021
Impairment of other equity instrument investments	<b>1,558,665,706</b>	1,337,467,241
	<b>1,558,665,706</b>	1,337,467,241

### 58. Gain from disposal of assets

	2022	2021
Gain on disposal of property, plant and equipment	<b>84,472,807</b>	219,770,738
Gain on disposal of intangible assets (Note)	<b>362,607,802</b>	3,965,614
Gain on disposal of construction in progress	<b>(6,740,877)</b>	–
	<b>440,339,732</b>	223,736,352

*Note:* Changjiang Iron and Steel, a subsidiary of the Company, transferred its production capacity to Baosteel Zhanjiang Iron and Steel Co., Ltd. for RMB283 million, and Changjiang Iron and Steel included the amount received for the disposal of production capacity as RMB266 million from the disposal of intangible assets. Hefei Iron and Steel, a subsidiary, transferred part of the construction land use right to the Feidong County People's Government, generating a gain of RMB93 million from the disposal of intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 59. Non-operating income

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

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

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

### 60. Non-operating expenses

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 61. Expenses classified by nature

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

	2022	2021
Raw materials and consumables used	<b>87,860,712,602</b>	91,597,598,706
Changes in inventories of finished goods and work in progress	<b>(103,019,723)</b>	(1,664,781,241)
Employee benefits	<b>4,824,399,785</b>	5,277,929,568
Depreciation and amortisation	<b>3,280,948,740</b>	3,232,288,636
Transport and inspection fees	<b>1,683,071,047</b>	1,781,740,560
Repair and maintenance expenses	<b>2,029,223,246</b>	2,397,916,117
Testing and processing expenses	<b>35,370,037</b>	73,750,484
Outsourced research expenses	<b>18,286,920</b>	52,724,730
Office expenses	<b>186,986,527</b>	298,826,491
Others	<b>1,756,687,531</b>	2,077,148,139
	<b>101,572,666,712</b>	105,125,142,190

### 62. Income tax expense

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 62. Income tax expense (Continued)

Reconciliation between income tax and (loss)/profit before tax is as follows:

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 63. Earnings per share

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 63. Earnings per share(Continued)

The diluted earnings per share is calculated as the following:

	2022	2021
Earnings		
(Loss)/Profit attributable to ordinary shareholders of the Company (RMB)		
Continuing operations (RMB)	<b>(885,956,530)</b>	5,332,253,043
Number of shares		
Weighted average number of ordinary shares outstanding	<b>7,700,681,186</b>	7,700,681,186
Dilution effect – weighted average number of restricted common stock	–	–
Adjusted weighted average number of ordinary shares outstanding	<b>7,700,681,186</b>	7,700,681,186

### 64. Notes to the statement of cash flows

	2022	2021
(1) Cash received relating to other operating activities:		
Government grants	<b>198,312,110</b>	148,200,407
Increase in deposits for notes, credit and guarantee	<b>140,348,859</b>	–
Employee relocation compensation received from the government	–	14,700,249
Interest income	<b>45,796,062</b>	29,644,120
Others	<b>14,627,936</b>	12,414,508
	<b>399,084,967</b>	204,959,284

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

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

### 64. Notes to the statement of cash flows (Continued)

	2022	2021
(2) Cash paid relating to other operating activities:		
Safety fund	<b>95,314,130</b>	71,474,415
Research and development expenses	<b>65,437,594</b>	159,988,131
Environmental improvement fee	<b>58,773,928</b>	20,718,046
Office expenses	<b>45,818,290</b>	45,386,407
Travel and entertainment expenses	<b>18,663,841</b>	24,652,200
Insurance expenses	<b>14,963,353</b>	20,792,621
Bank charges	<b>13,280,292</b>	16,545,456
Increase in deposits for notes, credit and guarantee	–	321,002,799
Others	<b>206,975,663</b>	127,672,634
	<b>519,227,091</b>	808,232,709
(3) Cash received relating to other investing activities:		
Receipt of steel futures deposits	<b>56,354,452</b>	–
(4) Cash paid relating to other investing activities:		
Payment of steel futures deposits	–	17,443,494
(5) Cash received relating to other financing activities:		
Notes discounted	<b>549,341,708</b>	–
(6) Cash paid relating to other financing activities:		
Lease liability expenditure	<b>30,509,413</b>	53,810,424
Repurchase of treasury shares	<b>3,860,480</b>	–
Notes discounted	–	75,727,516
	<b>34,369,893</b>	129,537,940

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 65. Supplements to the statement of cash flows

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

	2022	2021
Net (loss)/profit	<b>(819,853,720)</b>	5,993,974,645
Add: Provision for bad debts	<b>1,525,598,373</b>	1,334,497,312
Loan commitment expected losses	<b>58,667</b>	(519,732)
Depreciation of property, plant and equipment	<b>3,195,982,796</b>	3,138,030,576
Amortisation of right-of-use assets	<b>19,785,773</b>	35,019,903
Amortisation of intangible assets	<b>61,576,486</b>	57,545,146
Amortisation of investment properties	<b>3,603,685</b>	1,693,011
Amortisation of deferred revenue	<b>(71,019,096)</b>	(57,661,841)
Disposal gain on property, plant and equipment, intangible assets and other long-term assets	<b>(440,339,732)</b>	(223,736,352)
Increase in special reserve	<b>38,957,237</b>	8,608,360
Financial expenses	<b>408,264,664</b>	625,459,506
Investment income	<b>(814,285,702)</b>	(834,975,866)
Gain on fair value changes	<b>(30,075,870)</b>	(84,773,531)
Decrease/(Increase) in deferred tax assets	<b>18,591,864</b>	(1,098,681)
Increase/(Decrease) in deferred tax liabilities	<b>28,222,313</b>	(1,683,036)
Decrease/(Increase) in inventories	<b>665,595,302</b>	(2,897,718,006)
Increase/(Decrease) in receivables from operating activities	<b>(211,968,598)</b>	918,672,325
Increase in payables from operating activities	<b>3,063,007,145</b>	8,763,142,693
<b>Net cash flows from operating activities</b>	<b>6,641,701,587</b>	16,774,476,432
Endorsement of bank acceptance bills received for the sale of goods and the provision of services	<b>31,032,080,190</b>	32,221,015,758

Note : The Group had no significant non-cash investing and financing activities (2021: Nil).

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

#### (2) Disposal of subsidiaries and other operating units

	2022	2021
Consideration for subsidiaries and other business units disposed	637,294,166	–
Cash and cash equivalents received from disposal of subsidiaries and other business units	637,294,166	–
Less: Acquisition of cash and cash equivalents held by subsidiaries and other business units	187,531,030	–
Net cash received from disposal of subsidiaries and other business units	449,763,136	–

#### (3) Cash and cash equivalents

Net changes of cash and cash equivalents:

	2022	2021
Ending balance of cash	4,360,738,411	4,223,061,890
Less: Opening balance of cash	4,223,061,890	3,123,596,841
Add: Ending balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase in cash and cash equivalents	137,676,521	1,099,465,049

	31 December 2022	31 December 2021
Cash		
Including: Cash on hand	2,210	43,411
Balances in banks without restrictions	4,360,736,201	4,223,018,479
Ending balance of cash and cash equivalents	4,360,738,411	4,223,061,890

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### 66. Restricted assets

	31 December 2022	31 December 2021	
Cash and bank balances (Note V.1)	<b>2,173,962,896</b>	2,444,791,724	(i)
Notes receivable (Note V.3)	<b>581,980,154</b>	32,638,447	(ii)
	<b>2,755,943,050</b>	2,477,430,171	

(i) As of 31 December 2022, the Group's restricted cash and bank balances included cash deposits as collateral amounting to RMB1,366,044,310 (31 December 2021: RMB1,506,393,169) pledged as security for trade facilities and performance for bank acceptance notes, letters of credit and guarantees, and mandatory reserves with the central bank of RMB807,918,586 (31 December 2021: RMB938,398,555).

(ii) As of 31 December 2022, the Group pledged the bank acceptance notes of RMB581,980,154 (31 December 2021: RMB32,638,447) for the short-term loan.

### 67. Dividends

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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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

### 68. Monetary items denominated in foreign currencies

	31 December 2022			31 December 2021		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Cash and bank balances						
USD	109,874,673	6.9646	765,233,148	127,298,810	6.3757	811,619,023
EUR	16,332,623	7.4229	121,235,427	17,685,850	7.2197	127,686,531
AUD	34,642,652	4.7138	163,298,533	38,301,834	4.6220	177,031,077
HKD	3,908,842	0.8933	3,491,769	8,426,061	0.8176	6,889,147
CAD	313,880	5.1385	1,612,872	445,213	5.0046	2,228,113
AED	-	-	-	366,109	1.7361	635,602
ZAR	19,383,300	0.4113	7,972,351	13,205,203	0.4004	5,287,363
GBP	177	8.3941	1,486	177	8.6064	1,523
JPY	-	-	-	8	0.0554	-
			1,062,845,586			1,131,378,379
Trade receivables						
EUR	57,989,771	7.4229	430,452,269	26,771,768	7.2197	193,284,133
USD	24,218,592	6.9646	168,672,803	10,455,488	6.3757	66,661,055
AUD	1,372,000	4.7138	6,467,334	1,027,250	4.6220	4,747,950
HKD	-	0.8933	-	9,360,496	0.8176	7,653,142
			605,592,406			272,346,280
Other receivables						
EUR	1,002,197	7.4229	7,439,211	5,810,430	7.2197	41,949,561
HKD	19,148,216	0.8933	17,105,101	180,443	0.8176	147,530
USD	-	6.9646	-	1,001	6.3757	6,382
AUD	4,155	4.7138	19,588	3,392	4.6220	15,678
			24,563,900			42,119,151

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

### 68. Monetary items denominated in foreign currencies (Continued)

	31 December 2022			31 December 2021		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
Trade payables						
EUR	54,505,390	7.4229	404,588,057	34,174,208	7.2197	246,727,529
USD	2,298,938	6.9646	16,011,184	13,570,624	6.3757	86,522,227
JPY	22,411,805	0.0524	1,173,437	724,303,080	0.0554	40,137,255
HKD	700,161	0.8933	625,433	83,950	0.8176	68,638
			422,398,111			373,455,649
Other payables						
HKD	4,029,613	0.8933	3,599,532	4,029,613	0.8176	3,294,612
EUR	380,729	7.4229	2,826,111	1,826,632	7.2197	13,187,735
USD	-	6.9646	-	14,393,096	6.3757	91,766,063
AED	-	1.8966	-	709	1.7361	1,231
			6,425,643			108,249,641
Short-term loan						
USD	81,054,703	6.9646	564,513,585	185,626,570	6.3757	1,183,499,322

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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## VI. CHANGE IN THE SCOPE OF CONSOLIDATION

### 1. Newly established subsidiary

In 2022, there were no newly established subsidiaries.

### 2. Disposal of a subsidiary

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

### 3. Changes in scope of consolidation for other reasons

Changes in scope of consolidation for other reasons in 2022 are disclosed as follows:

Names of subsidiaries	Changes of consolidation scope
MASTEEL AMERICA INC ("Masteel America")	Deregistration
Masteel Middle East General Industrial ("Masteel Middle East")	Deregistration

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## VII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

Details of the subsidiaries are as follows:

	Place of operation	Place of registration	Business nature	Paid-in capital	Percentage of equity (%)	
					Direct	Indirect
<b>Subsidiaries acquired by establishment or investment</b>						
Ma Steel (Wuhu) Processing and Distribution Co., Ltd. ("Ma Steel (Wuhu)")	Anhui, PRC	Anhui, PRC	Manufacturing	RMB35,000,000	70	30
Ma Steel (Cihu) Processing and Distribution Co., Ltd. ("Ma Steel (Cihu)")	Anhui, PRC	Anhui, PRC	Manufacturing	RMB30,000,000	92	-
Ma Steel (HK)	Hong Kong, PRC	Hong Kong, PRC	Trading	HKD350,000,000	100	-
MG Trading	Germany	Germany	Trading	EUR153,388	100	-
Ma Steel (Australia)	Australia	Australia	Mining	AUD21,737,900	100	-
Ma Steel (Hefei)	Anhui, PRC	Anhui, PRC	Manufacturing	RMB2,500,000,000	71	-
Ma Steel (Hefei) Processing and Distribution Co., Ltd. ("Ma Steel (Hefei) Processing")	Anhui, PRC	Anhui, PRC	Manufacturing	RMB120,000,000	67	28
Ma Steel (Wuhu) Material Technique Co. Ltd. ("Wuhu Technique")	Anhui, PRC	Anhui, PRC	Manufacturing	RMB150,000,000	71	-
Maanshan (Chongqing) Material Technology Co., Ltd. ("Chongqing Material")	Chongqing, PRC	Chongqing, PRC	Manufacturing	RMB250,000,000	70	-
Ma Steel (Hefei) Materials Technology Co., Ltd. ("Hefei Materials")	Anhui, PRC	Anhui, PRC	Manufacturing	RMB200,000,000	70	-
Ma'anshan (Hangzhou) Iron and Steel Sales Co., Ltd. ("Ma Steel Hangzhou Sales")	Zhejiang, PRC	Zhejiang, PRC	Trading	RMB10,000,000	100	-
Ma'anshan (Wuxi) Iron and Steel Sales Co., Ltd. ("Ma Steel Wuxi Sales")	Jiangsu, PRC	Jiangsu, PRC	Trading	RMB10,000,000	100	-
Maanshan (Nanjing) Iron and Steel Sales Co., Ltd. ("Ma Steel Nanjing Sales")	Jiangsu, PRC	Jiangsu, PRC	Trading	RMB10,000,000	100	-
Maanshan (Shanghai) Iron and Steel Sales Co., Ltd. ("Ma Steel Shanghai Sales")	Shanghai, PRC	Shanghai, PRC	Trading	RMB10,000,000	100	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

Details of the subsidiaries are as follows: (Continued)

	Place of operation	Place of registration	Business nature	Paid-in capital	Percentage of equity (%)	
					Direct	Indirect
<b>Subsidiaries acquired by establishment or investment (continued)</b>						
Anhui Chang Jiang Iron and Steel Trading Co., Ltd., Hefei ("Chang Jiang Iron and Steel, Hefei")	Anhui, PRC	Anhui, PRC	Trading	RMB30,000,000	-	100
Anhui Chang Jiang Iron and Steel Trading Co., Ltd., Nanjing ("Chang Jiang Iron and Steel, Nanjing")	Jiangsu, PRC	Jiangsu, PRC	Trading	RMB30,000,000	-	100
Maanshan Chang Jiang Iron and Steel Trading Co., Ltd. ("Chang Jiang Iron and Steel Trading")	Anhui, PRC	Anhui, PRC	Trading	RMB30,000,000	-	100
MG-VALDUNES	France	France	Manufacturing	EUR150,200,000	100	-
Masteel (Wuhan) Material Technology Co., Ltd. ("Wuhan Material")	Hubei, PRC	Hubei, PRC	Manufacturing	RMB250,000,000	85	-
Magang Hongfei Electricity Power Co., Ltd. ("Magang Hongfei")	Anhui, PRC	Anhui, PRC	Power industry	RMB100,000,000	51	-
<b>Subsidiaries acquired not under common control</b>						
Masteel (Yangzhou) Processing and Distribution Co., Ltd. ("Masteel (Yangzhou) Processing")	Jiangsu, PRC	Jiangsu, PRC	Manufacturing	USD20,000,000	71	-
Anhui Changjiang Iron and Steel	Anhui, PRC	Anhui, PRC	Manufacturing	RMB1,200,000,000	55	-
Ma-Steel Rail Transportation Co., Ltd. ("Ma-Steel Rail Transportation")	Anhui, PRC	Anhui, PRC	Manufacturing	RMB1,486,296,194	100	-
Mascometal Co., Ltd. ("Mascometal")	Anhui, PRC	Anhui, PRC	Manufacturing	EUR32,000,000	66	-
<b>Subsidiary acquired under common control</b>						
Masteel Finance	Anhui, PRC	Anhui, PRC	Financial services	RMB2,000,000,000	91	-

Note 1: The above companies incorporated in China are all limited companies.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

Subsidiaries which had material non-controlling interests are as follows:

	31 December 2022	31 December 2021
The proportion of equity held by non-controlling interests:		
Anhui Chang Jiang Iron and Steel	45%	45%
Ma Steel (Hefei)	29%	29%
Masteel Finance	9%	9%

Profit or loss attributable to non-controlling interests:

	2022	2021
Anhui Chang Jiang Iron and Steel	(101,136,580)	586,433,941
Ma Steel (Hefei)	100,442,775	8,008,252
Masteel Finance	26,252,517	26,231,041

Dividends paid to non-controlling interests:

	2022	2021
Anhui Chang Jiang Iron and Steel	356,400,000	205,200,000
Ma Steel (Hefei)	—	—
Masteel Finance	105,309,315	21,084,247

Cumulative balances of non-controlling interests at the balance sheet date:

	31 December 2022	31 December 2021
Anhui Chang Jiang Iron and Steel	2,506,425,220	2,960,649,450
Ma Steel (Hefei)	983,524,108	881,631,064
Masteel Finance	226,554,323	306,518,773

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

The summarised financial information of the above subsidiaries is as follows. The amounts listed below are the amounts before group intra-elimination.

	Anhui Chang jiang Iron and Steel	Ma steel(Hefei)	Masteel Finance
<b>31 December 2022 or 2022</b>			
Current assets	4,385,657,797	1,829,365,962	10,960,255,189
Non-current assets	6,879,048,405	2,354,723,802	8,922,900,626
<b>Total assets</b>	<b>11,264,706,202</b>	<b>4,184,089,764</b>	<b>19,883,155,815</b>
Current liabilities	(5,574,460,942)	(744,017,011)	(17,358,045,112)
Non-current liabilities	(120,411,438)	(48,610,313)	(7,840,450)
<b>Total liabilities</b>	<b>(5,694,872,380)</b>	<b>(792,627,324)</b>	<b>(17,365,885,562)</b>
Revenue	17,558,930,264	4,787,580,205	407,220,063
Net profit	(224,747,955)	346,354,396	291,694,630
Total comprehensive income	(224,747,955)	346,354,396	291,694,630
Net cash flows from operating activities	643,096,890	(131,456,998)	2,439,900,515

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

The summarised financial information of the above subsidiaries is as follows. The amounts listed below are the amounts before group intra-elimination. (Continued)

	Anhui Chang jiang Iron and Steel	Ma steel(Hefei)	Masteel Finance
31 December 2021 or 2021			
Current assets	6,584,146,858	2,311,881,662	18,703,861,302
Non-current assets	5,220,338,385	2,546,288,650	3,127,253,978
<b>Total assets</b>	<b>11,804,485,243</b>	<b>4,858,170,312</b>	<b>21,831,115,280</b>
Current liabilities	(5,180,770,175)	(1,766,758,461)	(18,417,096,283)
Non-current liabilities	(44,494,068)	(51,304,733)	(8,254,850)
<b>Total liabilities</b>	<b>(5,225,264,243)</b>	<b>(1,818,063,194)</b>	<b>(18,425,351,133)</b>
Revenue	21,294,940,138	7,172,017,879	520,930,304
Net profit	1,303,186,536	27,614,663	291,456,006
Total comprehensive income	1,303,186,536	27,614,663	291,456,006
Net cash flows from operating activities	1,805,422,157	(26,108,487)	4,860,799,546

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates

	Place of operation	Place of registration	Business nature	Registered capital	Percentage of equity (%)		Accounting method
					Direct	Indirect	
Joint ventures							
BOC-Ma Steel	Anhui, PRC	Anhui, PRC	Chemical raw material and chemical products manufacturing	RMB468,000,000	50	-	Equity method
Associates							
JinMa Energy	Henan, PRC	Henan, PRC	Manufacturing	RMB535,421,000	26.89	-	Equity method
Shenglong Chemical	Shandong, PRC	Shandong, PRC	Manufacturing	RMB568,800,000	31.99	-	Equity method
Xinhuang Environmental Protection (Note1)	Anhui, PRC	Anhui, PRC	Service industry	RMB122,381,990	16.34	-	Equity method
Ouyeel Factoring (Note2)	Shanghai, PRC	Shanghai, PRC	Service industry	RMB1,000,000,000	16.14	-	Equity method
Magang Chemicals & Energy	Anhui, PRC	Anhui, PRC	Manufacturing	RMB696,645,933.33	32	-	Equity method
Phima Intelligence (Note3)	Anhui, PRC	Anhui, PRC	Information technology service industry	RMB361,093,720	-	18.19	Equity method
OBEI (Note4)	Shanghai, PRC	Shanghai, PRC	Trading	RMB4,000,000,000	11	-	Equity method
Masteel Gas	Anhui, PRC	Anhui, PRC	Manufacturing	RMB270,000,000	49	-	Equity method
Baowu Water (Note5)	Shanghai, PRC	Shanghai, PRC	Manufacturing	RMB2,498,524,399	19.25	-	Equity method
Holly Industrial	Anhui, PRC	Anhui, PRC	Manufacturing	RMB30,000,000	-	29	Equity method

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

- Note 1:* As of 31 December 2022, the Group held 16.34% equity interests of Xinchuang Environmental Protection. The directors believed that the Company was able to exercise significant influence over Xinchuang Environmental Protection through one director and one supervisor designated by the Company in Xinchuang Environmental Protection, although the equity interests in it was less than 20%. Thus, the equity investment in Xinchuang Environmental Protection was accounted for as an associate.
- Note 2:* As of 31 December 2022, the Group held 16.14% equity interests of Ouyeel Factoring. The directors believed that the Company was able to exercise significant influence over Ouyeel Factoring through one director designated by the Company in Ouyeel Factoring, although the equity interest in it was less than 20%. Thus, the equity investment in Ouyeel Factoring was accounted for as an associate.
- Note 3:* As of 31 December 2022, the Group held 18.19% equity interests of Phima Intelligence. The directors believed that the Company was able to exercise significant influence over Phima Intelligence through one director designated by the Company and the director was nominated as a member of the Audit Committee in Phima Intelligence, although the equity interests in it was less than 20%. Thus, the equity investment in Phima Intelligence was accounted for as an associate.
- Note 4:* As of 31 December 2022, the Group held 11% equity interests of OBEI. The directors believed that the Company was able to exercise significant influence over OBEI through one director designated by the Company in OBEI, although the equity interest in it was less than 20%. Thus, the equity investment in OBEI was accounted for as an associate.
- Note 5:* As of 31 December 2022, the Group held 19.25% equity interests of Baowu Water. The directors believed that the Company was able to exercise significant influence over Baowu Water through one director designated by the Company in Baowu Water, although the equity interest in it was less than 20%. Thus, the equity investment in Baowu Water was accounted for as an associate.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

BOC-Ma Steel, one of the Group's material joint ventures, was accounted for using the equity method.

The financial information of BOC-Ma Steel, which has been adjusted for all the accounting policy differences and reconciled to the carrying amount of the financial statements is as follows.

	2022	2021
Current assets	<b>589,455,631</b>	615,693,833
Non-current assets	<b>60,169,725</b>	83,343,530
Total assets	<b>649,625,356</b>	699,037,363
Current liabilities	<b>52,773,125</b>	84,302,316
Non-current liabilities	<b>1,191,384</b>	–
Total liabilities	<b>53,964,509</b>	84,302,316
Equity attributable to owners of the parent	<b>595,660,847</b>	614,735,047
The Group's share of net assets	<b>297,830,424</b>	307,367,524
Adjustment	–	–
The carrying value of the investment	<b>297,830,424</b>	307,367,524
Revenue	<b>531,025,025</b>	616,127,115
Income tax expenses	<b>53,615,157</b>	65,814,709
Net profit	<b>166,925,801</b>	192,764,180
Other comprehensive income	–	–
Total comprehensive income	<b>166,925,801</b>	192,764,180
Dividends received	<b>93,000,000</b>	87,500,000

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

Henan JinMa Energy, Shenglong Chemical, Magang Chemicals & Energy are accounted by using the equity method.

The financial information of individually material associates is as follows, which has been adjusted to all the accounting policy differences and reconciled to the carrying amount of the financial statements:

<b>JinMa Energy</b>	<b>2022</b>	<b>2021</b>
Current assets	<b>4,165,441,606</b>	3,460,781,120
Non-current assets	<b>7,074,851,254</b>	4,937,905,007
<b>Total assets</b>	<b>11,240,292,860</b>	8,398,686,127
Current liabilities	<b>4,175,238,890</b>	2,873,585,067
Non-current liabilities	<b>2,337,529,045</b>	1,212,812,515
<b>Total liabilities</b>	<b>6,512,767,935</b>	4,086,397,582
Non-controlling interests	<b>1,250,887,259</b>	1,073,677,178
Equity attributable to owners of the parent	<b>3,476,637,666</b>	3,238,611,367
The Group's share of net assets	<b>934,867,868</b>	870,862,596
Adjustment	–	–
<b>The carrying value of the investment</b>	<b>934,867,868</b>	870,862,596
Revenue	<b>12,469,918,112</b>	7,742,072,426
Income tax expense	<b>160,744,316</b>	176,271,321
Net profit	<b>559,708,953</b>	490,180,235
Total comprehensive income	<b>559,708,953</b>	490,180,235
Dividends received	<b>36,000,000</b>	43,200,000

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

The financial information of individually material associates is as follows, which has been adjusted to all the accounting policy differences and reconciled to the carrying amount of the financial statements: (continued)

<b>Shenglong Chemical</b>	<b>2022</b>	<b>2021</b>
Current assets	<b>3,142,027,473</b>	2,561,081,865
Non-current assets	<b>2,907,148,104</b>	2,074,601,845
<b>Total assets</b>	<b>6,049,175,577</b>	4,635,683,710
Current liabilities	<b>1,657,193,453</b>	1,249,836,790
Non-current liabilities	<b>45,937,008</b>	45,988,739
<b>Total liabilities</b>	<b>1,703,130,461</b>	1,295,825,529
Non-controlling interests	<b>863,488,329</b>	–
Equity attributable to owners of the parent	<b>3,482,556,787</b>	3,339,858,181
The Group's share of net assets	<b>1,114,069,916</b>	1,068,420,632
Adjustment	–	–
<b>The carrying value of the investment</b>	<b>1,114,069,916</b>	1,068,420,632
Revenue	<b>4,318,298,557</b>	4,094,093,951
Income tax expense	<b>69,887,698</b>	191,986,378
Net profit	<b>140,576,181</b>	615,158,909
<b>Total comprehensive income</b>	<b>140,576,181</b>	615,158,909
Dividends received	–	38,391,561

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

The financial information of individually material associates is as follows, which has been adjusted to all the accounting policy differences and reconciled to the carrying amount of the financial statements: (continued)

<b>Magang Chemicals &amp; Energy</b>	<b>2022</b>	<b>2021</b>
Current assets	<b>352,941,871</b>	930,430,398
Non-current assets	<b>1,196,567,374</b>	1,431,957,373
Total assets	<b>1,549,509,245</b>	2,362,387,771
Current liabilities	<b>69,519,664</b>	175,930,942
Non-current liabilities	<b>418,353,308</b>	197,733,251
Total liabilities	<b>487,872,972</b>	373,664,193
Non-controlling interests	<b>251,264,166</b>	268,999,992
Equity attributable to owners of the parent	<b>810,372,107</b>	1,719,723,586
The Group's share of net assets	<b>259,319,074</b>	773,875,614
Adjustment	<b>(632,763)</b>	(632,763)
The carrying value of the investment	<b>276,457,495</b>	773,242,851
Revenue	<b>2,293,243,932</b>	2,391,835,000
Income tax expense	<b>57,434,632</b>	8,219,309
Net profit	<b>251,065,771</b>	284,040,218
Total comprehensive income	<b>251,065,771</b>	284,040,218
Dividends received	<b>120,515,965</b>	19,199,030

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

The summarised financial information of the associates that are not individually material to the Group are as follows:

	31 December 2022	31 December 2021
Associates		
The carrying value of the Group's investments	<b>1,826,196,280</b>	1,791,598,307
	<b>2022</b>	2021
Total shown as below (calculated according to the respective equity holding percentage)		
Net profit	<b>92,385,718</b>	42,718,098
Other comprehensive income	<b>(71,143)</b>	–
Total comprehensive income	<b>92,314,575</b>	42,718,098

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS

### 1. Classification of financial instruments

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

#### 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss		Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income		Total
	According to standard	Designated		According to standard	Designated	
Cash and bank balances	-	-	6,534,701,307	-	-	6,534,701,307
Financial assets held for trading	625,997,138	-	-	-	-	625,997,138
Notes receivable	-	-	1,933,419,913	-	-	1,933,419,913
Trade receivables	-	-	1,376,878,400	-	-	1,376,878,400
Financing receivables	-	-	-	2,659,676,438	-	2,659,676,438
Other receivables	-	-	320,319,486	-	-	320,319,486
Financial assets purchased under agreements to resell	-	-	2,680,209,514	-	-	2,680,209,514
Loans and advances to customers	-	-	2,644,197,648	-	-	2,644,197,648
Debt instrument investments	-	-	-	8,883,816,241	-	8,883,816,241
Long-term receivables	-	-	4,136,391	-	-	4,136,391
Other equity instrument investments	-	-	-	-	541,406,510	541,406,510
	625,997,138	-	15,493,862,659	11,543,492,679	541,406,510	28,204,758,986

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Classification of financial instruments (Continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (continued)

#### 31 December 2022 (continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	Total
	According to standard	Designated		
Deposits and balances from banks and other financial institutions	–	–	9,082,110,579	9,082,110,579
Repurchase agreements	–	–	659,635,255	659,635,255
Short-term loans	–	–	9,198,483,165	9,198,483,165
Notes payable	–	–	5,220,978,025	5,220,978,025
Trade payables	–	–	17,224,018,731	17,224,018,731
Other payables	–	–	3,893,196,937	3,893,196,937
Non-current liabilities due within one year	–	–	2,059,412,922	2,059,412,922
Long-term loans	–	–	7,982,390,765	7,982,390,765
Lease liabilities	–	–	305,546,394	305,546,394
Long-term payables	–	–	168,053,940	168,053,940
	–	–	55,793,826,713	55,793,826,713

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Classification of financial instruments (Continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows: (Continued)

#### 31 December 2021

Financial assets

	Financial assets at fair value through profit or loss		Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income		Total
	According to standard	Designated		According to standard	Designated	
Cash and bank balances	-	-	6,667,853,614	-	-	6,667,853,614
Financial assets held for trading	5,732,467,255	-	-	-	-	5,732,467,255
Notes receivable	-	-	466,956,969	-	-	466,956,969
Trade receivables	-	-	1,107,071,353	-	-	1,107,071,353
Financing receivables	-	-	-	4,795,905,782	-	4,795,905,782
Other receivables	-	-	291,272,171	-	-	291,272,171
Financial assets purchased under agreements to resell	-	-	784,602,397	-	-	784,602,397
Loans and advances to customers	-	-	4,726,693,965	-	-	4,726,693,965
Debt instrument investments	-	-	596,797,601	2,474,819,099	-	3,071,616,700
Long-term receivables	-	-	11,142,621	-	-	11,142,621
Other equity instrument investments	-	-	-	-	641,943,339	641,943,339
	5,732,467,255	-	14,652,390,691	7,270,724,881	641,943,339	28,297,526,166

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Classification of financial instruments (Continued)

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:(Continued)

31 December 2021 (Continued)

Financial liabilities

	Financial liabilities at fair value through profit or loss		Financial liabilities at amortised cost	Total
	According to standard	Designated		
Deposits and balances from banks and other financial institutions	–	–	9,253,057,291	9,253,057,291
Repurchase agreements	–	–	925,465,952	925,465,952
Short-term loans	–	–	8,952,209,045	8,952,209,045
Financial liabilities held for trading	31,663,498	–	–	31,663,498
Notes payable	–	–	3,953,458,712	3,953,458,712
Trade payables	–	–	10,437,709,731	10,437,709,731
Other payables	–	–	3,918,800,414	3,918,800,414
Non-current liabilities due within one year	–	–	1,358,293,333	1,358,293,333
Long-term loans	–	–	5,452,250,052	5,452,250,052
Lease liabilities	–	–	571,979,597	571,979,597
	31,663,498	–	44,823,224,127	44,854,887,625

### 2. Offsetting of financial instruments

2022, there were no offsetting arrangements for account receivables (2021: Nil).

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Transfer of financial assets

#### ***Financial assets transferred but not yet fully derecognised***

As of 31 December 2022, the Group endorsed (but not yet fully derecognised) bank acceptance notes to its suppliers with a carrying amount of RMB699,036,086 for settlement of trade payables (31 December 2021: RMB407,203,860), and the bank acceptance notes discounted to banks which were not derecognised amounted to RMB581,980,154 (31 December 2021: RMB32,638,447). As of 31 December 2022, their maturity period ranged from 1 to 12 months. Pursuant to the relevant provisions of “Law of Negotiable Instruments”, the holders of commercial instruments shall have the right of recourse against the Group (“Continuing Involvement”) if the relevant acceptance bank defaults. As the Group was of the opinion that the Group had retained substantially all their risks and rewards, including the default risk associated, the Group continued to recognise them and the accounts payable associated therewith. After the endorsement or discount, the Group no longer reserved the rights to use them, including the rights to sell, transfer or pledge to any other third party. As of 31 December 2022, the carrying amount of trade payables settled by the Group through them amounted to RMB699,036,086 (31 December 2021: RMB407,203,860). As of 31 December 2022, the Group pledged the bank acceptance notes of RMB581,980,154 (31 December 2021: RMB32,638,447) for the short-term loan.

#### ***Transferred financial assets fully derecognised but with continuing involvement***

As of 31 December 2022, the Group endorsed (and fully derecognised) bank acceptance notes to its suppliers with a carrying amount of RMB8,725,296,160 (31 December 2021: RMB14,918,681,048) for settlement of trade payables, and the bank acceptance notes discounted to banks which were fully derecognised amounted to RMB818,814,702 (31 December 2021: RMB1,567,018,182). As of 31 December 2022, their maturity period ranged from 1 to 6 months. Pursuant to the relevant provisions of “Law of Negotiable Instruments”, the holders of commercial instruments shall have the right of recourse against the Group (“Continuing Involvement”) if the relevant acceptance bank defaults. As the Group was of the opinion that the Group had transferred substantially all their risks and rewards, the Group had derecognised them and then settled account payables associated therewith. The maximum loss and undiscounted cash flow for continuing involvement and repurchase equals its book value. As the Group was of the opinion that the continued involvement in fair value is not significant.

In 2022, no gain or loss was recognised on the date of transfer. No income or expense was recognised for the current year or on an accumulative basis as a result of the Group’s Continuing Involvement in the derecognised financial assets. Endorsements were incurred basically evenly during the current period.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks

The Group faced several kinds of financial instrument risks in its daily operation, mainly including credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Group's principal financial instruments are comprised of cash and bank balances, financial assets held for trading, debt instrument investments, interest-bearing bank borrowings, trade receivables, financial receivables, notes and trade payables, etc. The Group's risk management strategies to lower such risks are outlined below.

The Board of Directors is responsible for planning and establishing the Group's risk management framework, formulating the Group's risk management policies and related guidelines, and supervising the implementation of risk management measures. The Group has formulated risk management policies to identify and analyse the risks it faces. These risk management policies specify specific risks, covering market risks, credit risks and liquidity risk management. The Group regularly evaluates changes in the market environment and business activities of the Group to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the Risk Management Committee in accordance with the policies approved by the Board of Directors. The Risk Management Committee identifies, evaluates and evades related risks through close cooperation with other business units of the Group. The internal audit department of the Group conducts regular audits on risk management control and procedures and reports the results to the Group's Audit Committee.

The Group disperses the risk of financial instruments through appropriate diversification of investment and business portfolios, and reduces the risk of focusing on any single industry, specific region or specific counterparty by formulating corresponding risk management policies.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Credit risk*

The Group trades only with recognised and creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, notes and trade receivables balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Since the trading counterparties of cash and bank balances, bank acceptance notes receivable and financial assets held for trading are banks with good reputation and high credit rank, these financial instruments face lower credit risk.

The Group's other financial assets comprise debt instrument investments, trade receivables, other receivables, financial assets purchased under agreements to resell and loans and advances to customers, and the credit risk of these financial assets arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

The maximum credit risk exposure that the Group faces on each balance sheet date is the total amount gained from customers minus the amount of impairment provision.

Since the Group trades only with recognised and creditworthy parties, there is no requirement for collateral. Credit risk is managed according to analysis by customer, counterparty, geographical region and industry intensively. At the end of the reporting period, the Group had certain concentrations of credit risk as 15% (2021: 7%) and 37% (2021: 32%) of the Group's trade receivables were due from the Group's largest customer and five largest customers in terms of trade receivables respectively. The Group did not hold any collateral or credit enhancements for the balance of trade receivables.

#### Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. The credit loss is the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Credit risk (Continued)*

Based on the credit risk changes since the initial recognition of the financial instruments' initial recognition, the Group calculates expected credit losses in three different phases:

Phase 1: Financial instruments whose credit risk have not increased significantly will be included in phase I, and the Group measures the loss provision for those instruments at an amount equal to 12-month expected credit losses.

Phase 2: Financial instruments whose credit risk have increased significantly but without objective evidence for impairment will be included in phase II, and the Group measures the loss provision for those instruments at an amount equal to lifetime expected credit losses.

Phase 3: Financial instruments that are evidently credit-impaired at the financial position date will be included in phase III and the Group measures the loss provision of those financial instruments at an amount equal to lifetime expected credit losses.

For a financial instrument, whose loss allowance had been measured at an amount equal to lifetime expected credit losses in the previous accounting period, if its credit risk does not increase significantly at the end of the current period, the Group should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Credit risk (Continued)*

Criteria for significant increase in credit risk

At each financial position date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. To make the assessment, the Group shall consider reasonable and supportable information that is available without undue cost or effort, including qualitative and quantitative analysis of the Group's historical statistics, external credit risk rate and forecasting information. On an individual basis or a collective basis for financial instruments with shared credit risk characteristics, the Group compares the default risks of financial instruments at financial position date and the default risks at initial recognition to determine the change of default risk of financial instruments in the expected lifetime.

One or several of the following quantitative, qualitative or maximum criteria are triggered, the Group determines the credit risk of a financial instrument has increased significantly:

Quantitative criteria:

- As of the financial position date, the default risk in the rest of expected lifetime has increased over specific percentage;

Qualitative criteria:

- Material adverse change occurs in the operation or financial position of main debtors or receiving warning customer lists;

Maximum criteria:

- The overdue of debtors' contract payment (including principal and interest) has reached a specific period.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Credit risk (Continued)*

Definition of credit-impaired financial assets

When considering whether credit impairment has incurred, the Group will consider both quantitative and qualitative factors, which agrees with the goal of the Group's credit risk management. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Credit risk (Continued)*

Parameters of expected credit losses measurement (Continued)

The credit risk level of the Group has not changed compared with last year. The quantitative information of credit risk exposure generated by trade receivables and other receivables are disclosed in Note V.4 and 7.

The carrying amount of financial assets by the credit risk level is disclosed as follows:

#### **31 December 2022**

	Carrying amount (unsecured)		Carrying amount (secured)	
	12-month expected credit losses	Lifetime expected credit losses	12-month expected credit losses	Lifetime expected credit losses
Loans	1,395,902,847	–	33,808,506	–
Discounted notes	1,214,486,295	–	–	–
Financial assets purchased under agreements to resell	2,680,209,514	–	–	–
Debt instrument investments	8,883,816,241	–	–	–
	<b>14,174,414,897</b>	<b>–</b>	<b>33,808,506</b>	<b>–</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Credit risk (Continued)*

Parameters of expected credit losses measurement (Continued)

The carrying amount of financial assets by the credit risk level is disclosed as follows:  
(Continued)

*31 December 2021*

	Carrying amount (unsecured)		Carrying amount (secured)	
	12-month expected credit losses	Lifetime expected credit losses	12-month expected credit losses	Lifetime expected credit losses
Loans	1,614,601,011	–	35,545,672	–
Discounted notes	3,212,880,800	–	–	–
Financial assets purchased under agreements to resell	784,602,397	–	–	–
Debt instrument investments	3,071,616,700	–	–	–
	8,683,700,908	–	35,545,672	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Liquidity risk*

The Group applies a liquidity planning tool to manage liquidity risk of funding shortfalls, which takes both maturity of financial instruments and estimated operating cash flows of the Group into consideration.

The Group's aim is to balance the sustainability and flexibility of the financing through interest-bearing loans and other instruments. As of 31 December 2022, 84% of the Group's debts were due within 1 year (31 December 2021: 86%).

A liquidity analysis of the undiscounted contractual cash flows of the financial liabilities is as shown in the table below:

#### **31 December 2022**

	Within 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total
Customer deposits	9,082,110,579	-	-	-	-	9,082,110,579
Repurchase agreements	659,635,255	-	-	-	-	659,635,255
Short-term loans	9,232,688,683	-	-	-	-	9,232,688,683
Notes payable	5,220,978,025	-	-	-	-	5,220,978,025
Trade payables	17,224,018,731	-	-	-	-	17,224,018,731
Other payables	3,893,196,937	-	-	-	-	3,893,196,937
Non-current liabilities due within one year	2,114,184,605	-	-	-	-	2,114,184,605
Long-term loans	224,078,711	3,504,397,534	4,666,494,879	69,728,333	13,200,000	8,477,899,457
Lease liabilities	-	29,257,744	28,818,005	57,636,009	313,435,068	429,146,826
Long-term payables	-	55,457,800	55,457,800	57,138,340	-	168,053,940
<b>Total</b>	<b>47,650,891,526</b>	<b>3,589,113,078</b>	<b>4,750,770,684</b>	<b>184,502,682</b>	<b>326,635,068</b>	<b>56,501,913,038</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

Liquidity risk (Continued)

A liquidity analysis of the undiscounted contractual cash flows of the financial liabilities is as shown in the table below: (Continued)

31 December 2021

	Within 1 year	1-2 years	2-3 years	3-5 years	Over 5 years	Total
Customer deposits	9,253,057,291	-	-	-	-	9,253,057,291
Repurchase agreements	925,465,952	-	-	-	-	925,465,952
Short-term loans	9,027,916,472	-	-	-	-	9,027,916,472
Financial liabilities held for trading	31,663,498	-	-	-	-	31,663,498
Notes payable	3,953,458,712	-	-	-	-	3,953,458,712
Trade payables	10,437,709,731	-	-	-	-	10,437,709,731
Other payables	3,918,800,414	-	-	-	-	3,918,800,414
Non-current liabilities due within one year	1,398,277,179	-	-	-	-	1,398,277,179
Long-term loans	154,945,027	2,078,947,687	3,524,706,018	33,310,200	13,200,000	5,805,108,932
Lease liabilities	-	54,548,155	54,108,416	107,337,353	626,750,541	842,744,465
Total	39,101,294,276	2,133,495,842	3,578,814,434	140,647,553	639,950,541	45,594,202,646

### Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in market interest rates, with all other variables held constant, of the Group's net profit/(loss) (through the impact on floating rate borrowings).

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Market risk (Continued)*

#### Interest rate risk (Continued)

	Increase/(decrease) in net profit	Increase/(decrease) in basis points
2022		
RMB	50	(23,091,664)
USD	50	(1,404,974)
RMB	(50)	23,091,664
USD	(50)	1,404,974
2021		
RMB	50	(15,655,469)
USD	50	(1,258,133)
RMB	(50)	15,655,469
USD	(50)	1,258,133

#### Exchange rate risk

The Group faces transactional foreign currency risk. This risk arises from the sales and purchases carried out by operating units which were denominated in currencies other than its functional currencies.

The business of the Group is principally located in the PRC. While most of the transactions are conducted in Renminbi, certain of its sales, purchases and borrowings are denominated in United States dollars, Euros, Australian dollars and Hong Kong dollars. Fluctuations of the exchange rates of Renminbi against these foreign currencies can affect the Group's results of operations.

In addition, the Group has exposure to foreign exchange risks arising from foreign currency borrowings. The Group uses foreign exchange forward contracts to reduce exchange rate exposure.

The carrying amounts and related maximum exposure to foreign currency risk of Group's cash, trade receivables, other receivables, short term loans, trade payables and other payables are stated in Note V.68 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Market risk (Continued)*

#### Exchange rate risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the USD, EUR, AUD and HKD with all other variables held constant, of the Group's net profit and equity (due to changes in the fair values of monetary assets and liabilities):

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) In other comprehensive income, net of tax	Increase/ (decrease) in equity
2022				
Depreciation of RMB to USD	1%	3,723,822	–	3,723,822
Depreciation of RMB to EUR	1%	2,005,852	1,851,364	3,857,216
Depreciation of RMB to AUD	1%	–	2,015,647	2,015,647
Depreciation of RMB to HKD	1%	(2,574)	5,502,461	5,499,887
Appreciation of RMB to USD	(1%)	(3,723,822)	–	(3,723,822)
Appreciation of RMB to EUR	(1%)	(2,005,852)	(1,851,364)	(3,857,216)
Appreciation of RMB to AUD	(1%)	–	(2,015,647)	(2,015,647)
Appreciation of RMB to HKD	(1%)	2,574	(5,502,461)	(5,499,887)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Financial instrument risks (Continued)

#### *Market risk (Continued)*

#### Exchange rate risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the exchange rates of the USD, EUR, AUD and HKD with all other variables held constant, of the Group's net profit and equity (due to changes in the fair values of monetary assets and liabilities): (continued)

	Increase/ (decrease) in exchange rate	Increase/ (decrease) in net profit	Increase/ (decrease) in other comprehensive income, net of tax	Increase/ (decrease) in equity
2021				
Depreciation of RMB to USD	1%	(3,635,659)	39,236	(3,596,423)
Depreciation of RMB to EUR	1%	461,546	2,602,340	3,063,886
Depreciation of RMB to AUD	1%	–	2,230,055	2,230,055
Depreciation of RMB to HKD	1%	(425)	4,504,652	4,504,227
Appreciation of RMB to USD	(1%)	3,635,659	(39,236)	3,596,423
Appreciation of RMB to EUR	(1%)	(461,546)	(2,602,340)	(3,063,886)
Appreciation of RMB to AUD	(1%)	–	(2,230,055)	(2,230,055)
Appreciation of RMB to HKD	(1%)	425	(4,504,652)	(4,504,227)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 5. Capital management

The main objective of the Group's capital management is to ensure the Group's ability to continue operations and to maintain healthy capital ratios in order to support business growth and maximise shareholders' value.

The Group manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the relevant assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to shareholders, return capital to shareholders or issue new shares. The Group is not subject to externally imposed capital requirements constraints. For the years of 2022 and 2021, capital management objectives, policies or procedures of the Group did not change.

The Group uses a gearing ratio to manage its capital. The gearing ratio refers to the percentage of net debt versus total capital attributable to owners of the parent plus net debt, and the target gearing ratio for the Group is between 50% and 70%. Net debt includes customer deposits, bank loans, notes payable, trade payables, payroll and employee benefits payable, and other payables, etc., minus cash and bank balances. Capital refers to total capital attributable to owners of the parent. The Group's gearing ratio at the end of the reporting period was as follows:

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## VIII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 5. Capital management (Continued)

	31 December 2022	31 December 2021
Customer deposits	<b>9,082,110,579</b>	9,253,057,291
Repurchase agreements	<b>659,635,255</b>	925,465,952
Short-term loans	<b>9,198,483,165</b>	8,952,209,045
Financial liabilities held for trading	–	31,663,498
Notes payable	<b>5,220,978,025</b>	3,953,458,712
Trade payables	<b>17,224,018,731</b>	10,437,709,731
Payroll and employee benefits payable	<b>488,255,914</b>	349,524,741
Other payables	<b>3,917,090,333</b>	3,954,899,554
Other current liabilities	<b>648,392,994</b>	746,361,366
Non-current liabilities due within one year	<b>2,059,412,922</b>	1,358,293,333
Long-term loans	<b>7,982,390,765</b>	5,452,250,052
Lease liabilities	<b>305,546,394</b>	571,979,597
Long-term employee benefits payable	<b>16,423,474</b>	28,537,508
Less: Cash and bank balances	<b>6,534,701,307</b>	6,667,853,614
Net liabilities	<b>50,268,037,244</b>	39,347,556,766
Capital attributable to owners of the parent	<b>29,194,825,322</b>	32,752,858,934
Capital and net liabilities	<b>79,462,862,566</b>	72,100,415,700
Gearing ratio	<b>63%</b>	55%

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## IX. DISCLOSURE OF FAIR VALUE

### 1. Financial assets and liabilities measured at fair value

**31 December 2022**

	Inputs used for fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial assets				
Recurring fair value measurement for financial assets held for trading.	40,471,388	585,525,750	–	625,997,138
Financing receivables	–	2,659,676,438	–	2,659,676,438
Other debt instrument investments	8,883,816,241	–	–	8,883,816,241
Other equity instrument Investments	–	447,058,919	94,347,591	541,406,510
	<b>8,924,287,629</b>	<b>3,692,261,107</b>	<b>94,347,591</b>	<b>12,710,896,327</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 1. Financial assets and liabilities measured at fair value (Continued)

**31 December 2021**

	Inputs used for fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial assets				
Recurring fair value measurement for financial assets held for trading.	3,722,918,270	1,001,968,638	1,007,580,347	5,732,467,255
Financing receivables	–	4,795,905,782	–	4,795,905,782
Other debt instrument investments	2,474,819,099	–	–	2,474,819,099
Other equity instrument investments	–	550,164,412	91,778,927	641,943,339
	6,197,737,369	6,348,038,832	1,099,359,274	13,645,135,475
Financial liabilities				
Recurring fair value measurement for financial assets held for trading.	31,663,498	–	–	31,663,498

The Group's level 1 fair value measurement items mainly include interbank deposits and forward foreign exchange contracts. The fair value of interbank deposits was determined by the settlement price of the interbank market on the last trading date in 2022. The fair value of forward foreign exchange contracts was determined by the forward foreign exchange rate on the last trading day of December 2022.

The Group's level 2 fair value measurement items mainly include unlisted equity investment, debt instrument investments and financial receivables. The fair value of the unlisted equity investment was determined by the comparable company multiplier method based on the financial statement information of these unlisted companies as of 31 December 2022 and the information of the comparable listed companies in the same industry. The fair value of debt instrument investments was determined by the quoted prices for the same or similar assets in inactive markets. Financing receivables measured at fair value through other comprehensive income were discounted by the market interest rate.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 1. Financial assets and liabilities measured at fair value (Continued)

The Group's level 3 fair value measurement items mainly include financial products, trust Products and unlisted equity investment. The fair value of financial products and trust products is determined by the discounted cash flow model, with consideration of the initial transaction prices, near-term transactions of the same or similar financial instruments, or transactions of comparable financial instruments between the third parties. If necessary, the assessment model will be adjusted according to delays, early redemption, liquidity, default risk, and changes in the market, economic or specific circumstances.

The significant unobservable inputs of level 3 fair value measurement items are as follows:

		Fair value	Valuation technique	Unobservable inputs	Scope/Weighted average
Debt instrument investment -trust products	31 December 2021:	205,260,823	Discounted cash flow mode	Expected Rate of return	4.50%
Debt instrument investments – financial products	31 December 2021:	802,319,524	Discounted cash flow mode	Expected Rate of return	3.02%-3.06%
Other equity instrument investments	31 December 2022:	94,347,591	Comparison method of listed companies	Liquidity discount	23%
	31 December 2021:	91,778,927			24%

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 1. Financial assets and liabilities measured at fair value (Continued)

The following table presents the changes in level 3 items:

**2022**

	Total gains or losses during current period						Closing balance	Assets still held on 31 December 2021 are included in changes in unrealized gains or losses in profit and loss for 2021-changes in fair value
	Opening balance	Gains or losses included in the income statements	Gains or losses included in other comprehensive income	Purchase	Sale	Settle		
Debt instrument investment - trust products	205,260,823	1,359,725	-	-	-	(206,620,548)	-	-
Debt instrument investments - financial products	802,319,524	8,333,521	-	-	-	(810,653,045)	-	-
Other equity instrument investments	91,778,927	-	2,568,664	-	-	-	94,347,591	-
	1,099,359,274	9,693,246	2,568,664	-	-	(1,017,273,593)	94,347,591	-

**2021**

	Total gains or losses during current period						Closing balance	Assets still held on 31 December 2021 are included in changes in unrealized gains or losses in profit and loss for 2021-changes in fair value
	Opening balance	Gains or losses included in the income statements	Gains or losses included in other comprehensive income	Purchase	Sale	Settle		
Debt instrument investment - trust products	915,577,043	58,274,864	-	200,000,000	-	(968,591,084)	205,260,823	5,260,823
Debt instrument investments - financial products	1,101,740,004	32,031,217	-	800,000,000	-	(1,131,451,697)	802,319,524	2,319,524
Other equity instrument investments	90,347,037	-	5,662,683	-	(4,230,793)	-	91,778,927	-
	2,107,664,084	90,306,081	5,662,683	1,000,000,000	(4,230,793)	(2,100,042,781)	1,099,359,274	7,580,347

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 2. Financial assets and liabilities disclosed at fair value

**31 December 2022**

	Inputs used for fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial liabilities				
Long-term loans	–	7,733,776,453	–	7,733,776,453
Lease liabilities	–	305,546,394	–	305,546,394
		–	8,039,322,847	–
			–	8,039,322,847

**31 December 2021**

	Inputs used for fair value measurement			Total
	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial liabilities				
Long-term loans	–	5,278,412,932	–	5,278,412,932
Lease liabilities	–	571,979,597	–	571,979,597
		–	5,850,392,529	–
			–	5,850,392,529

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## IX. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Valuation of fair value

#### *Fair value of financial instruments*

The carrying amounts and fair values of the Group's financial instruments are as follows, excluding lease liabilities and financial instruments of which the difference between the fair values and carrying amounts is very little:

	Carrying amounts		Fair values	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Financial liabilities				
Long-term loans	<b>7,982,390,765</b>	5,452,250,052	<b>7,733,776,453</b>	5,278,412,932

Management had assessed the fair value of cash and bank balances, trade receivables, other receivables, debt instrument investments, financial assets purchased under agreements to resell, loans and advances to customers, notes payable, trade payables, other payables, customer deposits, repurchase agreements, short-term loans, non-current liabilities due within one year and other current liabilities, etc. Since the residual terms of the above-mentioned items were relatively short, the fair values were similar to the carrying amounts.

The policies and procedures for accounting for financial instruments at fair value are developed by the Group's finance team led by the finance manager. The Group's finance team reports directly to the financial officer and the Audit Committee. At each balance sheet date, the finance team analyses changes in the value of financial instruments and determines the main applicable inputs to the valuation. Valuations are subject to the approval of the financial officer. The finance team discusses the valuation process and results twice a year with the Audit Committee for interim and annual financial reporting.

The fair value of the financial assets and liabilities is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The following methods and assumptions are used in estimating fair value.

The method of discounted cash flows is adopted to determine the fair value of lease liabilities and long-term loans, in which the market return rate of other financial instruments with similar contract terms, credit risk, remaining maturity and yield characteristics is used as the discount rate. As of 31 December 2022, the default risk for the long-term loans was evaluated as not significant.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS

### 1. Parent company

Name of parent	Place of registration	Business nature	Registered capital RMB	Share of equity interests (%)	Share of voting rights (%)
The Holding	Anhui, PRC	Manufacturing	6,298,290,000	45.535	45.535

The Company is ultimately controlled by China Baowu.

### 2. Subsidiaries

Details of the subsidiaries are stated in Note VII.1 to the financial statements.

### 3. Associates and joint ventures

Details of associates and joint ventures are stated in Note VII.2 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties

Name	Relationship with the Company
Masteel Group Design and Research Institute Co., Ltd.	Controlled by the Holding
Maanshan Magang Mine Geotechnical Engineering Survey Joint Company	Controlled by the Holding
Masteel Group Kang Cheng Building and Installing Co., Ltd.	Controlled by the Holding
Maanshan Bo Li Construction Supervising Co., Ltd.	Controlled by the Holding
Anhui Masteel K.Wah New Building Materials Co., Ltd.	Controlled by the Holding
Masteel Heavy Machinery Manufacturing Co., Ltd.	Controlled by the Holding
Masteel Transportation Equipment Manufacturing Co., Ltd.	Controlled by the Holding
Masteel Automobile Transportation Service Co., Ltd.	Controlled by the Holding
Ma Steel International Trade and Economic Co., Ltd.	Controlled by the Holding
Anhui Masteel Surface Technology Co., Ltd.	Controlled by the Holding
Maanshan Masteel Electric Repair Co., Ltd.	Controlled by the Holding
Maanshan Used Vehicle Trading Centre Co., Ltd.	Controlled by the Holding
Baowu Heavy Industry Co., Ltd.	Controlled by the Holding

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Ma Steel Powder Metallurgy Co., Ltd.	Controlled by the Holding
Anhui Masteel Dangerous Goods Transportation Co., Ltd.	Controlled by the Holding
Magang (Group) Holding Company Limited Assets Management Company	Controlled by the Holding
Anhui Zhonglian Shipping Co., Ltd.	Controlled by the Holding
Magang (Group) Logistics Co., Ltd.	Controlled by the Holding
Anhui Masteel Equipment Maintenance Co., Ltd.	Controlled by the Holding
Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	Controlled by the Holding
Anhui Masteel Mining Resources Group Co., Ltd.	Controlled by the Holding
Masteel Group Kang Tai Land Development Co., Ltd.	Controlled by the Holding
Anhui Vocational College of Metallurgy and Technology	Controlled by the Holding
Anhui Jiangnan Iron and Steel Material Quality Supervision and Inspection Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	Controlled by the Holding
Anhui Magang Limin Construction and Installation Co., Ltd.	Controlled by the Holding
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	Controlled by the Holding

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.	Controlled by the Holding
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	Controlled by the Holding
Anhui Masteel Changran Energy Co., Ltd.	Controlled by the Holding
Masteel Refractory Materials Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	Controlled by the Holding
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	Controlled by the Holding
Maanshan Limin Metallurgical Solid Waste Comprehensive Utilization Technology Co., Ltd.	Controlled by the Holding
Maanshan Magang Limin Commerce and Trade Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Mining Resources Group Mining Technology Service Co., Ltd.	Controlled by the Holding
Anhui Masteel Luo He Mining Co., Ltd.	Controlled by the Holding
Maanshan Chenma Hydrogen Energy Technology Co., Ltd.	Controlled by the Holding

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Anhui Magang Engineering Technology Group Co., Ltd.	Controlled by the Holding
Magang (Group) Holding Company Limited Taochong Mining Company	Controlled by the Holding
Magang (Group) Investment Co., Ltd.	Controlled by the Holding
Magang (Group) Holding Company Limited Magang Press	Controlled by the Holding
Masteel Chengxing Metal Resources Co., Ltd.	Controlled by the Holding
Masteel (Hefei) Logistics Co., Ltd.	Controlled by the Holding
Magang (Group) Holding Company Limited Gushan Mining Company	Controlled by the Holding
Magang (Group) Holding Company Limited Nanshan Mining Company	Controlled by the Holding
Masteel Lihua Metal Resources Co., Ltd.	Controlled by the Holding
Shanghai Masteel International Trade and Economic Co., Ltd.	Controlled by the Holding
Shanghai MA Steel International Trade Company Limited	Controlled by the Holding

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Anhui Maanshan Iron & Steel Mining Resources Group Material Technology Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Mining Resources Group Building Materials Technology Co., Ltd.	Controlled by the Holding
Dalian Changxing Environmental Service Co., Ltd	Controlled by the Holding
Dangtu Majia New Building Materials Co., Ltd	Controlled by the Holding
Hubei Haorun New Material Technology Co., Ltd	Controlled by the Holding
Hubei Lvbang Renewable Resources Co., Ltd	Controlled by the Holding
Jiangsu Baotin Charge Processing Co., Ltd	Controlled by the Holding
LiaoNing Jiheyuan Renewable Resources Co., Ltd.	Controlled by the Holding
Masteel Zhixin Resources Technology Co., Ltd.	Controlled by the Holding
Shanxi Fuma Carbon Material Technology Co., Ltd.	Controlled by the Holding
Shanxi Ruisegg Waste Resources Comprehensive Utilization Co., Ltd	Controlled by the Holding
Shanghai Maanshan Iron & Steel Electrical and Mechanical Technology Co., Ltd.	Controlled by the Holding
Shenzhen Yue Hai Masteel Industry Co., Ltd.	Controlled by the Holding
Yichang Yimei Urban Mineral Resources Recycling Co., Ltd	Controlled by the Holding
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.	Controlled by the Holding

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Guizhou Xinchuan Environmental Protections Co., Ltd.	Controlled by the Holding
China Baowu Steel Group Co., Ltd.	Ultimate controlling party
Ouyeel Blockchain Finance (Note 1)	Controlled by the ultimate controlling party
Masteel K. Wah (Note 2)	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Fuyang) Renewable Resources Co., Ltd (Note 1)	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Guangxi) Renewable Resources Co., Ltd (Note 1)	Controlled by the ultimate controlling party
Ouyeel (Jingjiang) Blockchain Finance and Metal Recycling Resources Co., Ltd. (Note 1)	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Pingxiang) Renewable Resources Co., Ltd (Note 1)	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Shaoguan) Renewable Resources Co., Ltd (Note 1)	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Sichuan) Renewable Resources Co., Ltd (Note 1)	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Tangshan) Renewable Resources Co., Ltd (Note 1)	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Yunnan) Renewable Resources Co., Ltd (Note 1)	Controlled by the ultimate controlling party

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Ouyeel Chain Gold (Zhanjiang) Renewable Resources Co., Ltd (Note 1)	Controlled by the ultimate controlling party
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd. (Note 1)	Controlled by the ultimate controlling party
Shanghai Baoxin Software Co.,Ltd.	Controlled by the ultimate controlling party
Baosteel Zhanjiang Iron and Steel Co., Ltd	Controlled by the ultimate controlling party
Masteel Group Mapping Co., Ltd.	Controlled by the ultimate controlling party
Maanshan Yu Tai Property Management Co., Ltd.	Controlled by the ultimate controlling party
Anhui Masteel Dongli Transmission Equipment Co., Ltd.	Controlled by the ultimate controlling party
Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	Controlled by the ultimate controlling party
Shenzhen Yuexinma Information and Technology Co., Ltd.	Controlled by the ultimate controlling party
Anhui Xiangdun Information Technology Co., Ltd.	Controlled by the ultimate controlling party
Maanshan Jieyuan Environmental Protection Co., Ltd.	Controlled by the ultimate controlling party
Anhui Xiangyun Technology Co., Ltd.	Controlled by the ultimate controlling party
AI Robot(Shanghai) Co., Ltd.	Controlled by the ultimate controlling party
Yangtze River Delta (Hefei) Digital Technology Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Resources Holdings(Shanghai) Co., Ltd.	Controlled by the ultimate controlling party
Ouyeel International	Controlled by the ultimate controlling party

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Shanghai Ouye Purchasing Information Technology Co., Ltd.	Controlled by the ultimate controlling party
Baowu Raw Material Supply Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Steel Products Trading Co., Ltd.	Controlled by the ultimate controlling party
Shanxi Taigang Stainless Steel Co.,Ltd	Controlled by the ultimate controlling party
Shanghai Baosteel Packaging Material Co., Ltd.	Controlled by the ultimate controlling party
Guangzhou Baofengjing Automobile Steel Processing Co., Ltd.	Controlled by the ultimate controlling party
Wugang (Guangzhou) Steels Processing Co., Ltd.	Controlled by the ultimate controlling party
Masteel (Hefei) Industrial Water Supply Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Casting Corporation	Controlled by the ultimate controlling party
Shanghai Baosight Software Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Court Roller Surface Treatment Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Meishan Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party
Anhui Wanbao Mining Limited Co., Ltd.	Controlled by the ultimate controlling party
Baoshan Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party
Baowu Equipment Intelligent Technology Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Roll Science & Technology Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Engineering & Technology Co., Ltd.	Controlled by the ultimate controlling party

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Zhejiang Shengsi Baojie International Shipping Agency Co., Ltd.	Controlled by the ultimate controlling party
Zhejiang Zhoushan Wugang Terminal Co., Limited	Controlled by the ultimate controlling party
Baoxin Software (Nanjing) Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Zhushang Metalware Company	Controlled by the ultimate controlling party
Huabao Investment Co., Ltd.	Controlled by the ultimate controlling party
Huabao Securities Co., Ltd.	Controlled by the ultimate controlling party
Nanjing Meibao New Building Material Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Iron and Steel Co., Ltd.	Controlled by the ultimate controlling party
Baowu Huanke Maanshan Resource Utilization Co., Ltd.	Controlled by the ultimate controlling party
Maanshan Magang Mine Geotechnical Engineering Investigation United Company	Controlled by the ultimate controlling party
Nanjing Meishan Enterprise Development Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Engineering Institute	Controlled by the ultimate controlling party
Shanghai Ouyeel Material Technology Co., Ltd.	Controlled by the ultimate controlling party
Ouyeel Cloud Commerce Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Resources International Company Limited	Controlled by the ultimate controlling party
Shanghai Jinyi Inspection Technology Co., Ltd.	Controlled by the ultimate controlling party
Howa Trading Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Stainless Steel Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Guangdong Shaogang Construction Company	Controlled by the ultimate controlling party
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	Controlled by the ultimate controlling party
Wulongquan Mining Co., Ltd. of WISCO Resources Group	Controlled by the ultimate controlling party
Shanghai Iron & Steel Exchange Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Metals Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baokang Electronic Control Engineering Co., Ltd.	Controlled by the ultimate controlling party
Bsteel Online Co., Ltd.	Controlled by the ultimate controlling party
WISCO MCC Industrial Technology Service Co., Ltd.	Controlled by the ultimate controlling party
Taiyuan Iron & Steel (Group) Co., Ltd.	Controlled by the ultimate controlling party
Wugang Group Co., Ltd.	Controlled by the ultimate controlling party
Wuhu Veisko Material Technology Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Baosteel Huazhong Trade Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Weishike Steel Processing and Distribution Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Steel Group Logistics Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Development Co., Ltd.	Controlled by the ultimate controlling party
Hubei Metallurgical Material Analysis and Testing Center Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Ouye Logistics Co., Ltd.	Controlled by the ultimate controlling party
Guangzhou Baosteel Southern Trading Co., Ltd.	Controlled by the ultimate controlling party
Shenyang Baosteel Northeast Trading Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Trading Co., Ltd.	Controlled by the ultimate controlling party

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Baosteel Magnetic Industry (Jiangsu) Co., Ltd.	Controlled by the ultimate controlling party
Beijing Baosteel North Trade Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Magnetic Industry Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Special Steel Long Products Co., Ltd.	Controlled by the ultimate controlling party
Chengdu Baosteel Western Trading Co. Ltd.	Controlled by the ultimate controlling party
Qingdao Bao-Mit Steel Distribution Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baohua International Tendering Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Middle East Fze	Controlled by the ultimate controlling party
Chengdu (Taigang) Sales Co., Ltd.	Controlled by the ultimate controlling party
Hefei Bao Real Estate City Development Co., Ltd.	Controlled by the ultimate controlling party
Anhui Baosteel Steel Distribution Co., Ltd.	Controlled by the ultimate controlling party
Baowu Huanke Nanjing Resources Utilization Co., Ltd.	Controlled by the ultimate controlling party
Chongqing Baosteel Auto Steel Parts Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Construction Co.	Controlled by the ultimate controlling party
Baosteel Special Metals Co., Ltd.	Controlled by the ultimate controlling party
Chengdu Baosteel Auto Steel Parts Processing & Distribution Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baodi Yangpu Real Estate Development Co., Ltd	Controlled by the ultimate controlling party
Wuhan Wugang Jiangbei Group Co., Ltd.	Controlled by the ultimate controlling party
Suzhou Suma Industry Development Co., Ltd	Associate of the Holding
Anhui Tiankai Road and Bridge Co., Ltd	Associate of the Holding
Maanshan Iron Construction Group Co., Ltd.	Associate of the Holding
Ruitai Masteel New Material Technology Co., Ltd.	Associate of the Holding

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Anhui BRC & Masteel Weldmesh Co., Ltd.	Associate of the Holding
Ma Steel Gongchang United Roller Co., Ltd.	Associate of the Holding
Jiangsu Gongchang Roll Joint Stock Co., Ltd.	Associate of the Holding
Ma-Steel OCI Chemical Co., Ltd.	Associate of the Holding
Anhui Keda Intelligent Energy Technology Co., Ltd	Associate of the Holding
Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.	Associate of the Holding
CRM East China Co., Ltd.	Associate of the Holding
Maanshan Shenma Metallurgical Co., Ltd	Associate of the Holding
Anhui Kean Electric Power Engineering Co., Ltd	Associate of the Holding
Shanghai Steel Home Information Technology Co., Ltd	Associate of the Holding
MCC South Continuous Casting Technology Engineering Co., Ltd	Associate of the Holding
MCC South (Wuhan) Thermal Engineering Co., Ltd	Associate of the Holding
Anhui Baochang United Roll Co., Ltd	Associate of the Holding
Wuhan Iron and Steel Group Xingda Economic Development Co., Ltd	Associate of the Holding
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd	Associate of the Holding
Maanshan Gangchen Steel Supply Chain Co., Ltd	Associate of the ultimate controlling party
Maanshan Gangchen Special Steel Supply Chain Co., Ltd	Associate of the ultimate controlling party

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Other related parties (CONTINUED)

Name	Relationship with the Company
Maanshan Gangchen Hydrogen Industry Co., Ltd	Associate of the ultimate controlling party
General Electric (Wuhan) Automation Co., Ltd.	Joint venture of the ultimate controlling party
Shanxi Ax Taigang Roll Co., Ltd.	Associate of the ultimate controlling party
MCC South Engineering Technology Co., Ltd.	Associate of the ultimate controlling party
Maanshan Gangchen Industrial Co., Ltd	Associate of the ultimate controlling party
Taicang Wugang Wharf Co., Ltd.	Associate of the ultimate controlling party
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	Associate of the ultimate controlling party
Qinghai Kaiyuan Metal Material Co., Ltd.	Associate of the ultimate controlling party
Shanghai Baosteel Engineering Consulting Co., Ltd.	Associate of the ultimate controlling party
Shanghai Baoneng Information Technology Co., Ltd.	Associate of the ultimate controlling party
MCC South Wuhan Engineering Consulting Management Co., Ltd	Associate of the ultimate controlling party
CIMC Baochuang (Wuxi) Steel Processing Co., Ltd	Associate of the ultimate controlling party
Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd	Associate of the ultimate controlling party
Yuxi Xinxing Steel Co., Ltd	Associate of the ultimate controlling party
Changzhou Baoling Heavy Industry Machinery Co., Ltd.	Associate of the ultimate controlling party
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	Associate of the ultimate controlling party
Wuhan Baozhang Automotive Steel Parts Co., Ltd	Associate of the ultimate controlling party

*Note 1:* Ouyeel Blockchain Finance was no longer an associate company of the Group in 2022, so the balance of related parties in this current period is disclosed under the company controlled by the Holding. The balance of related parties at the end of the previous year is disclosed under the associate company.

*Note 2:* Anhui Masteel K.Wah New Building Materials Co., Ltd. was no longer an associate company of the Group in February 2022, so the balance of related parties in this current period is disclosed under the company controlled by the ultimate controller. The balance of related parties at the end of the previous year is disclosed under the associate company.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties

Regarding the related party transactions under items (1) to (23) disclosed below, except for the transactions under items (16) to (18), all other transactions constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules of the Stock Exchange of Hong Kong.

#### (1) Purchases of ore from related parties

	Note	2022	2021
Baowu Raw Material Supply Co., Ltd.	(i)	<b>3,504,763,551</b>	3,110,179,624
BAOSTEEL RESOURCES INTERNATIONAL COMPANY LIMITED	(i)	<b>3,293,206,380</b>	7,685,904,247
Baosteel Resources Holdings(Shanghai) Co., Ltd.	(i)	<b>2,812,105,013</b>	1,672,390,082
Anhui Masteel Mining Resources Group Co., Ltd.	(i)	<b>2,763,732,887</b>	4,257,589,387
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	(i)	<b>1,109,714,933</b>	130,076,684
Ma Steel International Trade and Economic Co., Ltd.	(i)	<b>373,943,469</b>	–
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.	(i)	<b>146,749,379</b>	428,315,935
Baoshan Iron & Steel Co., Ltd.	(i)	<b>119,468,545</b>	–
Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	(i)	<b>84,232,266</b>	113,493,960
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	(i)	<b>30,209,912</b>	200,122,103
Anhui Wanbao Mining Limited Co., Ltd.	(i)	<b>2,597,008</b>	1,481,623
The Holding	(i)	–	44,252,759
		<b>14,240,723,343</b>	17,643,806,404

- (i) The terms for the purchases of iron ore from the Holding were determined in accordance with an agreement dated 29 September 2021 entered into between the Company and the Holding. The agreement stipulated that the price should be determined based on the Plats Index.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (2) Fees paid for labor, logistics and other services

	Note	2022	2021
Anhui Masteel Equipment Maintenance Co., Ltd.	(ii)	<b>617,892,064</b>	599,016,916
Magang (Group) Logistics Co., Ltd.	(ii)	<b>612,845,232</b>	1,135,347,438
Xinchuang Environmental Protection Masteel Heavy Machinery Manufacturing Co., Ltd.	(ii)	<b>535,688,810</b>	688,339,615
Baowu Water	(ii)	<b>526,147,235</b>	480,984,167
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	(ii)	<b>416,705,494</b>	176,241,650
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	(ii)	<b>384,324,070</b>	358,779,478
Masteel Automobile Transportation Service Co., Ltd.	(ii)	<b>261,111,350</b>	356,970,797
Anhui Zhonglian Shipping Co., Ltd.	(ii)	<b>231,238,191</b>	300,528,687
Phima Intelligence	(ii)	<b>154,992,927</b>	193,934,827
Masteel Transportation Equipment Manufacturing Co., Ltd.	(ii)	<b>126,804,779</b>	199,878,022
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.	(ii)	<b>55,962,946</b>	83,601,539
Baowu Equipment Intelligent Technology Co., Ltd.	(ii)	<b>46,681,826</b>	48,572,188
Shanghai Baoxin Software Co., Ltd.	(ii)	<b>38,442,407</b>	113,536,964
Ruitai Masteel New Material Technology Co., Ltd.	(ii)	<b>75,836,664</b>	193,347,912
Baowu Heavy Industry Co., Ltd.	(ii)	<b>26,982,437</b>	977,237,029
The Holding	(ii)	<b>22,558,291</b>	128,726,138
Ma Steel Gongchang United Roller Co., Ltd.	(ii)	<b>20,823,041</b>	59,578,768
Magang Chemicals & Energy	(ii)	<b>18,793,065</b>	36,171,537
Baoshan Iron & Steel Co., Ltd.	(ii)	<b>12,540,635</b>	7,358,491
Shanghai Ouyeel Material Technology Co., Ltd.	(ii)	<b>2,373,021</b>	37,360,296
Others	(ii)	<b>715,195,809</b>	496,524,381
		<b>4,903,940,294</b>	7,337,837,156

- (ii) The terms for the provision of certain services, including on-the-job training, food and sanitary services, environmental and hygiene services, maintenance of roads and landscaping services, telecommunications service, and contracts of transportation service, equipment repair and maintenance services, and engineering design services, were determined in accordance with a service agreement between the Group, the Holding and China Baowu.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTY RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (3) Agency fees paid to related parties

	Note	2022	2021
Ma Steel International Trade and Economic Co., Ltd.	(iii)	<b>67,772,200</b>	77,997,623
Ouyeel Blockchain Finance	(iii)	<b>603,333</b>	1,167,420
		<b>68,375,533</b>	79,165,043

(iii) The transactions with the related parties mentioned above were conducted on terms of mutually agreed between the Group and the related parties based on the market prices.

#### (4) Rental expenses

	Note	2022	2021
The Holding	(iv)	<b>27,454,540</b>	51,277,733
Magang (Group) Holding Company Limited Assets Management Company	(iv)	<b>138,939</b>	–
		<b>27,593,479</b>	51,277,733

(iv) The Holding leased a building to the Group and the rental was determined by terms mutually agreed between the Group and the Holding based on the market prices.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (5) Purchases of fixed assets and construction services

	Note	2022	2021
Masteel Group Design and Research Institute Co., Ltd.	(v)	<b>848,876,660</b>	324,353,468
Shanghai Baosight Software Co., Ltd.	(v)	<b>581,164,096</b>	312,070,194
Baosteel Special Metals Co., Ltd.	(v)	<b>171,962,264</b>	–
Phima Intelligence	(v)	<b>153,153,291</b>	189,328,583
Baowu Heavy Industry Co., Ltd.	(v)	<b>143,873,457</b>	347,848,745
Shanghai Baosteel Engineering & Technology Co., Ltd.	(v)	<b>107,160,308</b>	203,561,291
Xinchuang Environmental Protection	(v)	<b>100,171,354</b>	96,461,857
Anhui Masteel Equipment Maintenance Co., Ltd.	(v)	<b>76,684,279</b>	36,171,510
Baowu Water	(v)	<b>67,441,193</b>	–
Masteel Heavy Machinery Manufacturing Co., Ltd.	(v)	<b>42,121,066</b>	18,137,081
Maanshan Iron Construction Group Co., Ltd.	(v)	<b>36,107,174</b>	114,911,829
Masteel Group Kang Cheng Building and Installing Co., Ltd.	(v)	<b>12,667,344</b>	18,122,708
Anhui Magang Limin Construction and Installation Co., Ltd.	(v)	<b>9,321,037</b>	26,392,687
Anhui Masteel K.Wah New Building Materials Co., Ltd.	(v)	<b>2,203,939</b>	23,354,185
Masteel Automobile Transportation Service Co., Ltd.	(v)	–	185,269
Others	(v)	<b>70,963,075</b>	78,890,683
		<b>2,423,870,537</b>	1,789,790,090

- (v) The transactions with the Holding and its subsidiaries, and transactions with China Baowu and its subsidiaries were conducted on terms mutually agreed according to market prices between the Group and the related parties.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (6) Purchases of products from related parties

	Note	2022	2021
Ouyeel Blockchian Finance	(vi)	<b>8,317,695,577</b>	9,556,717,926
OBEI	(vi)	<b>4,440,879,320</b>	1,453,082,950
Anhui Masteel Gas Technology Co., Ltd.	(vi)	<b>739,238,703</b>	–
Magang Chemicals & Energy	(vi)	<b>722,953,591</b>	1,321,859,225
Shanxi Taigang Stainless Steel Co., Ltd.	(vi)	<b>642,372,479</b>	1,544,141,401
		<b>14,863,139,670</b>	13,875,801,502

- (vi) The transactions with the abovementioned related parties included: purchase of scrap steel, waste water, coke oven gas, materials and spare parts, etc. The above transactions were conducted on terms mutually agreed between the Group and the related parties according to market prices.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (7) Supply of utilities, services and other goods

	Note	2022	2021
Xinchuang Environmental Protection Baosteel Zhanjiang Iron and Steel Co., Ltd	(vii)	<b>461,023,767</b>	81,607,016
Baowu Water Technology Co., Ltd.	(vii)	<b>320,510,295</b>	–
Ma Steel Powder Metallurgy Co., Ltd.	(vii)	<b>191,686,608</b>	18,422,102
Baosteel Resources Holdings (Shanghai) Co., Ltd.	(vii)	<b>100,887,362</b>	198,620,459
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	(vii)	<b>91,204,373</b>	–
Masteel Heavy Machinery Manufacturing Co., Ltd.	(vii)	<b>52,802,488</b>	36,200,260
Ma-Steel OCI Chemical Co., Ltd.	(vii)	<b>49,013,241</b>	43,528,705
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.	(vii)	<b>24,127,592</b>	22,856,039
Ruitai Masteel New Material Technology Co., Ltd.	(vii)	<b>18,000,032</b>	19,025,426
Phima Intelligence	(vii)	<b>5,322,365</b>	11,198,705
Ma Steel Gongchang United Roller Co., Ltd.	(vii)	<b>4,069,856</b>	5,452,430
Baowu Heavy Industry Co., Ltd.	(vii)	<b>3,564</b>	2,911,855
Shanghai Baosteel Magnetic Industry Co., Ltd.	(vii)	–	3,335,020
The Holding	(vii)	–	52,810,385
Others	(vii)	–	7,643,350
		<b>33,132,727</b>	40,217,089
		<b>1,351,784,270</b>	543,828,841

(vii) The transactions with the Holding and its subsidiaries, and transactions with China Baowu and its subsidiaries were conducted on terms mutually agreed according to market prices between the Group and the related parties.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (8) Sales of steel products

	Note	2022	2021
Shanghai Ouyeel Material Technology Co., Ltd.	(viii)	<b>1,017,820,835</b>	219,473,708
Baowu Heavy Industry Co., Ltd.	(viii)	<b>699,170,994</b>	561,017,031
Baoshan Iron & Steel Co., Ltd.	(viii)	<b>112,131,068</b>	29,806,070
Shanghai Baosteel Trading Co., Ltd.	(viii)	<b>102,660,082</b>	125,214,497
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	(viii)	<b>57,872,489</b>	–
Shenyang Baosteel Northeast Trading Co., Ltd.	(viii)	<b>42,835,339</b>	12,575,640
OBEI	(viii)	<b>31,927,515</b>	–
Beijing Baosteel North Trade Co., Ltd.	(viii)	<b>21,293,688</b>	36,381,928
Maanshan Iron Construction Group Co., Ltd.	(viii)	<b>518,192</b>	25,624,304
Anhui BRC & Masteel Weldmesh Co., Ltd.	(viii)	–	20,144,081
Guangzhou Baosteel Southern Trading Co., Ltd.	(viii)	–	11,401,663
Others	(viii)	<b>62,511,226</b>	55,653,699
		<b>2,148,741,428</b>	1,097,292,621

(viii) The transactions with the Holding and its subsidiaries, and transactions with China Baowu and its subsidiaries were conducted on terms mutually agreed according to market prices between the Group and the related parties.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (9) Sales of goods to related parties

	Note	2022	2021
Magang Chemicals & Energy	(ix)	<b>1,576,511,159</b>	1,757,637,723
Anhui Masteel Gas Technology Co., Ltd.	(ix)	<b>663,366,090</b>	–
Masteel K. Wah	(ix)	<b>357,260,884</b>	811,706,173
Ouyeel Blockchain Finance	(ix)	<b>2,008,840</b>	12,205,747
OBEI	(ix)	<b>1,150,016</b>	23,925,097
Others	(ix)	<b>342,829,459</b>	–
		<b>2,943,126,448</b>	2,605,474,740

(ix) The transactions with the abovementioned related parties included sales of water slag, scrap steel raw materials and energy supply services. The above transactions were conducted on terms mutually agreed between the Group and the related parties according to market prices.

#### (10) Provision of leasing services to related parties

	Note	2022	2021
Magang Chemicals & Energy	(x)	<b>6,448,338</b>	11,068,800
Maanshan BOC-Ma Steel Gases Company Limited	(x)	<b>1,250,000</b>	–
Anhui Masteel Gas Technology Co., Ltd.	(x)	<b>8,352,752</b>	–
Phima Intelligence	(x)	<b>480,672</b>	165,000
Anhui Masteel Surface Technology Co., Ltd.	(x)	<b>617,457</b>	611,844
Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	(x)	<b>49,060</b>	–
		<b>17,198,278</b>	11,845,644

(x) The transactions with the related parties mentioned above were conducted on terms mutually agreed between the Group and the related parties according to market price.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (11) Interest paid to related parties

	Note	2022	2021
The Holding	(xi)	<b>23,606,398</b>	41,333,245
Anhui Masteel Mining Resources Group Co., Ltd.	(xi)	<b>22,282,992</b>	4,054,587
Magang Chemicals & Energy	(xi)	<b>8,350,245</b>	8,093,486
Anhui Masteel Luo He Mining Co., Ltd.	(xi)	<b>7,000,986</b>	7,321,940
Ouyeel Blockchain Finance	(xi)	<b>6,611,974</b>	6,603,372
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	(xi)	<b>6,101,618</b>	6,733,264
Baowu Heavy Industry Co., Ltd.	(xi)	<b>3,943,290</b>	6,496,318
Magang (Group) Logistics Co., Ltd.	(xi)	<b>2,647,143</b>	2,882,278
Xinchuang Environmental Protection Masteel Group Kang Tai Land Development Co., Ltd.	(xi)	<b>2,435,259</b>	1,635,090
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	(xi)	<b>2,236,414</b>	1,450,033
Masteel K. Wah	(xi)	<b>2,060,915</b>	3,007,654
Masteel Heavy Machinery Manufacturing Co., Ltd.	(xi)	<b>1,855,987</b>	1,992,278
Ma Steel International Trade and Economic Co., Ltd.	(xi)	<b>1,103,418</b>	2,353,134
Masteel Automobile Transportation Service Co., Ltd.	(xi)	<b>987,884</b>	1,147,953
Ruitai Masteel New Material Technology Co., Ltd.	(xi)	<b>37,621</b>	207,756
Others	(xi)	<b>16,012,167</b>	13,891,871
		<b>109,883,300</b>	111,235,808

(xi) Masteel Finance absorbed deposits from the Holding and its subsidiaries, and paid interest to them with the interest rate ranging from 0.42% to 2.18% (2021: 0.42% to 2.18%).

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (12) Financial service income received from related parties

	Note	2022	2021
Ouyeel Blockchain Finance	(xii)	<b>24,179,431</b>	64,418,872
Anhui Masteel Mining Resources Group Co., Ltd.	(xii)	<b>17,326,750</b>	21,969,699
The Holding	(xii)	<b>9,808,176</b>	49,061,845
Masteel Chengxing Metal Resources Co., Ltd.	(xii)	<b>9,193,371</b>	8,528,205
Masteel Lihua Metal Resources Co., Ltd.	(xii)	<b>4,759,350</b>	–
Ouyeel (Jingjiang) Blockchain Finance and Metal Recycling Resources Co., Ltd.	(xii)	<b>3,393,180</b>	–
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	(xii)	<b>2,604,479</b>	–
Masteel Zhixin Resources Technology Co., Ltd.	(xii)	<b>1,138,526</b>	928,725
Anhui BRC & Masteel Weldmesh Co., Ltd.	(xii)	<b>328,020</b>	624,114
Ma Steel Powder Metallurgy Co., Ltd.	(xii)	<b>221,174</b>	553,166
Anhui Masteel Luo He Mining Co., Ltd.	(xii)	<b>131,330</b>	1,517,893
Baowu Heavy Industry Co., Ltd.	(xii)	<b>95,552</b>	87,209
Masteel K. Wah	(xii)	<b>5,387</b>	31,091
Others	(xii)	<b>9,102,497</b>	8,414,636
		<b>82,287,223</b>	156,135,455

- (xii) Masteel Finance, a subsidiary of the Group, received financial service income for the financial services it rendered to the Holding and its subsidiaries, including providing loans, bank acceptance notes discounting and entrusted loan. The lending rates were not lower than the benchmark loan interest rates issued by the People's Bank of China, and the other service charge was not lower than the benchmark charge issued by the People's Bank of China.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (13) Sale of land from related parties

	Note	2022	2021
Magang (Group) Logistics Co., Ltd.	(xiii)	–	7,240,500
		–	7,240,500

(xiii) The transactions with Magang (Group) Logistics Co., Ltd. was conducted based on the valuation result of the fair value of the land.

#### (14) Equity transactions with related parties

In March 2022, The Company entered a capital reduction agreements with Magang Chemicals & Energy. All parties agreed that the Holding reduced the capital by RMB344.39 million in cash and the Company reduced RMB500.23 million in the form of receiving coke oven purification assets. The asset value involved in the capital reduction is determined according to the Valuation Report No. 2052 (2021) issued by Beijing Tianjian Xingye Asset Appraisal Co., Ltd. On June 30, 2022, the above assets have been delivered and the capital reduction has been completed. The Company's shareholding in Masteel Chemical Energy has decreased from 45% to 32%, and the Company can still exert a significant influence on Masteel Chemical Energy and continue to account as an associated company.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (14) Equity transactions with related parties (Continued)

In September 2021, the Company entered into an equity transfer agreement with Baowu Huanke to transfer 30% of the equity of Masteel K. Wah held by the Company to Baowu Huanke for RMB111.3424 million. In January 2022, the equity transfer was completed, and the Group no longer held the equity of Masteel K. Wah.

On July 21, 2022, the 63rd meeting of the ninth session of the Board of Directors of the Company approved the transfer of 9.88% of the equity of the joint venture Ouyeel Blockchain Finance by the Company to the Holding. On the same day, the two parties signed the relevant agreement and transferred the corresponding equity for RMB348.52 million. In September 2022, the equity transfer was completed, and the Group no longer held the equity interest in Ouyeel Blockchain Finance.

On November 15, 2022, the 67th meeting of the ninth session of the board of directors of the Company approved the transfer of 75% of the equity of the holding subsidiaries Ma Steel (Jinhua) and Ma Steel (Guangzhou) to the Holding. On the same day, the two parties signed of the equity transfer agreement, transferring 75% of the equity of Magang Guangzhou and 75% of the equity of Magang Jinhua owned by the Company to the Holding for price RMB229.6207 million and RMB168.189 million respectively. On December 31, 2022, the equity transfer was completed and the Group no longer held the equity interests of Ma Steel (Jinhua) and Ma Steel (Guangzhou).

On December 5, 2022, the second meeting of the Board of Directors of the Company approved the transfer of 71% of the equity of Holly Industrial, a subsidiary of the Company, to the Holding. On the same day, the two parties signed of the agreement to transfer the corresponding equity for price RMB239.48 million. On December 31, 2022, the equity transfer was completed, and the Company's shareholding in Holly Industrial was reduced from 100% to 29%, and the Company can still exercise significant influence on Holly Industrial and continue to account it as an associate.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

(15) *Purchases of products and services from joint ventures and associates of the Company and the Subsidiaries of China Baowu*

	Note	2022	2021
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd.	(xiv)	<b>682,674,649</b>	–
BOC-Ma Steel	(xiv)	<b>600,385,727</b>	603,277,457
Henan JinMa Energy	(xiv)	<b>457,489,385</b>	678,604,522
MCC South Engineering Technology Co., Ltd.	(xiv)	<b>106,102,267</b>	605,000
MCC South Continuous Casting Technology Engineering Co., Ltd.	(xiv)	<b>55,759,548</b>	–
Shenglong Chemical	(xiv)	<b>33,823,597</b>	53,918,668
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	(xiv)	<b>29,390,943</b>	25,517,220
Shanghai Baoneng Information Technology Co., Ltd.	(xiv)	<b>19,767,972</b>	8,678,512
Maanshan Gangchen Industrial Co., Ltd.	(xiv)	<b>15,847,414</b>	142,050,977
Shanghai Baosteel Engineering Consulting Co., Ltd.	(xiv)	<b>12,462,136</b>	857,658
Qinghai Kaiyuan Metal Material Co., Ltd.	(xiv)	<b>11,112,639</b>	34,841,392
Maanshan Shenma Metallurgical Co., Ltd.	(xiv)	<b>3,133,497</b>	–
MCC South Wuhan Engineering Consulting Management Co., Ltd.	(xiv)	<b>2,950,624</b>	1,827,613
Taicang Wugang Wharf Co., Ltd.	(xiv)	<b>1,195,343</b>	14,893,988
Shanghai Steel Home Information Technology Co., Ltd.	(xiv)	<b>261,284</b>	–
Anhui Keda Intelligent Energy Technology Co., Ltd.	(xiv)	<b>489,824</b>	–
Anhui Kean Electric Power Engineering Co., Ltd.	(xiv)	<b>471,181</b>	–
Jiangsu Gongchang Roll Joint Stock Co., Ltd.	(xiv)	–	39,460,342
		<b>2,033,318,030</b>	1,604,533,349

(xiv) The terms for trading, including the purchase of coke by-products, purchase of gas, purchase of waste oil recovery related services, purchase of engineering design and repair services, purchase of port storage management services etc., The transactions above were conducted on terms mutually agreed between the Group and the related parties based on market prices.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

(16) *Sales of products and provision of services to joint ventures and associates of the Company and the Subsidiaries of China Baowu*

	Note	2022	2021
Maanshan Gangchen Industrial Co., Ltd.	(xv)	<b>1,443,235,425</b>	403,237,044
Wuhan Iron and Steel Group Xingda Economic Development Co., Ltd	(xv)	<b>429,989,473</b>	–
BOC-Ma Steel	(xv)	<b>260,044,110</b>	274,040,891
Maanshan Steel Chen Special Steel Supply Chain Co., Ltd.	(xv)	<b>85,433,940</b>	–
Anhui Keda Intelligent Energy Technology Co., Ltd.	(xv)	<b>52,109,564</b>	49,120,799
Maanshan Gangchen Steel Supply Chain Co., Ltd.	(xv)	<b>13,341,646</b>	–
Maanshan Gangchen Hydrogen Industry Co., Ltd.	(xv)	<b>7,877,156</b>	–
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	(xv)	<b>7,574,618</b>	3,757,516
Henan JinMa Energy	(xv)	<b>1,053,737</b>	93,853
CRM East China Co., Ltd.	(xv)	<b>221,476</b>	232,079
Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.	(xv)	<b>5,805</b>	465,814
Shanghai Baosteel Engineering Consulting Co., Ltd.	(xv)	<b>1,800</b>	–
		<b>2,300,888,750</b>	730,947,996

(xv) The terms for trading, including provision of energy supply services, sales of steel and leasing services, etc., which were determined in accordance with service agreements between the Group and the Holding.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (17) Interest paid for financial services to the joint venture and associates of the Company and subsidiaries of China Baowu

	Note	2022	2021
Maanshan BOC-Ma Steel Gases Company Limited	(xvi)	<b>5,800,927</b>	4,989,893
Holly Industrial	(xvi)	<b>1,254,258</b>	–
Maanshan Gangchen Industrial Co., Ltd.	(xvi)	<b>408,790</b>	183,880
Others	(xvi)	<b>48,529</b>	–
		<b>7,512,504</b>	5,173,773

(xvi) Masteel Finance absorbed deposits from the above related parties, and paid interest to them with the interest rate ranging from 0.42% to 2.18% during the year of 2022 (2021:0.42% to 2.18%).

#### (18) Financial service income received from joint venture and associates of the Company and subsidiaries of China Baowu

	Note	2022	2021
Maanshan Gangchen Industrial Co., Ltd.	(xvii)	<b>863,428</b>	686,230
Holly Industrial	(xvii)	<b>391,870</b>	–
		<b>1,255,298</b>	686,230

(xvii) Masteel Finance, a subsidiary of the Group, received financial service income for the financial services it rendered to the joint ventures and associates of the Company and China Baowu subsidiaries, including providing loans, bank acceptance notes discounting and entrusted loans. The lending rates were no lower than the benchmark loan interest rates issued by the People's Bank of China, and the other service charge was no lower than the benchmark charge issued by the People's Bank of China.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (19) Guarantee provided by a related party

##### 2022

	Note	Guarantee's name	Guarantee amount	Start date	End date	Has guarantee expired or not
The Holding	(xviii)	The Company	RMB22 million	2015.10	2025.10	Not yet as of the approval date of the report

##### 2021

	Note	Guarantee's name	Guarantee amount	Start date	End date	Has guarantee expired or not
The Holding	(xviii)	The Company	RMB33 million	2015.10	2025.10	Not yet as of the approval date of the report

(xviii) During the year, the Holding had not guaranteed additional certain bank loans of the Group (2021: Nil) without attached conditions. The Holding had guaranteed part of the bank loans without attached conditions amounting to approximately RMB22 million as of 31 December 2022 (31 December 2021: approximately RMB33 million).

(20) According to the financial service agreement signed by Masteel Finance and the Holding on 9 September 2021, Masteel Finance provided financing services and deposit transactions to the Group and its subsidiaries, and from 1 January 2022 to 31 December 2024, the highest daily outstanding loan should be no more than RMB4.9 billion, other financial service charge should be no more than RMB0.25 billion.

As of 31 December 2022, the highest daily deposit balance was RMB10.349 billion (2021: RMB10.904 billion); the highest average daily deposit balance on a monthly basis was RMB9.512 billion (2021: 9.9 billion); the highest daily loan balance was RMB4.303 billion (2021: RMB2.875 billion); and the highest average daily loan balance on a monthly basis was RMB3.905 billion (2021: RMB2.873).

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (21) Remuneration of key management

The total amount of key management remuneration (including forms of cash, benefits in kind and others) totally amounted to RMB5,264,907 during the current year (2021: RMB7,692,699), which excluded the remuneration paid to independent directors and independent supervisors.

#### (22) Directors' and supervisors' emoluments\*

	2022	2021
Fees	<b>468,422</b>	447,368
Other emoluments:		
Salaries, allowances and benefits in kind	<b>968,246</b>	1,466,763
Performance-related bonuses	<b>1,231,568</b>	1,343,447
Pension scheme contributions	<b>144,258</b>	112,479
	<b>2,344,072</b>	2,922,689
	<b>2,812,494</b>	3,370,057

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (22) Directors' and supervisors' emoluments\* (Continued)

##### (i) Independent directors and independent supervisors

The fees paid to independent directors and independent supervisors during the year were as follows:

	2022	2021
<b>Independent directors</b>		
Ms. Zhang Chunxia	104,167	100,000
Ms. Zhu Shaofang	104,167	100,000
Mr. Wang Xianzhu (Note 1)	91,667	100,000
Mr. Guan Bingchun (Note 3)	12,500	–
Mr. He Anrui (Note 3)	12,500	–
	<b>325,001</b>	300,000
<b>Independent supervisors</b>		
Mr. Hong Gongxiang (Note 3)	8,333	–
Ms. Yang Yada (Note 2)	67,544	73,684
Mr. Qin Tongzhou (Note 2)	67,544	73,684
	<b>143,421</b>	147,368
	<b>468,422</b>	447,368

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (22) Directors' and supervisors' emoluments\* (Continued)

##### (i) Independent directors and independent supervisors (Continued)

The fees paid to independent directors and independent supervisors during the year were as follows: (Continued)

There was no other emoluments excepts the above fees paid to the independent directors and independent supervisors during the year (2021: Nil).

*Note 1:* On December 1, 2022, Mr Wang Xianzhu was no longer a supervisor of the Company. The decision was approved by the 1st meeting of the 10th Board of Directors. The above remuneration of Mr. Wang Xianzhu is the remuneration as the role of independent director.

*Note 2:* On December 1, 2022, Ms Yang Yada and Mr. Qin Tongzhou were no longer independent supervisors of the Company. The decision was approved by the 1st meeting of the 10th Board of Directors. The above remuneration of Ms Yang Yada and Mr. Qin Tongzhou is the remuneration as the role of independent supervisor.

*Note 3:* On December 1, 2022, Ms Guan Bingchun and Mr. He Anrui were appointed to be independent director of the Company by the 1st meeting of the 10th Board of Directors, Mr. Hong Gongxiang was appointed to be independent supervisor. The above remuneration of Ms Guan Bingchun, Mr. He Anrui and Mr. Qin Tongzhou and Mr. Hong Gongxiang is the remuneration as the role of independent director or independent supervisor.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (22) Directors' and supervisors' emoluments\* (Continued)

##### (ii) Non-independent directors and non-independent supervisors

2022	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
<b>Executive directors</b>					
Mr. Ding Yi (Note 1)	-	-	-	-	-
Mr. Mao Zhanhong (Note 1)	-	-	-	-	-
Mr. Ren Tianbao	-	648,000	582,800	81,971	1,312,771
	-	648,000	582,800	81,971	1,312,771
<b>Supervisors</b>					
Mr. Ma Daoju (Note 1)	-	-	-	-	-
Mr. Zhang Xiaofeng (Note 2)	-	251,710	490,896	18,822	761,428
Ms. Zhang Qianchun (Note 1)	-	-	-	-	-
Ms. Geng Jingyan	-	68,536	157,872	43,465	269,873
	-	320,246	648,768	62,287	1,031,301

*Note 1:* In 2022, the remuneration of Mr. Ding Yi, Mr. Mao Zhanhong, Mr. Ma Daoju and Mr. Zhang Qianchun were paid by the Holding rather than the Company.

*Note 2:* As of December 31, 2022, the 1st meeting of the 10th session of the Board of Directors approved that Mr. Zhang Xiaofeng would no longer serve as a supervisor of the company. The above remuneration of Mr. Zhang Xiaofeng is the remuneration as the role of supervisor.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (22) Directors' and supervisors' emoluments\* (Continued)

##### (ii) Non-independent directors and non-independent supervisors (Continued)

2021	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Total remuneration
<b>Executive directors</b>					
Mr. Ding Yi (Note 1)	-	-	-	-	-
Mr. Zhang Wenyang (Note 2)	-	157,125	10,000	10,315	177,440
Mr. Ren Tianbao	-	648,000	547,496	36,876	1,232,372
	-	805,125	557,496	47,191	1,409,812
<b>Non-executive director</b>					
Mr. Qian Haifan (Note 3)	-	-	-	-	-
<b>Supervisors</b>					
Mr. Zhang Xiaofeng	-	604,104	603,957	36,876	1,244,937
Mr. Zhang Qianchun (Note 1)	-	57,534	181,994	28,412	267,940
Ms. Geng Jingyan	-	661,638	785,951	65,288	1,512,877
	-	1,466,763	1,343,447	112,479	2,922,689

*Note 1:* In 2021, the remuneration of Mr. Ding Yi and Mr. Zhang Qianchun was paid by the Holding rather than the Company.

*Note 2:* On 16 March 2021, the 41th meeting of the 9th session of the Board of Directors approved that Mr. Zhang Wenyang would no longer serve as a director of the company. The above remuneration of Mr. Zhang Wenyang is the remuneration as the role of executive director.

*Note 3:* As of 19 March 2021, Mr. Qian Haifan was no longer a non-executive director of the Company. In 2021, the remuneration of Mr. Qian Haifan was paid by the Holding rather than the Company.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Significant transactions carried out between the Group and its related parties (Continued)

#### (23) Five highest paid individuals\*

Two of the highest paid employees during the year were directors or supervisors (2021: two), details of whose remuneration are stated in Note X.5 (22) above. Details of the remuneration of the other three highest paid employee (non-director, non-supervisor) in 2022 are as follows (2021: three):

	2022	2021
The Group		
Salaries, allowances and benefits in kind	<b>1,272,615</b>	1,644,347
Performance-related bonuses	<b>1,420,704</b>	2,395,042
Pension scheme contributions	<b>227,516</b>	73,752
	<b>2,920,835</b>	4,113,141

In 2022, the remuneration of the remaining three non-director and non-supervisor, highest paid employee, fell within the band of HKD1,300,000 to HKD1,500,000.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties

	31 December 2022		31 December 2021	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivables				
The Holding and its subsidiaries				
Xinchuang Environmental Protection	216,344,542	2,163,445	–	–
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	53,828,607	538,286	46,513,779	31,483,613
Masteel Heavy Machinery Manufacturing Co., Ltd.	18,762,746	187,627	17,679,689	176,797
Ma Steel Powder Metallurgy Co., Ltd.	17,020,690	170,207	9,670,153	96,702
Anhui Masteel Surface Technology Co., Ltd.	1,894,044	18,940	–	–
Magang (Group) Logistics Co., Ltd.	975,855	9,759	8,648,318	86,483
Anhui Masteel Equipment Maintenance Co., Ltd.	694,289	6,943	452,964	4,530
The Holding	29,526	295	29,074	18,674
Others entities controlled by the Holding	3,877,512	38,775	3,393,670	246,384
	<b>313,427,811</b>	<b>3,134,277</b>	86,387,647	32,113,183

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022		31 December 2021	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivables (Continued)				
The ultimate controlling party and its subsidiaries				
Shanghai Baosteel Trading Co., Ltd.	9,032,839	90,328	–	–
Baosteel Zhanjiang Iron and Steel Co., Ltd	6,294,946	62,949	–	–
Masteel K. Wah	3,075,543	30,755	–	–
Ouyeel Blockchain Finance	686,506	6,865	–	–
Bsteel Online Co., Ltd.	154,933	1,549	–	–
Baoshan Iron & Steel Co., Ltd.	–	–	5,092,362	50,924
Others companies controlled by the ultimate controlling party	3,168,365	31,684	1,992,839	19,928
	<b>22,413,132</b>	<b>224,130</b>	7,085,201	70,852
Associates and joint ventures of the Group				
Baowu Water	42,633,130	426,331	6,400,175	64,002
OBEI	16,910,431	169,104	4,027,014	40,270
Magang Chemicals & Energy	13,732,863	137,329	80,608,529	806,085
Masteel Gases	4,472,713	44,727	–	–
BOC-Ma Steel	–	–	26,022,491	260,225
Ouyeel Blockchain Finance	–	–	2,716,317	1,634
	<b>77,749,137</b>	<b>777,491</b>	119,774,526	1,172,216

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022		31 December 2021	
	Carrying amount	Provision	Carrying amount	Provision
Trade receivables (Continued)				
Associate of The Holding				
Anhui Keda Intelligent Energy Technology Co., Ltd	3,017,585	30,176	3,795,934	37,959
Ma-Steel OCI Chemical Co., Ltd.	2,662,227	26,622	1,866,772	18,668
Ma Steel Gongchang United Roller Co., Ltd.	609,667	6,097	–	–
CRM East China Co., Ltd.	27,540	275	14,113	141
Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.	191	2	513	5
	<b>6,317,210</b>	<b>63,172</b>	5,677,332	56,773
Associates of the ultimate controller of the Group				
Maanshan Gangchen Industrial Co., Ltd	289,356	2,894	–	–
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	–	–	9,356	94
	<b>289,356</b>	<b>2,894</b>	9,356	94

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022		31 December 2021	
	Carrying amount	Provision	Carrying amount	Provision
Other receivables				
The Holding and its subsidiaries				
Baowu Heavy Industry Co., Ltd.	2,597,177	25,972	120,964	1,210
Masteel Group Kang Cheng Building and Installing Co., Ltd.	2,035,509	20,355	–	–
Ma Steel (Jinhua)	826,482	8,265	–	–
The Holding	120,000	1,200	120,000	120,000
Masteel Group Design and Research Institute Co., Ltd.	9,731	97	–	–
Anhui Magang Limin Construction and Installation Co., Ltd.	1,600	16	–	–
Masteel Automobile Transportation Service Co., Ltd.	–	–	13,832,802	138,328
Others	49,789	498	7,439	74
	<b>5,640,288</b>	<b>56,403</b>	14,081,205	259,612

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022		31 December 2021	
	Carrying amount	Provision	Carrying amount	Provision
Other receivables (Continued)				
The ultimate controlling party and its subsidiaries				
Shanxi Taigang Stainless Steel Co., Ltd	224,909	2,249	–	–
Bsteel Online Co., Ltd.	96,824	968	–	–
Shanghai Ouye Purchasing Information Technology Co., Ltd.	67,728	677	20,558	206
Shanghai Ouyeel Material Technology Co., Ltd.	8,341	83	–	–
Shanghai Baodi Yangpu Real Estate Development Co., Ltd	5,219	52	–	–
Taiyuan Iron & Steel (Group) Co., Ltd.	2,000	20	–	–
Wuhan Wugang Jiangbei Group Co., Ltd.	700	7	–	–
Ouyeel Cloud Commerce Co., Ltd.	400	4	–	–
	<b>406,121</b>	<b>4,060</b>	20,558	206

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Dividends receivable		
Associate of the Group		
Ouyeel Blockchain Finance	–	55,226,911
Ouyeel Factoring	–	1,300,284
	–	56,527,195
Prepayments		
The Holding and its subsidiaries		
Masteel Group Design and Research Institute Co., Ltd.	<b>7,508,367</b>	7,570,780
Magang (Group) Logistics Co., Ltd.	<b>492,744</b>	–
Ma Steel International Trade and Economic Co., Ltd.	–	381,474,775
Masteel Heavy Machinery Manufacturing Co., Ltd.	–	2,668,532
Others entities controlled by the Holding	<b>2,187,148</b>	8,913,292
	<b>10,188,259</b>	400,627,379
The ultimate controlling party and its subsidiaries		
Shanghai Baosight Software Co., Ltd.	<b>49,960,538</b>	20,580,000
Shanxi Taigang Stainless Steel Co.,Ltd	<b>18,277,977</b>	–
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	<b>3,322,238</b>	15,424,284
Shanghai Baosteel Steel Products Trading Co., Ltd.	<b>1,599,983</b>	1,599,983
Shanghai Ouyeel Material Technology Co., Ltd.	–	7,775,670
Others companies controlled by the ultimate controlling party	<b>1,119,559</b>	2,070,335
	<b>74,280,295</b>	47,450,272
Associates of The Holding		
Holly Industrial	<b>869,205</b>	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022		31 December 2021	
	Carrying amount	Provision	Carrying amount	Provision
Loans and advances to customers				
The Holding and its subsidiaries				
Anhui Masteel Mining Resources Group Co., Ltd.	448,906,149	12,993,415	1,228,981,782	34,454,136
The Holding	300,000,000	8,683,384	300,000,000	8,410,410
Masteel Chengxing Metal Resources Co., Ltd.	294,166,908	8,514,548	273,656,249	7,671,871
Masteel Lihua Metal Resources Co., Ltd.	204,741,744	5,926,171	20,000,000	560,694
Shanxi Ruisegg Waste Resources Comprehensive Utilization Co., Ltd	134,943,013	3,905,873	–	–
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	89,085,003	2,578,531	–	–
Masteel Zhixin Resources Technology Co., Ltd.	46,020,736	1,332,052	101,949,056	2,858,111
Anhui Zhonglian Shipping Co., Ltd.	30,510,000	883,100	61,755,786	1,731,305
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	–	–	119,228,663	3,342,540
Other entities controlled by the Holding	165,870,718	4,801,064	157,911,166	4,426,993
	<b>1,714,244,271</b>	<b>49,618,138</b>	2,263,482,702	63,456,060

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022		31 December 2021	
	Carrying amount	Provision	Carrying amount	Provision
Loans and advances to customers (Continued)				
The ultimate controlling party and its subsidiaries				
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	174,665,717	5,055,632		
Ouyeel Blockchain Finance	142,896,854	4,136,094	–	–
Ouyeel Chain Gold (Guangxi) Renewable Resources Co., Ltd	121,000,000	3,502,298	–	–
Ouyeel Chain Gold (Fuyang) Renewable Resources Co., Ltd	89,934,799	2,603,128	–	–
Ouyeel Chain Gold (Sichuan) Renewable Resources Co., Ltd	80,000,000	2,315,569	–	–
Others companies controlled by the ultimate controlling party	118,373,777	3,426,283	–	–
	<b>726,871,147</b>	<b>21,039,004</b>	–	–
Associate of the Group				
Holly Industrial	5,000,000	144,723	–	–
Ouyeel Blockchain Finance	–	–	1,982,900,174	55,590,012
	<b>5,000,000</b>	<b>144,723</b>	1,982,900,174	55,590,012
Associate of The Holding				
Anhui BRC & Masteel Weldmesh Co., Ltd.	10,000,000	289,446	–	–
Associate of the ultimate controlling party of the Group				
Maanshan Gangchen Industrial Co.,Ltd	30,000,000	868,338	18,000,000	504,625

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Trade payables		
The Holding and its subsidiaries		
Masteel Chengxing Metal Resources Co., Ltd.	<b>625,321,283</b>	354,493,131
Masteel Group Design and Research Institute Co., Ltd.	<b>452,059,451</b>	9,168,433
Anhui Masteel Mining Resources Group Co., Ltd.	<b>336,800,323</b>	411,810,432
Ma Steel International Trade and Economic Co., Ltd.	<b>206,399,033</b>	39,063,121
Masteel Lihua Metal Resources Co., Ltd.	<b>176,164,266</b>	–
Anhui Masteel Equipment Maintenance Co., Ltd.	<b>135,498,962</b>	93,990,556
Baowu Heavy Industry Co., Ltd.	<b>132,001,161</b>	172,517,579
Phima Intelligence	<b>95,541,867</b>	95,277,574
Masteel Heavy Machinery Manufacturing Co., Ltd.	<b>90,108,315</b>	125,638,936
Magang (Group) Logistics Co., Ltd.	<b>68,798,282</b>	110,077,623
Anhui Masteel Surface Technology Co., Ltd.	<b>56,852,549</b>	88,579,993
Xinchuang Environmental Protection	<b>34,814,085</b>	52,300,971
Masteel Transportation Equipment Manufacturing Co., Ltd.	<b>26,334,080</b>	32,007,631
Anhui Zhonglian Shipping Co., Ltd.	<b>18,520,136</b>	38,162,679
Masteel Automobile Transportation Service Co., Ltd.	<b>10,906,319</b>	9,953,550
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	<b>805,451</b>	35,160,975
The Holding	<b>279,779</b>	229,663
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	–	27,613,565
Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	–	22,604,861
Other entities controlled by the Holding	<b>66,919,998</b>	313,564,605
	<b>2,534,125,340</b>	2,032,215,878

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Trade payables (Continued)		
The ultimate controlling party and its subsidiaries		
Baosteel Resources Holdings(Shanghai) Co., Ltd.	<b>981,659,249</b>	271,870,230
Shanghai Baosight Software Co., Ltd.	<b>151,930,565</b>	75,078,210
Ouyeel Blockchain Finance	<b>123,304,783</b>	–
Shanghai Baosteel Engineering & Technology Co., Ltd.	<b>35,408,448</b>	–
Baoshan Iron & Steel Co., Ltd.	<b>25,947,241</b>	7,967,250
Baowu Equipment Intelligent Technology Co., Ltd.	<b>24,193,993</b>	36,541,046
BAOSTEEL RESOURCES INTERNATIONAL COMPANY LIMITED	<b>21,443,659</b>	70,759,048
Baowu Raw Material Supply Co., Ltd.	<b>11,980,999</b>	50,546,750
Other entities controlled by the ultimate controlling party	<b>56,392,795</b>	69,402,822
	<b>1,432,261,732</b>	582,165,356

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Trade payables (Continued)		
Joint ventures and associates of the Group		
OBEI	1,569,889,195	600,529,270
Baowu Water	42,947,306	–
BOC-Ma Steel	17,225,952	58,450,420
Holly Industrial	4,290,866	–
Henan JinMa Energy	8,386	18,732,037
Shenglong Chemical	474	843
Magang Chemicals & Energy	–	3,588,597
Ouyeel Blockchain Finance	–	322,749,145
	<b>1,634,362,179</b>	1,004,050,312
Associates of The Holding		
MCC South Continuous Casting Technology Engineering Co., Ltd	44,547,907	–
Maanshan Shenma Metallurgical Co., Ltd	10,121,777	–
Shanghai Baoneng Information Technology Co., Ltd.	8,962,844	–
Shanghai Baosteel Engineering Consulting Co., Ltd.	7,093,061	–
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd	4,346,374	–
Jiangsu Gongchang Roll Joint Stock Co., Ltd.	367,190	10,257,130
Other associates of the Holding	6,343,429	–
	<b>81,782,582</b>	10,257,130

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Trade payables (Continued)		
Joint ventures and associates of the ultimate controlling party of the Group		
MCC South Engineering Technology Co., Ltd.	<b>95,768,366</b>	3,400,896
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	<b>3,544,839</b>	5,037,506
Maanshan Gangchen Industrial Co., Ltd	<b>190,370</b>	217,897
Changzhou Baoling Heavy Industry Machinery Co., Ltd.	<b>13,334</b>	–
Wuhan Baozhang Automotive Steel Parts Co., Ltd	<b>1,624</b>	–
Taicang Wugang Wharf Co., Ltd.	<b>1,165</b>	3,402,449
Qinghai Kaiyuan Metal Material Co., Ltd.	–	3,707,740
	<b>99,519,698</b>	15,766,488
Other payables		
The Holding and its subsidiaries		
Magang (Group) Logistics Co., Ltd.	<b>500,000</b>	24,870,518
Anhui Masteel Equipment Maintenance Co., Ltd.	<b>500,000</b>	–
Baowu Heavy Industry Co., Ltd.	<b>440,000</b>	270,000
Other entities controlled by the Holding	<b>727,000</b>	1,302,600
	<b>2,167,000</b>	26,443,118

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Other payables(Continued)		
The ultimate controlling party and its subsidiaries		
Shanghai Ouyeel Material Technology Co., Ltd.	100,000	–
Shanghai Baosteel Engineering & Technology Co., Ltd.	50,000	50,000
Hefei Bao Real Estate City Development Co., Ltd.	20,000	–
Ouyeel Cloud Commerce Co., Ltd.	10,000	–
Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	2,000	–
	<b>182,000</b>	50,000
Joint venture and associates of the Group		
Holly Industrial	8,000	–
Magang Chemicals & Energy	–	16,007,703
	<b>8,000</b>	16,007,703
Joint venture and associates of the Holding		
Maanshan Shenma Metallurgical Co., Ltd	100,000	–
MCC South (Wuhan) Thermal Engineering Co., Ltd	500	–
	<b>100,500</b>	–
Associate of the ultimate controlling party of the Group		
Qinghai Kaiyuan Metal Material Co., Ltd.	200,000	200,000
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	100,000	100,000
Changzhou Baoling Heavy Industry Machinery Co., Ltd.	1,750	–
	<b>301,750</b>	300,000

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Contract liabilities		
The Holding and its subsidiaries		
Ma Steel (Jinhua)	137,624,459	–
Ma Steel(Guangzhou)	70,234,904	–
Baowu Heavy Industry Co., Ltd.	58,619,922	103,003,843
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	3,991,488	–
Masteel Group Kang Tai Land Development Co., Ltd.	3,052,552	–
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	1,934,261	1,897,972
Masteel Group Kang Cheng Building and Installing Co., Ltd.	683,313	–
Shanghai Baosteel Magnetic Industry Co., Ltd.	–	9,333,814
Anhui BRC & Masteel Weldmesh Co., Ltd.	–	1,129,634
Other entities controlled by the Holding	2,758,953	5,295,042
	<b>278,899,852</b>	120,660,305
The ultimate controlling party and its subsidiaries		
Shanghai Ouyeel Material Technology Co., Ltd. <sup>6</sup>	153,347,835	33,904
Bsteel Online Co., Ltd.	140,676,295	37,844,288
Shanghai Iron & Steel Exchange Co., Ltd.	43,069,782	17,793,050
Shanghai Baosteel Trading Co., Ltd.	2,859,564	–
Beijing Baosteel North Trade Co., Ltd.	238,938	–
Anhui Baosteel Steel Distribution Co., Ltd.	20,079	–
Masteel Group Mapping Co., Ltd.	8,850	–
Ouyeel Cloud Commerce Co., Ltd.	–	742,622
Baosteel Metals Co., Ltd.	–	847,500
Baowu Equipment Intelligent Technology Co., Ltd.	–	379,158
Wuhan Baosteel Huazhong Trade Co., Ltd.	–	50,585
	<b>340,221,343</b>	57,691,107

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Contract liabilities (Continued)		
Joint ventures and associates of the Group		
Masteel K. Wah	–	15,785,187
Ouyeel Blockchain Finance	–	1,440,150
Holly Industrial	<b>5,270,522</b>	–
	<b>5,270,522</b>	17,225,337
Associates of The Holding		
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd	<b>47,716,814</b>	–
Anhui Tiankai Road and Bridge Co., Ltd	<b>144,943</b>	–
Maanshan Shenma Metallurgical Co., Ltd	<b>3,626</b>	–
Suzhou Suma Industry Development Co., Ltd	<b>702</b>	–
	<b>47,866,085</b>	–
Associates of the ultimate controller of the Group		
Maanshan Gangchen Industrial Co., Ltd	<b>27,840,809</b>	69,797,299
CIMC Baochuang (Wuxi) Steel Processing Co., Ltd	<b>799,068</b>	–
Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd	<b>605,813</b>	–
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	<b>117,027</b>	–
Yuxi Xinxing Steel Co., Ltd	<b>85,280</b>	–
Changzhou Baoling Heavy Industry Machinery Co., Ltd.	<b>2,091</b>	2,091
	<b>29,450,088</b>	69,799,390

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Customer deposits		
The Holding and its subsidiaries		
The Holding	<b>1,707,779,268</b>	1,484,795,408
Anhui Masteel Mining Resources Group Co., Ltd.	<b>1,674,863,037</b>	1,082,991,889
Magang (Group) Investment Co., Ltd.	<b>995,209,170</b>	–
Anhui Masteel Zhang Zhuang Mining Co., Ltd.	<b>532,446,602</b>	917,103,611
Anhui Masteel Luo He Mining Co., Ltd.	<b>380,726,614</b>	800,166,333
Baowu Heavy Industry Co., Ltd.	<b>322,566,318</b>	416,335,146
Magang (Group) Logistics Co., Ltd.	<b>316,081,321</b>	136,201,489
Masteel Zhixin Resources Technology Co., Ltd.	<b>184,592,002</b>	–
Masteel Group Kang Tai Land Development Co., Ltd.	<b>144,858,586</b>	137,000,872
Masteel Lihua Metal Resources Co., Ltd.	<b>134,749,476</b>	–
Ma Steel International Trade and Economic Co., Ltd.	<b>129,365,418</b>	229,081,565
Magang (Group) Holding Company Limited Assets Management Company	<b>117,531,113</b>	–
Masteel Chengxing Metal Resources Co., Ltd.	<b>113,233,010</b>	5,811,012
Masteel Heavy Machinery Manufacturing Co., Ltd.	<b>92,259,902</b>	139,537,893
Masteel Automobile Transportation Service Co., Ltd.	<b>26,421,125</b>	119,992,689
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	<b>61,134,580</b>	26,606,555
Xinchuang Environmental Protection	–	203,230,290
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	–	71,100,043
Other entities controlled by the Holding	<b>459,273,220</b>	881,908,676
	<b>7,393,090,762</b>	6,651,863,471

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Customer deposits (Continued)		
The ultimate controlling party and its subsidiaries		
Ouyeel Blockchain Finance	<b>262,759,246</b>	–
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	<b>115,830,940</b>	–
Ouyeel Chain Gold (Zhanjiang) Renewable Resources Co., Ltd.	<b>59,719,994</b>	–
Ouyeel (Jingjiang) Blockchain Finance and Metal Recycling Resources Co., Ltd.	<b>39,132,009</b>	–
Other entities controlled by the ultimate controlling party	<b>37,674,456</b>	–
	<b>515,116,645</b>	–
Joint venture and associates of the Group		
BOC-Ma Steel	<b>243,023,673</b>	264,735,963
Holly Industrial	<b>168,484,322</b>	–
Magang Chemicals & Energy	<b>141,763,479</b>	644,720,694
Masteel K. Wah	–	304,026,836
Anhui Masteel Gas Technology Co., Ltd.	–	101,631,711
Baowu Water	–	1,355,586
Ouyeel Blockchain Finance	–	500,615,261
	<b>553,271,474</b>	1,817,086,051

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Customer deposits (Continued)		
Associate of the Holding		
Anhui BRC & Masteel Weldmesh Co., Ltd.	5,554,837	–
Ma-Steel OCI Chemical Co., Ltd.	567,985	567,271
	<b>6,122,822</b>	567,271
Associates of the ultimate controller of the Group		
Maanshan Gangchen Industrial Co., Ltd	<b>54,102,358</b>	8,035,886

The fee charged by Masteel Finance for the financing services and deposit transactions provided to the Holding and its subsidiaries was determined based on negotiation between the parties.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Notes payable		
The Holding and its subsidiaries		
Ma Steel International Trade and Economic Co., Ltd.	<b>340,818,750</b>	407,000,000
Masteel Group Design and Research Institute Co., Ltd.	<b>11,813,432</b>	8,413,040
Anhui Masteel Equipment Maintenance Co., Ltd.	<b>1,208,430</b>	1,446,140
Maanshan Masteel Electric Repair Co., Ltd.	<b>174,924</b>	–
Phima Intelligence	<b>68,136</b>	736,700
Anhui Masteel Surface Technology Co., Ltd.	<b>64,354</b>	5,417,229
Anhui Masteel Mining Resources Group Co., Ltd.	–	151,615,225
Baowu Heavy Industry Co., Ltd.	–	126,322
Masteel Group Kang Cheng Building and Installing Co., Ltd.	–	446,153
	<b>354,148,026</b>	575,200,809
The ultimate controlling party and its subsidiaries		
Baowu Raw Material Supply Co., Ltd.	<b>1,375,467,238</b>	145,689,419
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	<b>76,078,235</b>	–
Baosteel Resources Holdings(Shanghai) Co., Ltd.	<b>40,647,091</b>	30,000,000
Shanghai Baosight Software Co., Ltd.	<b>16,833,540</b>	30,752,284
Yangtze River Delta (Hefei) Digital Technology Co., Ltd.	<b>636,000</b>	96,831
Shanghai Jinyi Inspection Technology Co., Ltd.	<b>421,880</b>	–
Baowu Equipment Intelligent Technology Co., Ltd.	–	126,322
	<b>1,510,083,984</b>	206,664,856
Joint venture and associates of the Group		
Holly Industrial	<b>4,207,696</b>	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Notes payable (Continued)		
Joint venture and associates of the Holding		
Jiangsu Gongchang Roll Joint Stock Co., Ltd.	234,588	–
MCC South (Wuhan) Thermal Engineering Co., Ltd	414,170	479,566
	<b>648,758</b>	479,566
Associates of the ultimate controller of the Group		
MCC South Engineering Technology Co., Ltd.	1,395,600	–
	31 December 2022	31 December 2021
Notes receivable		
The Holding and its subsidiaries		
Anhui Masteel Mining Resources Group Co., Ltd.	613,049,646	–
Baowu Heavy Industry Co., Ltd.	35,448,120	–
Masteel Chengxing Metal Resources Co., Ltd.	26,632,369	–
Ma Steel(Guangzhou)	11,761,940	–
Ma Steel (Jinhua)	1,205,846	–
Magang (Group) Logistics Co., Ltd.	–	200,000
	<b>688,097,921</b>	200,000
Joint venture and associates of the Group		
OBEI	56,591,751	–
Associates of the ultimate controlling party of the Group		
Maanshan Gangchen Industrial Co., Ltd	5,397,645	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Financing receivables		
The Holding and its subsidiaries		
Ma Steel(Guangzhou)	43,102,126	–
Ma Steel (Jinhua)	18,152,032	–
Baowu Heavy Industry Co., Ltd.	16,393,880	38,720,000
Magang (Group) Logistics Co., Ltd.	500,000	–
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	326,899	–
Ma Steel Powder Metallurgy Co., Ltd.	–	2,723,270
	<b>78,474,937</b>	41,443,270
Shanghai Ouyeel Material Technology Co., Ltd.	338,659,931	–
Bsteel Online Co., Ltd.	4,918,794	6,010,013
Shanghai Baosteel Trading Co., Ltd.	768,492	500,000
Shenyang Baosteel Northeast Trading Co., Ltd.	–	500,000
	<b>344,347,217</b>	7,010,013

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## X. RELATED PARTIES RELATIONSHIP AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Receivables due from/payables due to related parties (Continued)

	31 December 2022	31 December 2021
Financing receivables (Continued)		
Joint venture and associates of the Holding		
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd	76,400,000	–
Anhui BRC & Masteel Weldmesh Co., Ltd.	4,200,000	3,400,000
	<b>80,600,000</b>	3,400,000
Associates of the ultimate controlling party of the Group		
Maanshan Gangchen Industrial Co., Ltd	8,150,743	32,452,671
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	191,336	1,000,000
	<b>8,342,079</b>	33,452,671

As of 31 December 2022, in current assets and current liabilities, except for the interests charged for the deposit and loans provided by Masteel Finance, all these receivables and payables had no interest, no pledge and would be paid in the future.

### 7. Commitment to related parties

As of 31 December 2022, the Group had no investment commitment to related parties.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## XI. SHARE BASED PAYMENT

### 1. Share based payment plan of the Group

On March 30, 2022, the 59th meeting of the 9th Board of Directors and the 49th meeting of the 9th Supervisory Board of the Company deliberated and passed the “Proposal on the First Grant of Restricted Shares to the Incentive Recipients of the Company’s 2021 A-Share Restricted Stock Incentive Plan”, which determined that the grant date of the restricted stock incentive plan is March 30, 2022. As of April 25, 2022, the Group had received a total of RMB171,864,500 of capital contributions from incentive recipients, including RMB75,050,000 of new registered capital and RMB96,814,500 of capital reserve. The changed registered capital is RMB7,775,731,186. The Group recognizes a liability in full for the repurchase obligation of restricted shares and treats it as the purchase of treasury shares. The total number of restricted shares granted and registered under the incentive plan is 75,050,000, which has been registered in China Securities Depository and Clearing Co., Ltd. Shanghai Branch on May 9, 2022 and has obtained the certificate of securities change registration.

On December 29, 2022, the third extraordinary general meeting of shareholders of the Company in 2022 deliberated and passed the “Proposal on the Repurchase and Cancellation of Certain Restricted Shares”. The 1,864,000 shares of restricted stock held by the 6 people who retired, transferred or died will not be released from sale, and will be repurchased by the company at the grant price of 2.29 yuan per share plus the bank’s time deposit interest for the same period. As of December 31, 2022, the Company has paid for the repurchase of 1,664,000 shares and has written off long-term payables. The repurchase of restricted shares is in the stage of debt publicity, and the cancellation application of treasury shares has not yet submitted to the exchange or registration company.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XI. SHARE BASED PAYMENT (CONTINUED)

### 2. General Situation

	2022	2021
Total amount of various equity instruments granted (unit: shares)	<b>75,050,000</b>	–

	2022	2021
Total employee services in exchange for share based payment	<b>32,826,870</b>	–

Among them, equity-settled share-based payments are as follows :

	2022	2021
Cumulative amount of equity settled share based payment included in capital reserve	<b>32,826,870</b>	–
Total expenses recognized by equity-settled share- based payment	<b>32,826,870</b>	–

### 3. Determination method of fair value of equity instruments on the grant date

The fair value of the equity instruments issued by the Group on the grant date is the market value of the Group's shares on the grant date.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XII. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### *Capital commitments*

	31 December 2022	31 December 2021
Contracted, but not provided for Capital commitments	<b>3,230,499,705</b>	5,880,526,676

#### *Loan commitments*

	31 December 2022	31 December 2021
Acceptance bill	<b>558,497,887</b>	539,775,018

For lease commitment as a lessee, please refer to Note XIV. 1.

Credit commitments of the Group are the payment commitments made by MaSteel Finance for its customers' acceptance bill.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 2. Contingencies

#### *Difference of corporate income tax*

The State Administration of Taxation issued “The notice of income tax collection and management on Shanghai Petrochemical Company Limited and other eight companies listed overseas corporation” (Guo Shui Han [2007] No. 664) in June 2007, with stated claims that the relevant local tax bureaus must correct immediately the expired tax incentives of the nine Hong Kong listed companies. The income tax difference between the results of the previously expired preferential rate and the applicable rate should be treated in accordance with the relevant provisions of the “People’s Republic of China Administration of Tax Collection Law”.

The Company was one of the nine companies mentioned above and used a 15% preferential tax rate in the previous years. Then, the Company and the tax authorities had a comprehensive communication and according to the tax authorities, the applicable corporate income tax rate in 2007 was 33%, which was adjusted from the original 15%. The Company has not been charged of prior period income taxes arising from difference in income tax rates.

In view of above, the director of the Company believed that it is uncertain whether the tax authorities will chase the difference between the previous period’s income tax at this stage, and the final result of this matter cannot be estimated reliably. Therefore, the financial statements have not made any preparation or adjustments related to the income tax differences.

## XIII. EVENTS AFTER THE BALANCE SHEET DATE

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

Apart from above, until the approval date of 2022 annual report, there is no significant event after the reporting period need to be disclosed by the Group or the Company.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## XIV. OTHER SIGNIFICANT EVENTS

### 1. Leases

#### *As lessor*

The Group had leased certain of its investment properties under operating lease arrangements ranging from three to eighteen years. The periodic rental was fixed during the operating lease periods. In 2022, the rental income recognised by the Group was RMB19,278,391. According to lease contracts, the future minimum lease receivables under non-cancellable leases are as follows:

	31 December 2022	31 December 2021
Remaining lease period		
Within 1 year, inclusive	<b>10,286,562</b>	2,541,115
1 to 2 years, inclusive	<b>10,129,028</b>	995,562
2 to 3 years, inclusive	<b>10,057,728</b>	838,028
Over 3 years	<b>11,897,927</b>	2,793,427
	<b>42,371,245</b>	7,168,132

#### *As lessee*

The Group had adopted a simplified approach for short-term leases and leases of low-value assets and did not recognise right-of-use assets and lease liabilities. The expense on short-term leases and leases of low-value assets recognised for the period is as follows:

	2022	2021
Interest expense on lease liabilities	<b>15,504,483</b>	30,316,846
Expenses relating to short-term leases expense accounting for applying the simplified approach	<b>10,593,179</b>	7,301,642
Expenses relating to leases of low-value assets accounting for applying the simplified approach (other than short-term leases)	<b>643,978</b>	215,341
Total cash flow for leases	<b>41,746,570</b>	61,327,407

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Operating segment information

#### *Operating segments*

The Group divides the operation services into two operating segments which are determined based on the internal organization structure, management requirements and internal reporting system:

- Production and sale of iron and steel products and related by-products: the Company and its subsidiaries except for Masteel Finance
- Financial service: Masteel Finance

The Group did not consider financial service as an individual reportable segment, as Masteel Finance mainly offers financial service to internal companies. Therefore, the Group focuses on the production and sale of iron and steel products and by-products, and it is unnecessary for the Group to disclose more detailed information.

#### *Other information*

Product and service information

External principal operating income

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 2. Operating segment information (Continued)

#### *Other information (Continued)*

Geographical information

External principal operating income

	2022	2021
Mainland China	<b>94,515,743,414</b>	106,255,795,328
Overseas and Hong Kong	<b>4,504,694,200</b>	4,794,426,917
	<b>99,020,437,614</b>	111,050,222,245

Non-current assets

	31 December 2022	31 December 2021
Mainland China	<b>56,696,562,410</b>	46,978,671,717
Overseas and Hong Kong	<b>177,217,873</b>	145,347,640
	<b>56,873,780,283</b>	47,124,019,357

The non-current assets information above is based on the locations of the assets and excludes financial assets and deferred tax assets.

#### *Major customer information*

The Group had not placed reliance on any single external customer which accounted for 10% or more of its total revenue.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 3. Other financial information\*

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Current assets	<b>39,317,078,246</b>	43,258,837,008	<b>18,721,108,107</b>	18,535,200,091
Less: Current liabilities	<b>54,151,564,967</b>	46,815,116,614	<b>38,784,663,002</b>	30,990,272,271
Net current liabilities	<b>(14,834,486,721)</b>	(3,556,279,606)	<b>(20,063,554,895)</b>	(12,455,072,180)

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Total assets	<b>96,887,310,222</b>	91,207,743,018	<b>72,903,958,127</b>	64,927,459,707
Less: Current liabilities	<b>54,151,564,967</b>	46,815,116,614	<b>38,784,663,002</b>	30,990,272,271
Total assets less current liabilities	<b>42,735,745,255</b>	44,392,626,404	<b>34,119,295,125</b>	33,937,187,436

### 4. Employee costs (excluding directors' and supervisors' remuneration) (Note X.5 (22))\*

	2022	2021
Wages and salaries	<b>2,864,351,131</b>	3,476,161,804
Welfare	<b>940,008,133</b>	927,444,484
Pension scheme contributions (Note)	<b>643,765,247</b>	531,984,073
Employee termination benefits	<b>373,462,780</b>	338,969,150
	<b>4,821,587,291</b>	5,274,559,511

Note: As of 31 December 2022 and 31 December 2021, no contribution was capitalised or waived to reduce the Group's liability to pay pension scheme contributions in the future.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS

### 1. Trade receivables

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

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

	31 December 2022	31 December 2021
Within one year	1,437,303,570	1,948,347,100
One to two years	122,718,207	216,515,542
Two to three years	7,489,131	217,288,373
Over three years	48,363,203	33,205,538
	<b>1,615,874,111</b>	2,415,356,553
Less: Provisions for bad debts	<b>61,074,999</b>	44,605,266
	<b>1,554,799,112</b>	2,370,751,287

The trade receivables balances were analysed as follows:

	2022				2021					
	Carrying amount		Provision for bad debts		Book Value	Carrying amount		Provision for bad debts		Book Value
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Assessed bad debt provision individually	1,111,413,475	69	-	-	1,111,413,475	1,942,175,637	80	-	-	1,942,175,637
Assessed bad debt provision in portfolios based on credit risk characteristics	504,460,636	31	(61,074,999)	12	443,385,637	473,180,916	20	(44,605,266)	9	428,575,650
	<b>1,615,874,111</b>	<b>100</b>	<b>(61,074,999)</b>		<b>1,554,799,112</b>	<b>2,415,356,553</b>	<b>100</b>	<b>(44,605,266)</b>		<b>2,370,751,287</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 1. Trade receivables (Continued)

The movements of the provision for bad debts were as follows :

	Opening balance	Increase	Reversal	Write-back	Write-off	Other changes	Closing balance
<b>2022</b>	<b>44,605,266</b>	<b>16,469,733</b>	-	-	-	-	<b>61,074,999</b>
2021	46,636,353	8,481,463	(3,828,044)	-	(6,351,633)	(332,873)	44,605,266

The provision for bad debts applying other method by the Company was as follows:

	31 December 2022			31 December 2021		
	Carrying amount expected to default	Expected credit loss percentage (%)	Expected credit loss during lifetime	Carrying amount expected to default	Expected credit loss percentage (%)	Expected credit loss during lifetime
Trade receivables to subsidiaries	1,111,413,475	-	-	1,942,175,637	-	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 1. Trade receivables (Continued)

The Company's provision for bad debts of trade receivables analysed by age was as follows:

	31 December 2022			31 December 2021		
	Carrying amount expected to default	Expected credit loss ratio (%)	Expected credit loss	Carrying amount expected to default	Expected credit loss ratio (%)	Expected credit loss
Within one year	405,775,825	1	(4,057,758)	415,873,250	1	(4,158,733)
One to two years	43,011,998	16	(6,881,920)	11,655,036	16	(1,864,806)
Two to three years	10,068,170	45	(4,530,677)	12,626,612	44	(5,555,709)
Over three years	45,604,643	100	(45,604,644)	33,026,018	100	(33,026,018)
<b>Total</b>	<b>504,460,636</b>		<b>(61,074,999)</b>	<b>473,180,916</b>		<b>(44,605,266)</b>

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

The top five trade receivables classified by debtor were as follows:

#### 31 December 2022

	Relationship with the Company	Ending balance	Age	Percentage of trade receivables	Ending balance of provision
Company 1	Subsidiary	482,724,261	Within two years	30%	–
Company 2	Subsidiary	337,003,035	Within one year	21%	–
Company 3	Related party	216,344,542	Within one year	13%	(2,163,445)
Company 4	Subsidiary	182,590,413	Within one year	11%	–
Company 5	Subsidiary	90,787,253	Within one year	6%	–
		<b>1,309,449,504</b>		<b>81%</b>	<b>(2,163,445)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 1. Trade receivables (Continued)

The top five trade receivables classified by debtor were as follows: (Continued)

#### 31 December 2021

	Relationship with the Company	Ending balance	Age	Percentage of trade receivables	Ending balance of provision
Company 1	Subsidiary	1,244,937,016	Within one year	52%	–
Company 2	Subsidiary	409,522,266	Within three years	17%	–
Company 3	Subsidiary	159,964,961	Within one year	7%	–
Company 4	Related party	80,608,529	Within one year	3%	(806,085)
Company 5	Subsidiary	79,150,549	Within one year	3%	–
		1,974,183,321		82%	(806,085)

### 2. Other receivables

	31 December 2022	31 December 2021
Dividends receivable	–	56,527,195
Other receivables	<b>150,558,816</b>	204,287,564
	<b>150,558,816</b>	260,814,759

#### Dividends receivable

	31 December 2022	31 December 2021
Associate- Ouyeel Blockchain Finance	–	55,226,911
Associate- Ouyeel Factoring	–	1,300,284
	–	56,527,195

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### *Other receivables*

An age analysis of the other receivables is as follows:

	<b>31 December 2022</b>	31 December 2021
Within one year	<b>146,676,603</b>	201,294,455
One to two years	<b>4,417,763</b>	902,478
Two to three years	<b>711,678</b>	2,675,690
Over three years	<b>61,248,695</b>	59,149,366
	<b>213,054,739</b>	264,021,989
Less: Provision for bad debts	<b>62,495,923</b>	59,734,425
	<b>150,558,816</b>	204,287,564

#### *Other receivables classified by nature:*

	<b>31 December 2022</b>	31 December 2021
Due from trading companies	<b>81,625,203</b>	68,393,549
Guarantee for steel futures	<b>81,935,967</b>	138,290,419
Prepayments of custom duties and VAT	<b>30,020,000</b>	37,523,667
Others	<b>19,473,569</b>	19,814,354
	<b>213,054,739</b>	264,021,989
Less: Provision for bad debts	<b>62,495,923</b>	59,734,425
	<b>150,558,816</b>	204,287,564

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### *Other receivables (Continued)*

The movements of bad debt provision based on the 12-month expected credit losses and lifetime credit losses were as follows:

#### **2022**

	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses	Stage III Credit-impaired financial assets (Lifetime expected credit losses)	Total
As at 1 January 2022	299,819	8,799,222	50,635,384	59,734,425
Changes due to the opening balance	-	-	-	-
Provided	333,321	1,460,814	967,363	2,761,498
Reversal	-	-	-	-
Other changes	-	-	-	-
Write-off	-	-	-	-
Closing balance	633,140	10,260,036	51,602,747	62,495,923

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### *Other receivables (Continued)*

The movements of bad debt provision based on the 12-month expected credit losses and lifetime credit losses were as follows: (Continued)

31 December 2021

	Phase I 12-month expected credit losses	Phase II Lifetime expected credit losses	Stage III Credit-impaired financial assets (Lifetime expected credit losses)	Total
As at 1 January 2021	941,199	8,349,590	409,919,452	<b>419,210,241</b>
Changes due to the opening balance	-	-	-	-
Provided	-	449,632	121,027	<b>570,659</b>
Reversal	(587,980)	-	-	<b>(587,980)</b>
Other changes	(53,400)	-	-	<b>(53,400)</b>
Write-off	-	-	(359,405,095)	<b>(359,405,095)</b>
Closing balance	299,819	8,799,222	50,635,384	<b>59,734,425</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### *Other receivables (Continued)*

The movements of the provision for bad debts were as follows:

	Opening balance	Increase	Reversal	Write-back	Other changes	Closing balance
<b>2022</b>	<b>59,734,425</b>	<b>2,761,498</b>	–	–	–	<b>62,495,923</b>
2021	419,210,241	570,659	(587,980)	(53,400)	(359,405,095)	59,734,425

As of 31 December 2022, the top five largest other receivables were as follows:

	Balance	Ratio to total other receivables (%)	Nature	Age	Balance of bad debts
Company 1	45,390,133	21	Due from trading companies	More than 3 years	(45,390,133)
Company 2	44,388,394	21	Guarantee for steel futures	Within 1 year	–
Company 3	37,545,573	18	Guarantee for steel futures	Within 1 year	–
Company 4	29,950,000	14	Guarantee	Within 1 year	(299,500)
Company 5	2,821,477	1	Others	Within 1 year	(28,215)
	<b>160,095,577</b>	<b>75</b>			<b>(45,717,848)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### *Other receivables (Continued)*

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

	Balance	Ratio to total other receivables (%)	Nature	Age	Balance of bad debts
Company 1	76,234,732	29	Guarantee for steel futures	Within 1 year	–
Company 2	62,053,687	24	Guarantee for steel futures	Within 1 year	–
Company 3	45,390,133	17	Due from trading companies	More than 3 years	(45,390,133)
Company 4	17,392,518	7	Guarantee	Within 1 year	(173,925)
Company 5	13,832,802	5	Due from trading companies	Within 1 year	(138,328)
	214,903,872	82			(45,702,386)

### 3. Long-term equity investments

	31 December 2022	31 December 2021
Long-term investments under the equity method		
Joint ventures (i)	<b>297,830,424</b>	307,367,524
Associates (i)	<b>3,803,117,493</b>	4,624,595,194
Long-term investments under the cost method		
Subsidiaries (ii)	<b>8,863,133,346</b>	9,076,444,687
Subtotal	<b>12,964,081,263</b>	14,008,407,405
Less: Provision for impairment	<b>969,575,662</b>	761,333,226
Total	<b>11,994,505,601</b>	13,247,074,179

In the opinion of the directors, there was no material restriction on the realisation of investments as of 31 December 2022.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

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## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

#### (i) Investments in joint ventures and associates

31 December 2022

	Opening balance	Changes during the year							Ending balance	Impairment at the end of the year
		Increase	Decrease	Investment income under the equity method	Other comprehensive income	Other equity movement	Cash dividend declared	Other changes		
Joint ventures										
Maanshan BOC-Ma Steel										
Gases Company Limited	307,367,524	-	-	83,462,900	-	-	(93,000,000)	-	297,830,424	-
Associates										
Henan JinMa Energy	870,862,596	-	-	98,170,142	234,768	1,600,362	(36,000,000)	-	934,867,868	-
Shenglong Chemical	1,068,420,632	-	-	44,970,320	-	678,964	-	-	1,114,069,916	-
Xinchuang Environmental Protection	74,212,749	-	-	7,260,385	-	(13,076)	(5,471,007)	-	75,989,051	-
Ma-Steel Commercial Factoring	159,107,630	-	-	3,116,814	-	-	-	1,300,284	163,524,728	-
Magang Chemicals & Energy	773,875,614	-	(500,232,300)	72,514,064	-	(1,138,062)	(120,515,965)	34,815,723	259,319,074	-
Masteel K. Wah.	115,944,838	-	(115,944,838)	-	-	-	-	-	-	-
OBEI	422,657,885	-	-	3,377,519	(71,143)	(412,526)	-	-	425,551,735	-
Ouyeel Blockchain Finance	341,116,220	-	(344,892,151)	31,818,502	-	(9,599,571)	(18,443,000)	-	-	-
Baowu Water Technology Co., Ltd.	655,562,950	-	-	21,097,679	-	(5,663)	(14,805,691)	-	661,849,275	-
Masteel Gases	142,834,080	-	-	34,681,963	-	733,331	(10,303,528)	-	167,945,846	-
	4,931,962,718	-	(961,069,289)	400,470,288	163,625	(8,156,241)	(298,539,191)	36,116,007	4,100,947,917	-

Note: Please refer to Note V.13 for details.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

#### (i) Investments in joint ventures and associates (Continued)

31 December 2021

	Opening balance	Changes during the year							Ending balance	Impairment at the end of the year
		Increase	Decrease	Investment income under the equity method	Other comprehensive income	Other equity movement	Cash dividend declared	Provision for impairment		
Joint ventures										
Maanshan BOC-Ma Steel										
Gases Company Limited	298,485,434	-	-	96,382,090	-	-	(87,500,000)	-	307,367,524	-
Associates										
Henan JinMa Energy	772,463,295	-	-	140,459,323	520,765	619,213	(43,200,000)	-	870,862,596	-
Shenglong Chemical	910,994,190	-	-	196,789,335	-	(971,332)	(38,391,561)	-	1,068,420,632	-
Xinchuang Environmental										
Protection	76,617,756	-	-	5,630,425	-	(277,992)	(7,757,440)	-	74,212,749	-
Ouyeel Factoring	158,306,896	-	-	953,768	-	1,147,250	(1,300,284)	-	159,107,630	-
Magang Chemicals & Energy	665,492,582	-	-	127,818,098	-	(236,036)	(19,199,030)	-	773,875,614	-
Masteel K.Wah	101,993,153	-	-	21,455,692	-	-	(7,504,007)	-	115,944,838	-
OBEI	192,364,456	247,654,596	-	1,779,600	412,526	(19,553,293)	-	-	422,657,885	-
Ouyeel Blockchain Finance	309,246,128	-	-	81,905,521	-	1,641,429	(51,676,858)	-	341,116,220	-
Baowu Water Technology										
Co., Ltd.	-	654,570,045	-	702,353	-	290,552	-	-	655,562,950	-
Masteel Gases	-	132,300,000	-	10,534,080	-	-	-	-	142,834,080	-
	3,485,963,890	1,034,524,641	-	684,410,285	933,291	(17,340,209)	(256,529,180)	-	4,931,962,718	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

#### (ii) Investments in subsidiaries

31 December 2022

	Changes during the year				Ending balance	Impairment at the end of the year	Cash dividends declared
	Opening balance	Disposal	Deregistration	Provision for impairment			
Ma Steel (Wuhu)	8,225,885	-	-	-	8,225,885	-	10,262,000
Ma Steel (Cihu)	48,465,709	-	-	-	48,465,709	-	20,240,000
Ma Steel (Guangzhou)	93,058,200	(93,058,200)	-	-	-	-	5,999,200
Ma Steel (HK)	52,586,550	-	-	-	52,586,550	-	44,171,920
MG Trading	1,573,766	-	-	-	1,573,766	-	-
Holly Industrial	21,478,316	(21,478,316)	-	-	-	-	12,477,871
Ma Steel (Jinhua)	90,000,000	(90,000,000)	-	-	-	-	11,342,939
Ma Steel (Australia)	126,312,415	-	-	-	126,312,415	-	78,696,066
Ma Steel (Hefei)	1,775,000,000	-	-	-	1,775,000,000	-	-
Ma Steel (Hefei) Processing	85,596,489	-	-	-	85,596,489	-	14,740,000
Ma Steel (Yangzhou) Processing	116,462,300	-	-	-	116,462,300	-	20,885,091
Wuhu Technique	106,500,000	-	-	-	106,500,000	-	7,455,000
Chongqing Material	175,000,000	-	-	-	175,000,000	-	8,400,000
Anhui Chang Jiang Iron and Steel	1,234,444,444	-	-	-	1,234,444,444	-	435,600,000
Masteel Finance	1,843,172,609	-	-	-	1,843,172,609	-	1,064,794,180
Hefei Materials	140,000,000	-	-	-	140,000,000	-	10,500,000
MG-VALDUNES	435,273,759	-	-	(208,242,436)	227,031,323	(969,575,662)	-
Ma Steel Hangzhou Sales	10,000,000	-	-	-	10,000,000	-	10,000,000
Ma Steel Wuxi Sales	10,000,000	-	-	-	10,000,000	-	8,000,000
Ma Steel Nanjing Sales	10,000,000	-	-	-	10,000,000	-	5,000,000
Ma Steel Shanghai Sales	10,000,000	-	-	-	10,000,000	-	35,000,000
Ma Steel Rail Transportation	1,522,317,563	-	-	-	1,522,317,563	-	72,620,000
Ma Steel America Inc(Note 1)	3,298,375	-	(3,298,375)	-	-	-	-
Mascomental	127,368,631	-	-	-	127,368,631	-	-
Masteel Middle East(Note 2)	5,476,450	-	(5,476,450)	-	-	-	-
Ma Steel Hongfei	51,000,000	-	-	-	51,000,000	-	921,482
Wuhan Material	212,500,000	-	-	-	212,500,000	-	3,230,000
<b>Total</b>	<b>8,315,111,461</b>	<b>(204,536,516)</b>	<b>(8,774,825)</b>	<b>(208,242,436)</b>	<b>7,893,557,684</b>	<b>(969,575,662)</b>	<b>1,880,335,749</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

#### (ii) Investments in subsidiaries (Continued)

##### **31 December 2022(Continued)**

*Note 1:* The 57th meeting of the 9th Board of Directors of the company reviewed and approved the liquidation report of the subsidiary Ma Steel America Inc invested by the company, and the Ma Steel Antitrust was cancelled this year.

*Note 2:* The 57th meeting of the 9th Board of Directors of the company reviewed and approved the liquidation report of the subsidiary Masteel Middle East invested by the company, and the Masteel Middle East was cancelled this year.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

#### (ii) Investments in subsidiaries (Continued)

31 December 2021

	Opening balance	Changes during the year			Ending balance	Impairment at the end of the year	Cash dividends declared
		Increase	Disposal/ cancellation	Other equity movement			
Ma Steel (Wuhu)	8,225,885	-	-	-	8,225,885	-	1,400,000
Ma Steel (Cihu)	48,465,709	-	-	-	48,465,709	-	15,640,000
Ma Steel (Guangzhou)	93,058,200	-	-	-	93,058,200	-	2,108,277
Ma Steel (HK)	52,586,550	-	-	-	52,586,550	-	47,819,730
MG Trading	1,573,766	-	-	-	1,573,766	-	4,519,103
Holly Industrial	21,478,316	-	-	-	21,478,316	-	13,268,303
Ma Steel (Jinhua)	90,000,000	-	-	-	90,000,000	-	-
Ma Steel (Australia)	126,312,415	-	-	-	126,312,415	-	59,074,860
Ma Steel (Hefei)	1,775,000,000	-	-	-	1,775,000,000	-	-
Ma Steel (Hefei) Processing	85,596,489	-	-	-	85,596,489	-	10,050,000
Ma Steel (Yangzhou) Processing	116,462,300	-	-	-	116,462,300	-	-
Wuhu Technique	106,500,000	-	-	-	106,500,000	-	781,000
Chongqing Material	175,000,000	-	-	-	175,000,000	-	4,900,000
Anhui Chang Jiang Iron and Steel	1,234,444,444	-	-	-	1,234,444,444	-	250,800,000
Masteel Finance	1,843,172,609	-	-	-	1,843,172,609	-	213,185,167
Hefei Materials	140,000,000	-	-	-	140,000,000	-	7,000,000
MG-VALDUNES	435,273,759	-	-	-	435,273,759	(761,333,226)	-
Ma Steel Hangzhou Sales	10,000,000	-	-	-	10,000,000	-	6,000,000
Ma Steel Wuxi Sales	10,000,000	-	-	-	10,000,000	-	3,000,000
Ma Steel Nanjing Sales	10,000,000	-	-	-	10,000,000	-	7,000,000
Ma Steel Shanghai Sales	10,000,000	-	-	-	10,000,000	-	14,000,000
Ma Steel Rail Transportation	1,522,317,563	-	-	-	1,522,317,563	-	72,948,800
Ma Steel America Inc	3,298,375	-	-	-	3,298,375	-	-
Ma Steel Antitrust (Note 1)	3,060,000	-	(3,060,000)	-	-	-	-
Mascomental	127,368,631	-	-	-	127,368,631	-	-
Masteel Middle East	5,476,450	-	-	-	5,476,450	-	-
Changchun Sales (Note 2)	10,000,000	-	(10,000,000)	-	-	-	-
Ma Steel Hongfei	51,000,000	-	-	-	51,000,000	-	2,194,486
Wuhan Material	159,375,000	53,125,000	-	-	212,500,000	-	-
Masteel Gases	-	270,000,000	-	(270,000,000)	-	-	-
<b>Total</b>	<b>8,275,046,461</b>	<b>323,125,000</b>	<b>(13,060,000)</b>	<b>(270,000,000)</b>	<b>8,315,111,461</b>	<b>(761,333,226)</b>	<b>735,689,726</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

#### (ii) Investments in subsidiaries (Continued)

31 December 2021 (Continued)

*Note 1:* The 53th meeting of the 9th Board of Directors of the company reviewed and approved the liquidation report of the subsidiary Ma Steel Antitrust invested by the company, and the Ma Steel Antitrust was cancelled this year.

*Note 2:* The 51th meeting of the 9th Board of Directors of the company reviewed and approved the liquidation report of the subsidiary Changchun Sales invested by the company, and the Changchun Sales was cancelled this year.

### 4. Revenue and cost of sales

	2022		2021	
	Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income	<b>81,558,413,276</b>	<b>80,573,242,518</b>	94,114,178,329	87,901,330,157
Other operating income	<b>3,125,848,922</b>	<b>2,469,449,242</b>	2,371,755,772	1,496,843,478
	<b>84,684,262,198</b>	<b>83,042,691,760</b>	96,485,934,101	89,398,173,635

Revenue from contracts with customers:

	2022	2021
Sales of products	<b>84,663,422,706</b>	96,475,383,347
Rental income	<b>20,839,492</b>	10,550,754
	<b>84,684,262,198</b>	96,485,934,101

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 4. Revenue and cost of sales (Continued)

Timing of revenue recognition from contracts with customers:

	2022	2021
Recognise at a point in time		
Sales of steel products	<b>78,684,046,025</b>	91,235,326,259
Sales of other products	<b>5,922,699,688</b>	5,185,491,215
Recognise over time		
Sales of services	<b>42,924,225</b>	38,036,553
Other	<b>13,752,768</b>	16,529,320
	<b>84,663,422,706</b>	96,475,383,347

The revenue recognised in the book value of contract liabilities at the beginning of the year is as follows:

	2022	2021
Sales of products	<b>4,250,049,713</b>	2,953,248,444

The estimated time for the total transaction price allocated to the year-end outstanding (or partially unfulfilled) performance obligations to be recognised as revenue is as follows:

	2022	2021
Within one year	<b>4,221,839,659</b>	4,313,631,584

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 5. R&D expenses

	2022	2021 (Restated)
Material and power expenses	<b>571,978,109</b>	446,585,863
Employee benefits	<b>151,924,371</b>	192,016,001
Depreciation of property, plant and equipment	<b>45,277,070</b>	82,962,433
Testing and processing expenses	<b>17,389,970</b>	44,319,228
Outsourced research expenses	<b>17,355,481</b>	47,259,905
Others	<b>22,847,429</b>	17,653,592
	<b>826,772,430</b>	830,797,022

According to Accounting Standard for Business Enterprises Interpretation No. 15, the R&D expenses recognized by the Group in its operating costs in connection with the trial production of new product development are as follows:

	2022	2021
Cost of trial production of new product development (Note III.35):	<b>2,327,254,129</b>	2,801,597,986
Material and power expenses	<b>2,023,973,969</b>	2,264,959,989
Depreciation of property, plant and equipment	<b>231,798,633</b>	398,707,162
Testing and processing expenses	<b>56,712,012</b>	26,901,314
Others	<b>14,769,515</b>	111,029,521

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## XV. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 6 Investment income

	2022	2021
Investment income from long-term investments under the equity method	<b>400,470,289</b>	684,410,285
Investment income from long-term investments under the cost method	<b>1,880,335,749</b>	735,689,726
Gain from disposal of subsidiaries	<b>210,454,465</b>	3,441,871
Gain from disposal of subsidiaries that lose control	<b>218,006,176</b>	17,746,360
Gain from disposal of associates	<b>2,282,405</b>	–
Investment income from other equity instrument investments in duration	<b>21,847,770</b>	11,869,164
Gain from disposal of financial assets held for trading	<b>(20,965,443)</b>	(107,717,582)
	<b>2,712,431,411</b>	1,345,439,824

As at the balance sheet date, there was no significant restriction imposed upon the remittance of the Company's investment income.

# SUPPLEMENTARY INFORMATION

For the year ended 31 December 2022

Renminbi Yuan

## 1. BREAKDOWN OF NON-RECURRING GAINS OR LOSSES

The calculation of non-recurring gains or losses is in accordance with “Regulation for the preparation of information disclosure by listed securities companies No.1 – Non-recurring Gains or Losses (2008 revised)” (No.43 [2008]) issued by the CSRC.

2022

### Items of non-recurring gains or losses

Loss from disposal of non-current assets	355,690,280
Government grants recognised in current period profit or loss (excluding those having close relationship with the Company’s normal business, conforming to the national policies and regulations and enjoying ongoing fixed amount or quantity according to certain standard)	167,122,821
Employee termination compensation	(370,842,845)
Gain from disposal of subsidiaries	159,743,160
Gain from disposal of subsidiaries that lose control	47,969,999
Gain from disposal of associates	99,186
Except for the effective hedging business related to the ordinary business of the Company, changes in fair value of financial assets and financial liabilities held for trading, as well as the return on investment generated from the disposal of financial assets and financial liabilities held for trading and financial assets at fair value through other comprehensive income	187,359,177
Net non-operating income or expenses other than the above items	7,197,090
	554,338,868
Income tax effect	179,891,604
Non-controlling interests effect (net of tax)	121,593,229
Net effect of non-recurring gains or losses	252,854,035
<b>Net profit attributable to owners of the parent excluding non-recurring gains or losses</b>	
Net profit attributable to owners of the parent	(858,225,310)
Less: net effect of non-recurring gains or losses	252,854,035
Net profit attributable to owners of the parent excluding non-recurring gains or losses	(1,111,079,345)

# SUPPLEMENTARY INFORMATION (Continued)

For the year ended 31 December 2022

Renminbi Yuan

## 2. RETURN ON NET ASSETS AND EARNINGS PER SHARE

2022

	Return on weighted average net assets (%)	Earnings per share (cent/share)	
		Basic	Diluted
Net profit attributable to owners of the parent	(2.77)	(11.50)	(11.50)
Net profit attributable to owners of the parent excluding non-recurring gains or losses	(3.59)	(14.43)	(14.43)

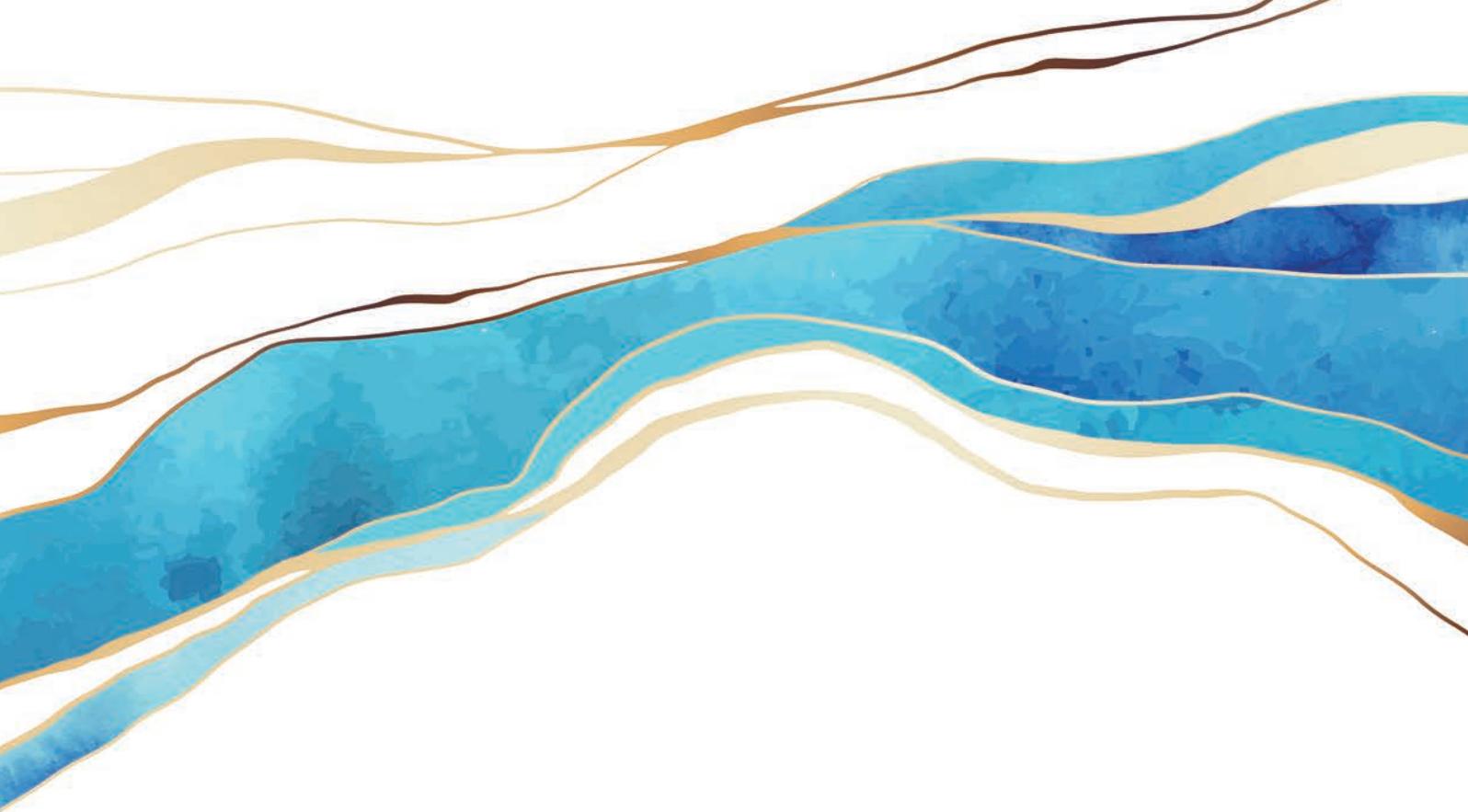
2021

	Return on weighted average net assets (%)	Earnings per share (cent/share)	
		Basic	Diluted
Net profit attributable to owners of the parent	17.44	69.24	69.24
Net profit attributable to owners of the parent excluding non-recurring gains or losses	17.71	70.30	70.30

Return on net assets and earnings per share are calculated based on the formula stipulated in the "Regulation for the preparation of information disclosure for listed securities companies (2010) No.9 – Calculation and disclosure of return on net assets and earnings per share" (2010 revised) issued by the CSRC.

Chairman of the Board: **Ding Yi**

Approved and submitted by the Board on 30 March 2023



馬鞍山鋼鐵股份有限公司  
Maanshan Iron & Steel Company Limited

