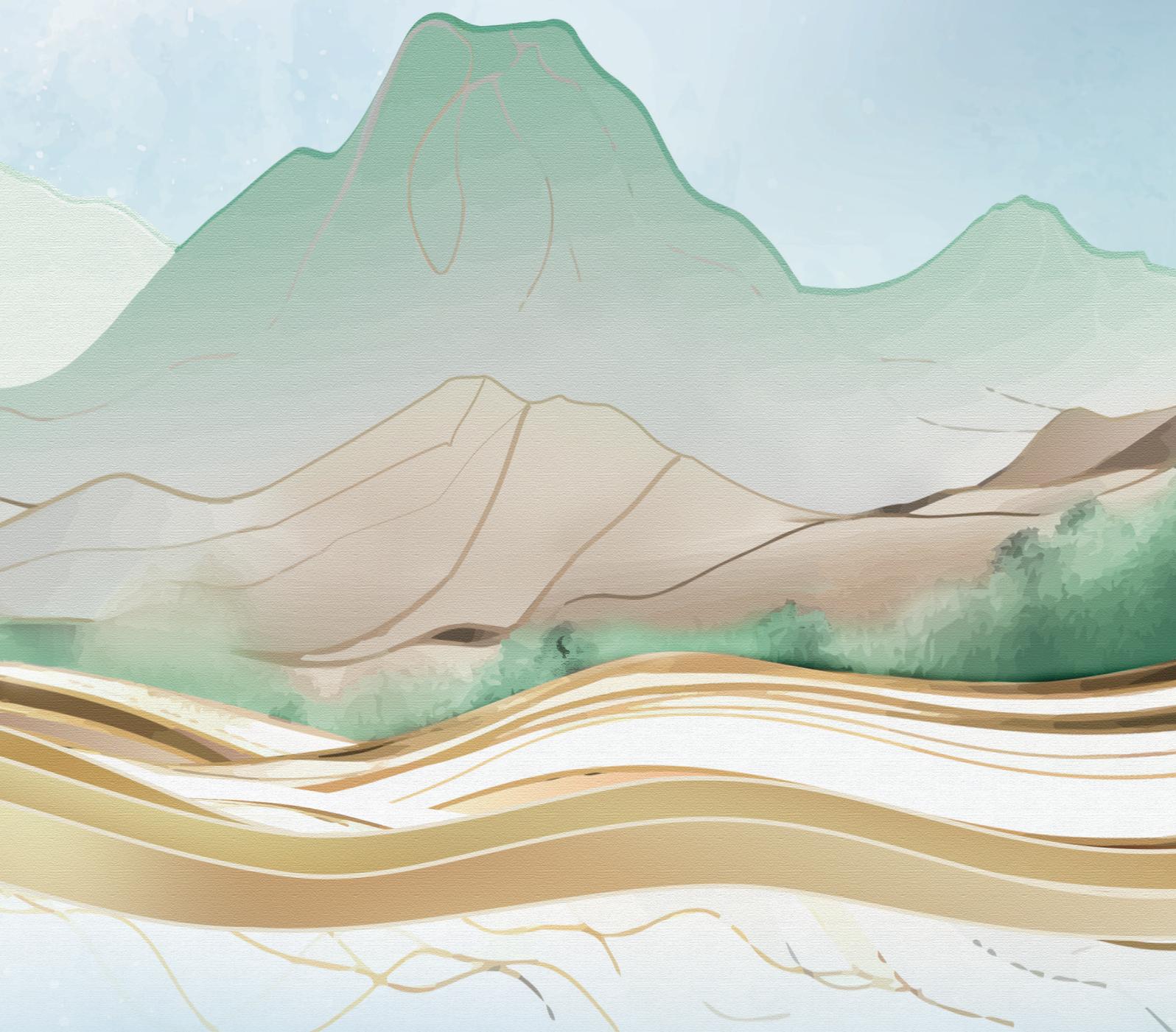




**MAANSHAN IRON & STEEL COMPANY LIMITED**

*H Share Code: 323*

*A Share Code: 600808*



**2023**  
Annual Report

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Documents available for inspection	<p>Financial statements signed and sealed by the Company's legal representative, chief accountant and head of Accounting Department.</p> <p>Original copy of the audit report, sealed by KPMG Huazhen LLP and signed and sealed by Mr. Zhang Chenwei and Ms. Si Lingling, certified public accountants in the PRC.</p> <p>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.</p> <p>Annual report announced on the website of the Hong Kong Stock Exchange.</p> <p>The Articles of Association of the Company.</p> <p>Other relevant information.</p>
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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. KPMG Huazhen 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:  
For the year 2023, no dividend will proposed to be paid, and no capital reserve shall be transferred to share capital.
- VI. Risk relating to forward-looking statements  
The report analyses major risks faced by the Company. Please refer to "(5) Potential risks" of "VII. Discussion and Analysis on the Future Development of the Company" of "Directors' Report (Management Discussion and Analysis)" 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. No appropriation of fund on a non-operating basis by the controlling shareholder or other related parties was found in the Company.
- VIII. No violation of regulations, decisions or procedures in relation to provisions of external guarantees.
- IX. 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:

### Definitions of Common Terms

Company or the Company or Magang Stock	means	Maanshan Iron & Steel Company Limited
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
Holding	means	Magang (Group) Holding Co., Limited, the direct controlling shareholder of the Company
General Meeting	means	the Shareholders' General Meeting of the Company
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
Director(s)	means	the director(s) of the Company
Supervisory Committee	means	the supervisory committee of the Company
Supervisor(s)	means	the supervisor(s) of the Company
Senior Management	means	the senior management of the Company
Hong Kong Stock Exchange	means	the Stock Exchange of Hong Kong Limited
SSE	means	the Shanghai Stock Exchange

## Section I Definitions (Continued)

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
SASAC	means	the State-owned Assets Supervision and Administration Commission of the State Council
CISA	means	China Iron and Steel Association
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., the former controlling subsidiary of the Company
Baowu Finance	means	Baowu Group Finance Co., Ltd.
Magang Transportation Material	means	Baowu Group Magang Rail Transportation Material Technology Co., Ltd., a controlling subsidiary of the Company
MG-VALDUNES	means	MG-VALDUNES S.A.S, the former wholly-owned subsidiary of the Company
Ma Steel (Hong Kong)	means	Ma Steel (Hong Kong) Co., Ltd., a wholly-owned subsidiary of the Company

## Section I Definitions (Continued)

4-with	means	the operation principle focusing on accounting operation: production with orders, revenue with profits, production volume with margins, and profits with cash
Auditor, KPMG Huazhen	means	KPMG Huazhen LLP
Inventories and receivables	means	Utilization of funds on inventories and accounts receivable
Reporting Period	means	From 1 January 2023 to 31 December 2023

# 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	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, Central, Hong Kong, the PRC
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
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(s)	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; www.cnstock.com
Stock exchange website(s) designated 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

## 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, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wan chai, Hong Kong.

### 6. OTHER RELATED INFORMATION

Accounting firm engaged by the Company (domestic)	Name	KPMG Huazhen LLP
	Office address	8th Floor, KPMG Tower, Oriental Plaza, No.1 East Chang An Avenue, Dongcheng District, Beijing, China
	Names of the auditors who signed the report	Zhang Chenwei and Si Lingling

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

#### (1) Major accounting data

Unit: RMB

Major accounting data	2023	2022	Increase/decrease compared to previous year (%)	2021
Revenue	<b>98,937,969,364</b>	102,153,602,375	-3.15	113,851,189,379
Revenue net of business revenue not related to principal business and income lacking commercial substance	<b>96,403,138,119</b>	99,020,437,614	-2.64	111,050,222,245
Net profit attributable to owners of the parent	<b>-1,327,161,500</b>	-857,615,094	N/A	5,332,253,043
Net profit excluding non-recurring gains or losses attributable to owners of the parent	<b>-1,719,478,874</b>	-1,110,469,129	N/A	5,413,289,720
Net cash flows from operating activities	<b>1,991,799,262</b>	6,641,701,587	-70.01	16,774,476,432

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

	As at the end of 2023	As at the end of 2022	Increase/ decrease compared to the end of the previous year (%)	As at the end of 2021
Net assets attributable to owners of the parent	<b>27,768,582,604</b>	29,199,669,295	-4.90	32,752,858,934
Total assets	<b>84,552,252,935</b>	96,892,289,376	-12.74	91,207,743,018
Total share capital	<b>7,746,937,986</b>	7,775,731,186	-0.37	7,700,681,186

### (2) Major financial indicators

Major financial data	2023	2022	Increase/ decrease compared to the previous year (%)	2021
Basic earnings per share (RMB/share)	<b>-0.1724</b>	-0.1150	N/A	0.6924
Diluted earnings per share (RMB/share)	<b>-0.1724</b>	-0.1150	N/A	0.6924
Basic earnings per share excluding non-recurring gains or losses (RMB/share)	<b>-0.2233</b>	-0.1478	N/A	0.703
Return on net assets (weighted average) (%)	<b>-4.67</b>	-2.77	Decreased by 1.90 percentage points	17.44
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	<b>-6.05</b>	-3.59	Decreased by 2.46 percentage points	17.71

## 8. MAJOR FINANCIAL DATA BY QUARTER IN 2023

Unit: million RMB

	1st Quarter (Jan-Mar)	2nd Quarter (Apr-Jun)	3rd Quarter (Jul-Sep)	4th Quarter (Oct-Dec)
Revenue	22,737	26,244	24,937	25,021
Net profit attributable to owners of the parent	-509	-1,726	638	271
Net profit excluding non-recurring gains or losses attributable to owners of the parent	-545	-2,084	626	283
Net cash flows from operating activities	1,657	253	-72	153

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

### 9. NON-RECURRING ITEMS AND AMOUNTS

Unit: RMB

Non-recurring profit or loss items	2023	Note (if applicable)	2022	2021
(Loss)/gain from disposal of non-current assets (including the part offset with the provision for impairment of assets)	<b>94,007,628</b>		355,690,280	-143,399,924
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, being enjoyed according to determined standards and having a lasting impact on the Company's profit or loss)	<b>205,878,311</b>		167,122,821	139,217,796
Except for the effective hedging business related to ordinary business of the Company, profit and loss on changes in fair value from financial assets and financial liabilities held by non-financial enterprises, as well as profit and loss from the disposal of financial assets and financial liabilities	<b>2,139,084</b>		187,359,177	121,324,686
Profit and loss on exchange of non-monetary assets	<b>334,259,810</b>		-	-
Non-operating income or expenses other than the above items	<b>-3,024,628</b>		7,197,090	483,635
Other items of profit or loss falling within the definition of non-recurring gains and losses	<b>-250,447,259</b>	Mainly due to the loss of control of MG-VALDUNES	-163,030,500	-231,046,055
Less: Income tax effect	<b>-877,431</b>		179,891,604	-33,448,560
Non-controlling interests effect (after tax)	<b>-8,626,997</b>		121,593,229	1,065,375
<b>Total</b>	<b>392,317,374</b>		252,854,035	-81,036,677

## 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	626.00	–	-626.00	1.32
Financing receivables	2,659.68	<b>1,801.28</b>	-858.40	–
Other equity instruments investments	541.41	<b>392.0</b>	-149.41	0.55
Total	3,827.09	<b>2,193.28</b>	1,633.81	1.87

### 11. OTHERS

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

Accounting data (indicators)	2023	2022	2021	2020	2019
Revenue	<b>98,938</b>	102,154	113,851	81,614	78,263
Profit before tax	<b>-1,597</b>	-561	7,016	3,081	2,298
Net profit	<b>-1,640</b>	-820	5,994	2,578	1,714
Basic earnings per share (RMB)	<b>-0.172</b>	-0.115	0.692	0.258	0.147
Diluted earnings per share (RMB)	<b>-0.172</b>	-0.115	0.692	0.258	0.147

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

## 1. DISCUSSION AND ANALYSIS OF OPERATION

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

- i. **Beefing up “high-end orientation, intelligentization, greenization and high efficiency”.**

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

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

- ii. **Highlighting “4-with”.** Firstly, intensifying control attentively. Through monthly planning, monthly propelling and daily and monthly review, the Company implemented closed-off management of operation performance improvement. Secondly, improving rapidly with clear objectives. Through month-on-month review, the Company set higher objectives and consolidated responsibilities every month to boost all divisions to exert more effort in achieving goals. Thirdly, focusing on priorities and ensuring practical implementation. The Company focused on major customers, kept an eye on both the raw material and selling markets, as well as key production units and important subsidiaries, and highlighted “structure, cost, efficiency, mechanism and vitality”. As driven by the “Double-8” key project, it solved knotty problems every month to promote work in all areas by drawing upon the experience gained on key points. The eight fast-winning projects created comparative benefits of over RMB700 million, and key indicators, such as TPC turnover rate, temperature drop of molten iron and hot delivery and hot charging rate, reached their record best. Fourthly, tapping room through account-book-based operation. Starting from the promotion of the CE system, the Company deepened business-accounting integration, casted accounts during operations, and promoted rapid performance improvement of key units and key areas. Fifthly, figuring out solutions by pooling the wisdom and efforts of everyone. The high-benefit production line of the steel rolling system worked at full load, while the low-benefit production lines worked with each other. The equipment system was especially maintained centering on key processes such as blast furnace, steel rolling and cold rolling. The technical center effectively supported two key tasks as product restructuring and coal and ore blending. Sixthly, reducing costs by promoting reuse. The Company encouraged all employees to participate in special labor contests on scrap steel and waste materials recycling and reuse to tap the potential of wastes, creating benefits of more than RMB100 million.
- iii. **Highlighting efficiency.** Firstly, stimulating vitality through transformation and reform. Focusing on optimizing the control process and improving control efficiency, the Company optimized and adjusted some management functions, and continued to refine the “one headquarters and multiple bases” management control model. Magang Transportation Material completed the mixed ownership transformation, sped up “Specialized and New” development, successfully introduced 8 strategic investors, and became a demonstration enterprise of technology reform. Secondly, intensifying the driving role of performance. Centering on “one focus and four enhancements”, the Company encouraged employees to win in performance race, ranked employees compulsively, transmitted pressure, and bred a corporate culture of “whoever is willing and capable will succeed”. Thirdly, consolidating the foundation through safe production. The Company thoroughly implemented the safety management concept of “breaking rules is a crime”, stressed “three controls and three musts”, consolidated responsibilities, and adopted rigid assessments, continuously improving its safety management system and capacity and recording the best safety performance since 2019. Fourthly, enhancing capacity through management innovation. The Company's compliance management system passed both domestic and international BSI certification, with steady improvement of legal and compliant corporate governance capacity. Six achievements of the Company won the Management Modernization Innovation Achievement Award for Metallurgical Enterprises, and four were recognized as the Enterprise Modernization Innovation Achievement by Anhui Provincial Government, indicating remarkable results in management innovation.

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

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

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

In 2023, in the face of an extremely complex international environment and an extremely arduous reform, development and stabilization situation in China, the state stepped up macro regulation efforts, intensified fiscal policies, and introduced precise and effective monetary policies, achieving a recovered and growing economy and a year-on-year increase of 5.2% in GDP. For higher supply than demand and less decrease in prime cost than that in steel price, the steel industry saw weakening demands, falling prices, higher costs and declining profits.

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

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

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

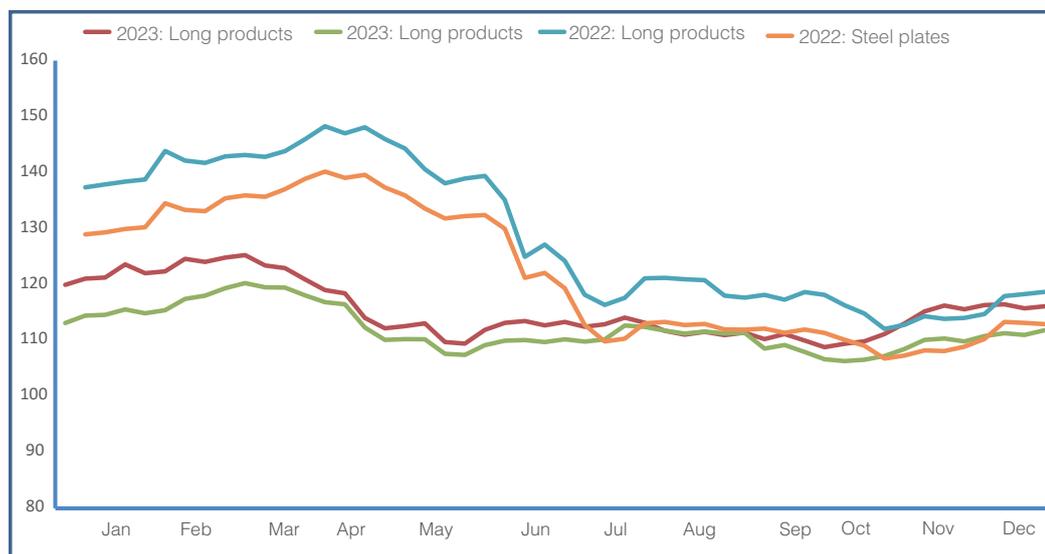


Figure 1 China Steel Composite Price Index in Recent Years

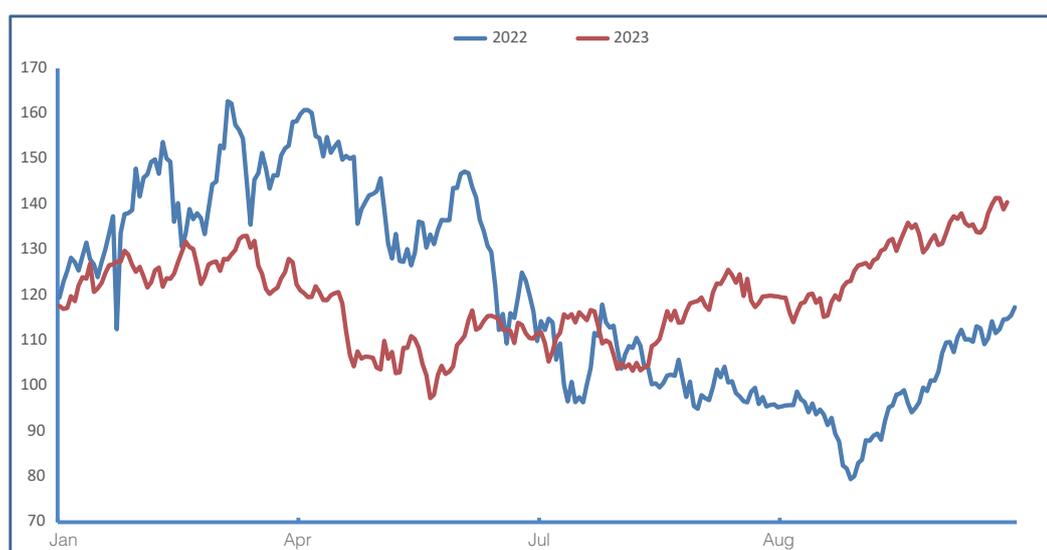


Figure 2 Price Trend of Imported Iron Ore in Recent Years

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

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

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

As one of the largest iron and steel producers and sellers in China, the Company's major businesses are production and sales of iron and steel products; the main production processes include iron making, steel making, steel rolling, etc. Major products of the Company are steel, which is composed of four product series of "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.

**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.

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

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

## 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, broadening its development horizon and continuously improving its operational processes by deepening the all-round benchmarking and difference finding. Under the strategy of coordinated cost reduction of the Group, the Company fully leveraged its synergy advantage, and achieved the optimization of resource allocation and maximization of efficiency through the deep coordination in planning, manufacturing, marketing, procurement, R&D, services and other aspects. In terms of the optimization of sales channels, the Company actively explored new marketing models and achieved comprehensive coverage of sales networks through the integration of online and offline channels. Meanwhile, the Company continuously innovated its service methods, improving customer satisfaction and loyalty, and injecting new impetus into its sustainable development. In terms of technological innovation, the Company focused on breaking through technological bottlenecks, increasing R&D investments, and enhancing the technical content and added value of its products through the introduction of new technologies and processes, which strengthened the Company's market competitiveness and laid a solid foundation for its long-term development. In addition, the Company conducted management benchmarking, identified its own deficiencies, and learned from excellent practices both within and outside the industry, achieving comprehensive improvement in management levels. In the meantime, through the implementation of technical support projects, the Company continued to improve its technical and economic indicators, enhancing the production efficiency and product quality, and further improving the comprehensive competitiveness of the Company. The synergy advantage enables the Company to actively respond to the current market environment and establish a solid foundation for future development.

#### (2) Location advantage

The Company's location in Ma'anshan offers significant geographical advantages and unique positioning. Ma'anshan, situated in the eastern part of Anhui Province, adjacent to the Yangtze River Delta region, is located in the bridgehead position of Anhui Province integrating into the national strategy of Yangtze River Delta integration development, which provides the Company with vast market opportunities and a broad market space for growth. As an important member of the two metropolitan areas of Nanjing and Hefei, Ma'anshan benefits from the economic radiance and driving effects of these two cities with rapid economic development and strong market demand. Being located in this area enables the Company to access market information and resources more conveniently, better meet customer needs, and enhance its market competitiveness. In addition, Ma'anshan is close to the riverside with excellent transportation. The Company can utilize various transportation modes, including waterways, highways, and railways, to achieve efficient logistics operations and cost-effective transportation, which not only optimize the Company's supply chain management and improve operational efficiency, but also provide robust support for expanding into broader markets. The location advantage provides a strong guarantee for the Company's development. The Company will fully leverage this advantage by strengthening cooperation and communication with surrounding areas, continuously expanding its market presence, enhancing the brand influence, and achieving sustained and steady development.

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

### (3) Product structure advantage

In the long-term development process, the Company has established the unique product structure of “excellent special steel, wheels and axles, long products and plates”, which not only demonstrates the Company’s technical strength and market insights but also provides a solid foundation for its continued development and market expansion. Each of the four products has its own characteristics and can meet the needs of different customer groups. The excellent special steel is widely used in high-end manufacturing, wheels and axles play an important role in the field of railway transportation, and long products and plates are widely applied in industries such as construction and machinery. The diversification of the product structure enables the Company to allocate resources flexibly and adjust product strategies promptly in response to market demand changes. Flexibility not only helps the Company respond quickly to market fluctuations and seize opportunities, but also effectively mitigates market risks and secures a steady business growth. In addition, the Company also enlarges the percentage of high value-added products, and continuously enhances the technical content and added value of its products through technological innovation and process improvements, which contributes to improving the Company’s profitability, enhancing its brand influence, and elevating its position in the industry. The advantage of the product structure provides a robust guarantee for actively responding to intense market competition.

### (4) Variety matching advantage

The three major iron and steel production bases of the headquarters, Changjiang Steel and Ma Steel (Hefei) have complete supporting varieties and professional production level. The layout of these bases not only facilitates the optimal allocation of the Company’s resources but also effectively leverages the scale advantage of complete supporting varieties and specifications, further enhancing the Company’s brand influence. Under the operation mode of “one headquarters with multiple bases”, the Company’s headquarters serves as the decision-making and coordination center, enabling the efficient integration of resources from each base and achieving resource sharing and complementary advantages. Each base, based on its own characteristics and advantages, forms a specialized and large-scale production pattern. By leveraging the scale advantage of complete supporting varieties and specifications, the Company can better meet diverse customer demands and provide one-stop solutions. The advantages of supporting varieties contribute to the Company’s ability to innovate its operating model, optimize the resource allocation, improve the brand influence, and achieve sustained, healthy and stable development.

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

### (5) Technical advantage

The Company has achieved remarkable results in technology innovation and intellectual property protection. At the end of the Reporting Period, the Company had 2,283 valid patents (including: 1,292 invention patents and 991 utility model patents), demonstrating the Company's extensive layout and deep exploration in technology innovation; and 6 invention patents grants for overseas, signifying international recognition of the Company's technological innovation achievements, enhancing its competitiveness on a global scale. The Company owns 5,262 technical know-hows (non-patented technologies) accumulated through long-term R&D and production practices, which possess unique technical advantages and commercial value. In particular, the Company owns independent intellectual property rights and core technologies for three series of products, including high-speed wheel, special H-section steel and cold heading steel. These products are crucial for the Company, offering vast market prospects and significant economic value, and providing robust technical support for the Company's sustained development. The technical advantage lays a solid foundation for the Company's future growth.

## 5. MAIN OPERATING CONDITIONS DURING THE REPORTING PERIOD

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

## 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 (%)	Description of changes
Revenue	<b>98,937,969,364</b>	102,153,602,375	-3.15	The decrease in steel prices as a result of the impact of the downward trend in the market environment
Cost of sales	<b>97,308,142,081</b>	98,846,467,731	-1.56	The decrease in the prices of raw materials such as ore and coking coal
Selling expenses	<b>341,240,952</b>	295,129,468	15.62	/
General and administrative expenses	<b>933,378,645</b>	1,263,771,737	-26.14	/
Financial expenses	<b>466,911,329</b>	519,456,330	-10.12	/
R&D expenses	<b>1,231,049,205</b>	1,167,297,776	5.46	/
Net cash flows from operating activities	<b>1,991,799,262</b>	6,641,701,587	-70.01	See "5. Cash flow" below
Net cash flows from investing activities	<b>-560,871,570</b>	-7,097,959,955	N/A	See "5. Cash flow" below
Net cash flows from financing activities	<b>-1,361,284,013</b>	516,569,945	-363.52	See "5. Cash flow" below
Assets impairment losses	<b>993,092,220</b>	1,558,665,706	-36.29	The decrease in the provision for decline in value of inventories as compared to last year
Gain/(loss) on changes in fair value	<b>-34,558,767</b>	30,075,870	-214.91	The higher fluctuations in exchange rates in the current year and the loss on changes in the fair value of forward foreign exchange contracts held by the Company
Investment income	<b>308,185,072</b>	814,285,702	-62.15	The decrease in investment income recognized under the equity method and trading financial assets in the current year as compared with the previous year
Gain from disposal of assets	<b>93,861,158</b>	440,339,732	-78.68	The gain on land storage of Ma Steel (Hefei), a subsidiary of the Company, and the gain on sale of production capacity of Changjiang Steel, a subsidiary of the Company, in the previous year

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

Accounts	Amount of the current year	Amount of the same period of last year	Change (%)	Description of changes
Other income	<b>714,197,840</b>	172,641,171	313.69	The Company's headquarters enjoying the policy of value-added tax credit for advanced manufacturing enterprises this year
Income tax	<b>43,241,145</b>	258,625,238	-83.28	The recognition of deferred income tax assets from deductible temporary differences at the end of this year
Profit or loss attributable to non-controlling interests	<b>-312,739,161</b>	38,372,612	-915.01	The impact of the downward trend in the industry market environment, resulting in losses in most of the non-wholly owned subsidiaries in this period
Operating profit	<b>-1,593,781,357</b>	-483,950,030	N/A	The steel prices dropping more than the raw material prices, resulting in a decrease in gross profit of steel products compared to the previous year
Profit before tax	<b>-1,596,659,516</b>	-560,617,244	N/A	The steel prices dropping more than the raw material prices, resulting in a decrease in gross profit of steel products compared to the previous year
Net profit	<b>-1,639,900,661</b>	-819,242,482	N/A	The steel prices dropping more than the raw material prices, resulting in a decrease in gross profit of steel products compared to the previous year
Net profit attributable to shareholders of the parent company	<b>-1,327,161,500</b>	-857,615,094	N/A	The steel prices dropping more than the raw material prices, resulting in a decrease in gross profit of steel products compared to the previous year

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	93,639	92,307	1.42	-1.13	-0.01	Decreased by 1.12 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	47,407	46,101	2.75	5.48	5.01	Increased by 0.44 percentage point
Long products	38,696	39,357	-1.71	-15.26	-11.47	Decreased by 4.36 percentage points
Wheel and axles	3,272	2,811	14.08	29.68	31.17	Decreased by 0.98 percentage point

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

Principal operation by region						
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 (%)
Eastern China	81,323	80,408	1.13	-2.39	0	Decreased by 2.36 percentage points
Other regions in China	13,613	12,928	5.03	-12.85	-14.88	Increased by 2.27 percentage points
Hong Kong and overseas	4,002	3,972	0.74	24.24	43.55	Decreased by 13.36 percentage points

Principal operation by sales pattern						
Sales pattern	Revenue	Cost of sales	Gross margin (%)	Increase/ (decrease) of revenue compared with last year (%)	Increase/ (decrease) of cost of sales compared with last year (%)	Increase/ (decrease) of gross margin compared with last year (%)
Direct marketing	61,330	59,000	3.80	12.81	12.28	Increased by 0.44 percentage point
Distributors	28,203	29,300	-3.89	-27.25	-22.72	Decreased by 6.09 percentage points

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

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

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

*Unit: ten thousand tonnes*

Key products	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	1,029.6	1,028.3	9.2	0.63	0.55	9.52
Steel plates	1,003.9	1,003.2	5.3	6.57	6.56	12.77
Wheel and axles	28.0	28.0	0.3	19.15	18.64	-

During the Reporting Period, the Company continued to maintain a balance between production and sales, and the sales output ratio of steel products was 99.90%.

### (3) Analysis of Costs

*Unit: million RMB*

Cost components	Amount in 2023	Percentage of total costs in 2023	Amount in 2022	Percentage of total costs in 2022	Change in amount in 2023 against amount in 2022
		(%)		(%)	(%)
Raw materials and fuels	79,238	81.43	80,295	81.23	-1.32
Salary	3,286	3.38	3,688	3.73	-10.89
Depreciation and amortization	4,207	4.32	3,042	3.08	38.29
Fuels and power	7,147	7.34	6,774	6.85	5.51
Others	3,430	3.52	5,047	5.11	-32.04

### (4) Changes in the Scope of Consolidation Due to Changes in Equity of Major Subsidiaries during the Reporting Period

In April 2023, Baowu Finance absorbed and merged Magang Finance, and Magang Finance was no longer included in the scope of consolidation of the Company's statements. In September 2023, the subsidiary Maanshan (Nanjing) Iron and Steel Sales Co., Ltd. absorbed and merged the subsidiary Ma'anshan (Wuxi) Iron and Steel Sales Co., Ltd., and Ma'anshan (Wuxi) Iron and Steel Sales

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

Co., Ltd. was no longer included in the scope of consolidation of the Company's statements. In November 2023, the court initiated judicial restructuring against MG-VALDUNES because it was unable to repay its debts due with its available assets, and the Company lost control of it. It was no longer included in the scope of consolidation of the Company's statements.

- (5) There was no significant change or adjustment in the Company's business, products or services during the Reporting Period.
- (6) 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 RMB2,715 million, accounting for 2.7% of total annual sales. Sales to the top five customers amounted to RMB9,249 million, accounting for 9.4% of total annual sales; among the top five customers, Ma Steel (Guangzhou) Processing and Distribution Co., Ltd. was added as the only related party among the top five customers, with sales of RMB1,554 million, accounting for 1.6% of total annual sales.

### B. Major suppliers of the Company

During the Reporting Period, the largest supplier was Magang (Group) Holding Company Limited, with purchases of RMB9,898 million, accounting for 11.1% of the total annual purchases. The purchases by the top five suppliers amounted to RMB25,516 million, accounting for 29% of the total annual purchases; among the purchases by the top five suppliers, purchases by related parties amounted to RMB18,023 million, accounting for 20% of the total annual purchases.

Among the major customers, the Holding is the controlling shareholder of Ma Steel (Guangzhou) Processing and Distribution Co., Ltd.. Among the major suppliers, Magang (Group) Holding Company Limited, OBEI Co., Ltd. and Baosteel Resources Holdings (Shanghai) Co., Ltd. are controlling subsidiaries of Baowu Group. Saved as the above, there was no Directors or Supervisors or their associates or any shareholder (to the best knowledge of the Board, holding 5% or above of the shares in the Company) having any beneficial interests in the top five suppliers or customers of the Group in 2023.

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

### 3. Expenses

During the Reporting Period, general and administrative expenses decreased by 26.14% compared with last year, which was mainly due to the decrease in the number of employees whose labor contracts were terminated by consensus in the current year, resulting in the decrease in expenses compared with last year. Financial expenses decreased by 10.12% compared with last year, which was mainly due to the Company's planned reduction of interest-bearing liabilities and replacement of high-interest loans with low-interest loans in the current year. Selling expenses and R&D expenses did not vary significantly.

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

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

Unit: 100 million RMB

Spent R&D expenses in 2023	39.38
Capitalized R&D expenses in 2023	–
Total R&D expenses	39.38
Total R&D expenses as a portion of revenue (%)	3.98
Percentage of capitalized R&D expenses (%)	–

#### (2) R&D personnel details

Number of R&D personnel of the Company	2,037
Proportion of R&D personnel in the total number of the Company (%)	10.98

#### Education structure of R&D personnel

Category	Number
Doctor	30
Master	453
Undergraduate	1,058
College	300
High school and below	196

#### Age structure of R&D personnel

Category	Number
Below 30 (exclusive) years old	114
30 (inclusive) to 40 (exclusive)	632
40 (inclusive) to 50 (exclusive)	650
50 (inclusive) to 60 (exclusive)	638
Above 60 (inclusive) years old	3

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

### (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 two subsidiaries Ma Steel (Hefei) and Changjiang Steel success fully passed the Recognition of Hi-tech Enterprises in Anhui Province in 2023. 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, promoted the research and development of new materials of high-speed, heavy haul, and low-noise wheels and axles, and achieved breakthroughs in the expanded application of high-speed wheel through independent innovation. 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”, and focusing on the “High Performance Hot-rolled Forming Technology for Ultra-Large H-section Steel” project of the national key research and development program “High Performance Manufacturing Technology and Major Equipment”, 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.. Relying on the “Development and Demonstration Application of On-line Detection and Sensing Technology for Key Parameters of Special Steel Production” project of the national key research and development program “Intelligent Sensors”, the Company supported the localization of high-performance special steel for energy applications.

In 2023, the Company won a total of 13 Scientific and Technological Progress Award of government and industry: 6 metallurgical scientific and technological awards, of which 2 were first prizes; 7 Scientific and Technological Award of Anhui Province, of which 1 was first prizes.

### (4) During the Reporting Period, there were no major changes in the composition of R&D personnel.

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

### 5. *Cash flow*

The decrease in net cash flow from operating activities was mainly due to the decrease in cash received from sale of goods and rendering of services. The change in net cash flow from investment activities was mainly due to the decrease in cash paid for investments compared with last year upon the disposal of Magang Finance this year. The change in net cash flow from financing activities was mainly due to the planned reduction of the size of interest-bearing liabilities according to the Company's business strategy during the period, and the increase in loan repayment amount while ensuring the demand for production and operation funds.

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

As of 31 December 2023, the total loans of the Group were denominated in RMB with an aggregate amount of RMB19.929 billion, including short-term loans of RMB9.428 billion, long-term loans of RMB6.8 billion and long-term loans due within one year of RMB3.701 billion; RMB9.636 billion carried fixed interest rates and RMB10.293 billion carried floating interest rates. At the end of the Reporting Period, the asset liability ratio of the Group was 61.81%, representing a decrease of 3.79 percentage points as compared with the end of 2022, mainly due to the disposal of Magang Finance during the Reporting Period.

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 RMB79.879 billion, of which the unutilised facilities amounted to approximately RMB46.693 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, in respect of the US dollars paid for imported raw materials, 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 for hedge, reasonably controlling the impact 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 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 2022 internal audit work report of the Company on 18 January 2023, agreeing to the internal audit work arrangements for 2023 and submitted it to the Board for consideration. The Audit Committee heard the 2022 anti-fraud work report on 10 March 2023.

The Board reviewed and approved the 2022 Comprehensive Risk Management and Internal Control Work Report on 30 March 2023. The report confirms that the Company implemented an effective internal control over all important aspects in 2022 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 2022 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 "2022 Risk Supervision and Evaluation Report" by the Board was made on 10 March 2023, confirming that the Company had varying degrees of alerts for safety risks, sustained loss risks of overseas subsidiaries, risk of control of the "two reserves" and environmental risks, and would take appropriate control measures for strategic risks, financial risks and market risks, etc. in 2022 and the risks were under control. During the Reporting Period, the Company evaluated the risks, formulated measures for identified risks, and carried out key prevention and control to ensure that the risks were under control.

The Board heard the comprehensive risk management and internal control work report for the first quarter, the first half and the third quarter of 2023 on 27 April, 30 August and 27 October, 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 2023	Percentage of closing balance of 2023 in total assets (%)	Closing balance of 2022	Percentage of closing balance of 2022 in total assets (%)	Year-on-year change (%)
Cash and bank balances	5,569,797,722	6.59	6,534,701,307	6.74	-14.77
Financial assets held for trading	-	-	625,997,138	0.65	-100.00
Financing receivables	1,801,284,684	2.13	2,659,676,438	2.74	-32.27
Inventories	9,918,290,048	11.74	10,244,541,734	10.57	-3.18
Financial assets purchased under resale agreements	-	-	2,680,209,514	2.77	-100.00
Loans and advances to customers	-	-	2,644,197,648	2.73	-100.00
Other current assets	682,306,261	0.81	9,763,174,357	10.08	-93.01
Long-term receivables	-	-	4,136,391	0.00	-100.00
Long-term equity investments	7,043,824,631	8.33	4,449,421,983	4.59	58.31
Property, plant and equipment	48,548,833,230	57.44	42,432,233,911	43.79	14.41
Construction in progress	4,013,854,765	4.75	7,766,555,935	8.02	-48.32
Deferred tax assets	354,339,065	0.42	155,887,946	0.16	127.30
Other non-current assets	-	-	4,020,703	0.00	-100.00
Customer deposits	-	-	9,082,110,579	9.37	-100.00
Repurchase agreements	-	-	659,635,255	0.68	-100.00
Short-term loans	9,428,060,223	11.16	9,198,483,165	9.49	2.50
Notes payable	8,631,701,173	10.21	5,220,978,025	5.39	65.33
Accounts payables	13,513,640,486	15.99	17,224,018,731	17.78	-21.54
Payroll and employee benefits payable	204,380,835	0.24	488,255,914	0.50	-58.14
Taxes payable	372,393,489	0.44	639,849,357	0.66	-41.80
Non-current liabilities due within one year	3,784,343,228	4.48	2,059,412,922	2.13	83.76
Provisions	9,875,967	0.01	25,699,276	0.03	-61.57
Other current liabilities	1,028,203,765	1.22	648,392,994	0.67	58.58
Long-term loans	6,799,686,232	8.05	7,982,390,765	8.24	-14.82
Long-term payable	52,964,036	0.06	168,053,940	0.17	-68.48
Long-term employee benefits payable	1,554,186	0.00	16,423,474	0.02	-90.54
Deferred tax liabilities	295,454	0.00	3,503,014	0.00	-91.57

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

Compared with the end of last year:

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

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

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

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

Deferred tax assets increased by 127.30%, mainly due to the recognition of deferred tax assets resulting from deductible temporary differences at the end of the year.

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

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

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

Taxes payable decreased by 41.80%, mainly due to the decrease in sales and the balance of value-added tax and the reduction of land use tax during the year.

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

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

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

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

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

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

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

### 2. Overseas assets

At the end of the Reporting Period, the Company's overseas assets amounted to approximately RMB1.13 billion, accounting for 1.34% 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 Company totaling approximately RMB1,537 million consisted of the bill deposit deposited with the bank of approximately RMB1,142 million and the bank acceptance bill of RMB395 million pledged to banks for bank acceptance bill.

## (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	108.34
Crude steel	2,140	97.99
Steel products	2,050	100.59

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

### *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	5,575,895	4,714,834	5,564,909	4,718,462	24,881	19,537	24,149	19,583	2.94	-0.24
Hot-rolled steel	14,758,995	14,936,538	14,750,939	14,922,786	61,222	71,073	61,309	68,736	-0.14	3.29
Wheel and axles	280,398	235,222	280,181	236,466	3,272	2,523	2,811	2,143	14.08	15.06

#### 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	10,296,345	10,231,754	10,283,354	10,227,239	38,696	45,667	39,357	44,456	-1.71	2.65
Steel plates	10,038,545	9,419,618	10,032,494	9,414,009	47,407	44,943	46,101	43,863	2.75	2.40
Wheel and axles	280,398	235,222	280,181	236,466	3,272	2,523	2,811	2,143	14.08	15.06

#### 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	767.4	731.3	81.70	71.59
Online sales	127.9	200.0	13.62	19.58

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

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

### 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>3,844,022</b>	3,069,159	<b>103.48</b>	97.41

## (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	13,259.00
Changes in investment amount	374.61
Investment amount as at the end of previous year of the Company	12,884.39
Increase or decrease in investment amount as compared with previous year (%)	2.91

In April 2023, Magang Finance and Baowu Finance completed absorption and merger, and Magang Finance was cancelled. The Company held 29.68% equity interest in Baowu Finance. In May 2023, the Company fully transferred 16.14% equity interest in Ouye Commercial Factoring Company Limited to Shanghai Ouyeel Financial Information Services Co., Ltd.. In September 2023, the subsidiary Ma'anshan (Wuxi) Iron and Steel Sales Co., Ltd. was absorbed and merged by the subsidiary Maanshan (Nanjing) Iron and Steel Sales Co., Ltd.. In November 2023, the court initiated judicial restructuring against MG-VALDUNES because it was unable to repay its debts due with its available assets, and the Company lost control of it.

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

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 completed, Phase II suspended
Energy saving and emission reduction CAPP comprehensive utilization power-generation project	1,025	Basically completed
Section steel upgrading project in the southern area of Masteel – 3# continuous casting machine	970	Project suspended
Deep processing project for special steel bar and wire for auto parts – production line of premium bar project	610	Basically completed
Section steel upgrading project in the southern area of Masteel – 2# continuous casting machine	569	Completed

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

Project name	Budget of total investment	Project progress
New continuous annealing unit project of structural adjustment of cold-rolled products	552	Project suspended
Upgrading project of long product series of Masteel and road auxiliary supporting project	520	Basically completed
Total	12,703	/

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

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
Energy saving and emission reduction gas-fired power generation project	573	Basically completed
Smart manufacturing and informatization project	402	Completed
220 kV electric transmission and transformation project of Changjiang Iron and Steel	369	Completed
Sintering machine flue gas desulfurization and denitration project	213	Completed
Steelmaking 600,000 tonnes steel slag treatment project	158	Completed
Rainwater and sewage diversion and water system upgrade and renovation	143	Basically completed
Recovery and utilization of waste heat from electric furnace	119	Completed
Phase II of smart manufacturing project of Anhui Changjiang Iron and Steel	110	Completed
Total	2,086	/

The construction fund of Changjiang Steel comes from its own fund and bank loans.

## 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.

#### Derivative investment

- (1) Derivative investment for the purpose of hedging during the Reporting Period

*Unit: RMB10 thousand*

Type of derivatives	Initial investment amount	Book value as at the beginning of the period	Gains or losses on fair value change for the period	Total fair value change recorded in equity	Amount of purchase for the Reporting Period	Amount of disposal for the Reporting Period	Book value as at the end of the period	Book value as at the end of the period as a percentage of net assets as at the end of the Reporting Period (%)
Futures	8,193.60	-	-146.10	-146.10	20,370.45	20,043.45	-	-
Foreign exchange forward contract	/	4,047.14	-4,047.14		52,532.76			
Total	8,193.60	4,047.14	-4,193.24	-146.10	72,903.21	20,043.45	-	-

Description of the accounting policies and specific accounting principles for the hedging business during the Reporting Period, and whether there was a significant change as compared with the previous Reporting Period

Futures transactions are classified as financial assets held for trading and are subsequently measured at fair value with all changes in fair value recognized in profit or loss for the current period in accordance with the provisions of the Accounting Standards for Business Enterprises. There was no significant change as compared with the previous reporting period.

Description of actual profit or loss for the Reporting Period

The actual loss of the futures account for the year amounted to RMB1.461 million, the profit of spot amounted to RMB3.217 million, and the aggregated profit of futures and spot amounted to RMB1.756 million.

Description of hedging effect

The futures position corresponding to spot business avoiding market price fluctuation risk amounted to RMB3.217 million, and the aggregated revenue generated from futures and spot amounted to RMB1.756 million.

Sources of derivative investment funds

Own funds

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

Description of risk analysis and control measures for derivative positions during the Reporting Period (including but not limited to market, liquidity, credit, operational and legal risks)

➤ Futures business

1. Risk analysis. (1) Basis risk. When the volatility of futures price is higher than the spot price, there will be a deviation of futures price from spot price in the market, making it difficult to achieve the hedging goal or even worse, causing losses on both futures and spot at the same time when there are adverse changes in basis. (2) Completion risk. The steel sold for hedging shall ensure that the steel to be delivered meets the requirements of the futures exchange for warehouse receipt registration. Physical delivery of purchased raw materials and fuels is subject to a risk that the delivered goods will fall so far below the requirement of coal blending and ore proportioning that they cannot be fed into furnaces. (3) Liquidity risk. The limited trading volume of part of the hedged species, particularly as liquidity drops significantly before the delivery month, exposes the Company to the risk of failure to settle transactions or the volume not meeting the requirements of the hedging programme if the Company needs to hedge its recent steel inventories or procurement needs. (4) Internal control and operation risk. Due to the rapid and fast volatility of complicated futures prices, there is a risk that futures operations may not be opened and closed in a timely manner as required by the programme or instructions, and that there may be deficiencies in internal controls which may result in losses from futures hedging.

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

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2. Risk control measures. The Company carries out the futures business without speculative purposes and strictly adheres to the hedging principle, and effectively prevents, detects and resolves risks in terms of organization, systems and processes and risk control measures. Firstly, the Company has formulated and further improved its Administrative Measures for Futures Hedging Business, established a comprehensive organizational structure for hedging, with a clear division of function among the hedging leadership group, the hedging working group and the hedging risk control group, to ensure that the futures business is carried out in an orderly manner under the management and supervision of the Company. Secondly, the Company has established an efficient hedging operation system, which, by keeping track of and forecasting the market, enables the Company to coordinate the needs of its procurement and sales operations and inventory targets, and make use of physical delivery or liquidation means to minimize the basis risk exposed in the hedging process. Thirdly, the Company has built a strict trading management system whereby the total opening amount of trading shall not exceed the limit set in the hedging programme, the total amount of margin used for trading shall not exceed two-thirds of the trading account equity and the annual stop-loss limit shall be set for hedging operations. Fourthly, the Company has established a hedging evaluation system, whereby the audit and finance departments shall evaluate the process and results of hedging work respectively and report to the Board on a half-yearly basis. The audit and evaluation system plays an important role in process control and operational regulation.

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

➤ Foreign exchange forward contract

1. Risk analysis. (1) Market risk. The difference between the exchange rate of foreign exchange derivative trading contracts and the actual exchange rate on the maturity date will result in trading gains or losses. Revaluation gains or losses will be incurred until cumulative value of the revaluation gains or losses on the maturity date becomes equal to the trading gains or losses within each accounting period covered by the duration of the foreign exchange derivatives. (2) Liquidity risk. Inappropriate arrangements for the purchase of foreign exchange derivatives may lead to liquidity risks for the Company's funds.
2. Risk control measures. Firstly, the Company rationally matches receipts and payments in foreign exchange, optimizes the foreign exchange asset-liability structure, and timely uses financial instruments for risk hedging. Secondly, the Company controls foreign exchange risk and volatility in exchange gains or losses to reduce financial costs. Thirdly, the Company's foreign exchange derivative trading shall be limited to hedging business aimed at controlling exchange rate risk and volatility in exchange gains or losses, and the business scale and duration shall correspond to the fund demand contracts in principle. Engaging in any speculative activities without a transactional background shall be strictly prohibited. Fourthly, when conducting over-the-counter business, the Company shall conduct separate risk assessments for trading instruments, counterparty credit, contract terms, etc., select counterparties and conduct business with caution. The Company establishes standardized approval, trading and settlement processes, ensuring a separation of incompatible positions.

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

Description of the change in market price or fair value of the derivatives invested during the Reporting Period, and disclosure of the specific method, related assumptions and parameters used in the analysis of the fair value of derivatives	In 2023, the price of steel and iron ore market showed a downward trend followed by an upward movement. The steel price for the year decreased by 5-10% compared to the previous year, while the iron ore price increased by approximately 10%. The Company prices its spot purchases and sales based on market principles. Therefore, assuming a constant basis, the futures position and spot business serve as a risk hedge against market price fluctuations. However, in the actual market fluctuations, the impact of basis changes resulted in a contribution of approximately RMB1.756 million from the futures and spot to the Company's operation.
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Litigation involved (if applicable)	None
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Date of disclosure of Board announcement on derivative investment approval (if any)	Futures hedging: 11 March 2023
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Date of disclosure of announcement of the general meeting on derivative investment approval (if any)	None
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4. *The Company did not invest in derivatives for speculation purposes during the Reporting Period.*

(6) During the Reporting Period, the Company did not carry out any major asset restructuring.

(7) During the Reporting Period, there was no significant disposal of the Company's assets or equity.

(8) 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. At the end of the Reporting Period, the total assets amounted to RMB9,649 million, and net assets amounted to RMB4,764 million. During the Reporting Period, its revenue from principal operation was RMB16,183 million, and loss from principal operation was RMB234 million; the net loss was RMB816 million, representing a year-on-year increase in loss of 263%, mainly resulting from the higher procurement cost of major raw materials and fuels and lower gross profit of products.

(2) Ma Steel (Hefei) Iron & Steel Co., Ltd. has a registered capital of RMB2,500

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

million, in which the Company holds a direct stake of 71%. It is mainly engaged in extended processing of iron and steel products, production and distribution of metallic products; agency sales of iron and steel products; technical services of iron and steel products and iron and steel industry related business. The net profit for the Reporting Period amounted to RMB50 million. At the end of the Reporting Period, the total assets and net assets amounted to RMB4,032 million and RMB3,451 million, respectively.

- (3) 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. At the end of the Reporting Period, the total assets amounted to RMB4,839 million, and net assets amounted to RMB3,053 million. During the Reporting Period, its revenue from principal operation was RMB3,437 million, and profit from principal operation was RMB293 million; the net profit was RMB252 million, representing a year-on-year decrease of 8.07%, mainly due to the provision for bad debts of accounts receivable.
- (4) 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 RMB153 million; at the end of Reporting Period, the total assets and the net assets were RMB507 million and RMB125 million, respectively. In November 2023, the court initiated judicial restructuring against MG-VALDUNES because it was unable to repay its debts due with its available assets, and the Company lost control of it. It was no longer included in the scope of consolidated statements.
- (5) 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 RMB67 million. At the end of the Reporting Period, it had total assets amounting to RMB179 million and net assets of RMB176 million.
- (6) 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 RMB43 million. At the end of the Reporting Period, it had total assets amounting to RMB907 million and net assets of RMB546 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 loss for the Reporting Period was approximately RMB23 million. At the end of the Reporting Period, its total assets and net assets were RMB12,582 million and RMB4,810 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 RMB3 million. At the end of the Reporting Period, its total assets and net assets were RMB1,606 million and RMB1,057 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 loss for the Reporting Period was RMB55 million. At the end of the Reporting Period, the total assets and net assets were RMB7,155 million and RMB4,277 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 RMB110 million. At the end of the Reporting Period, the total assets and net assets were RMB668 million and RMB596 million, respectively.
- (5) Baowu Group Finance Co., Ltd. has a registered capital of RMB4,840 million and the Company directly holds 29.68% of its equity. It's mainly engaged in corporate group finance company services. During the Reporting Period, the net profit amounted to RMB570 million. At the end of the Reporting Period, the total assets and net assets were RMB87,008 million and RMB10,170 million, respectively.

### (9) No structured entity controlled by the Company during the Reporting Period

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

### 6. DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

#### (1) Industry Landscape and Trend

In 2024, in the face of the challenges, opportunities and risks in the external environment, China will continue adhering to the general keynote of seeking progress in a stable manner, implement the new development concept completely, accurately and comprehensively, accelerate the construction of a new development pattern, focus on promoting high-quality development, thoroughly deepen reform and opening-up, intensify macro regulation, and work hard to expand domestic demand, optimize structure, boost confidence, and prevent and mitigate risks, so as to foster continuous, stable and long-lasting economic growth. The dynamic adaptation of steel supply and demand in the iron and steel industry is difficult, and the contradiction between supply and demand has been highlighted, and the situation of the industry is still severe.

#### (2) Corporate Development Strategy

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

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

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

3. Form differentiated competitive edges. Following the guideline of “making high-quality section steel, plate strips, special steel and axles”, the Company will optimize product structure to support differentiated competition.
4. Accelerate subsidiaries' reform. Centering on “optimizing governance, increasing incentives, highlighting main business and improving efficiency”, the Company will steadily promote the reform in key subsidiaries.

### (3) Business Plan

In 2024, the Company plans to produce 19.52 million tonnes of pig iron, 20.97 million tonnes of crude steel and 20.95 million tonnes of steel.

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

#### **Firstly, establishing a new business responsibility system in a methodical manner.**

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

#### **Secondly, consolidating the responsibilities for key operations.**

The Company will keep an eye on the difference between purchase and selling prices in the raw material market and the selling market. On the marketing side, it will strengthen market research and judgment on the marketing side to effectively support dynamic adjustments of business strategies and product structure, give full play to its geographical advantages, target key customers in regions, improve mechanisms, actively expand

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

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

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

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

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

### **Secondly, upholding green energy conservation and carbon emission reduction.**

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

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

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

**Fifthly, stepping up the infrastructure for technological innovation.** The Company will make full use of the preferential policies for high-tech enterprises, keep increasing input in R&D, make good use of internal and external resources for technical innovation, and further play the role of the technical center to support the profitability of "two sites". Based on "1+2+4" technical leader cultivation, it will make the leading role of Baowu's

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

scientists, Masteel's experts and chief professionals and skill professionals fully functioned, and promote the communication of technological talents and speed up the cultivation of core technical talents. Based on value creation and starting from capacity improvement, the Company will input more innovation resources to energetic frontline entities to fully stimulate the overall effectiveness of system innovation, and will further enable R&D personnel to determine R&D approaches and subjects to open up new tracks and create new driving forces for development.

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

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

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

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

**Fourthly, intensifying the control of safety and environmental risks.** The Company will always keep in mind its responsibilities and missions, prevent and mitigate all risks arising from the key areas of production safety, always keep a watchful eye on production safety, deepen special governance, implement local management, continue to promote the reform and optimization of collaborative business, strictly hold

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

accountable for rigid safety accidents, and consolidate and improve the Company's production safety performance. It will continue to advance the work of "ultralow emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanliness, greening, beautifying and culture", step up on building a "waste free" enterprise, and further enhance the effects of green development.

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

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

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

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

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

### (4) Capital Plan for 2024

Target: while ensuring financial security, control the scale of interest-bearing liabilities not exceeding the level at the end of 2023, and control the asset liability ratio within 60.55%; strengthen the monthly capital budget control, adhere to a balanced income and expenditure approach, ensure stable operation of production and operating funds, and control the Company's investment capital expenditure within RMB4,864 million; continuously promote the control of "inventories and receivables", the growth level of "inventories and receivables" is not higher than the growth level of sales revenue in the same period, and ensure that the turnover days of the "inventories and receivables" decreased by more than 10% compared to the same period in 2023; the ratio of operating cash flow to due cash flow shall not be less than 100%.

In 2024, the total amount of new fixed asset investment projects is planned to be RMB3.702 billion (of which RMB1.43 billion for energy conservation and carbon reduction, RMB1.27 billion for variety adjustment, and RMB198 million for safety and environmental protection), including the total amount of the annual investment plan of continuation and balance projects amounting to RMB2.313 billion. The fixed asset investment fund plan for 2024 is planned to be RMB3.884 billion.

### (5) Potential Risks

Based on the domestic and international political and economic situation, the main risks that the Company may face include safety production risks, total energy control and 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
Safety production risks	1) Focus on the "1+2+3+1" special rectification campaign; 2) Deepen the enhancement of safety management, firmly establish the safety concept of "hidden danger is accident, and violation of regulations is a crime", adhere to the "three managements and three necessities" and strictly abide by safety production bottom lines and red lines. Improve the safety production management system, implement the staff responsibility for safety production, and establish a dual prevention mechanism for hidden danger investigation and enhance the capability to prevent and control safety production risks; 3) Improve collaborative safety management. Take incremental steps and problem-oriented approaches, focusing on weak areas in collaborative safety management. Continuously advance key special actions such as the "2+1" and "5+N", and strengthen sympathy training and maintenance operations to ensure stable and controllable safety production; 4) Promote the construction of intelligent safety and major risk monitoring platforms, and continuously enhance the level of equipment and facility safety control.

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

Risks	Response
Total energy control and environmental protection risks	1) Take “energy efficiency benchmarking” as the starting point, pursue ultimate energy efficiency, reduce comprehensive energy consumption per ton of steel, improve the efficiency of secondary energy utilization, decrease the temperature drop of molten iron, achieve economical operation of energy systems and lower energy costs. 2) Strengthen the construction of the energy and environmental management system, enhance the learning and promotion of ecological civilization matters, policies and businesses, continuously enhance red line consciousness, establish a sound system of energy and environment responsibilities, and continuously improve energy and environment management practices. 3) Constantly deepen the “ultralow emission of waste gas, zero emission of waste water, no shipping out of solid wastes, cleanliness, greening, beautifying and culture”, and fight the battle against pollution. Carry out the construction of “waste free enterprise”, maximize the recovery of valuable resources, and strive to become a demonstration enterprise in the steel industry for circular economy. 4) On the basis of ensuring that emissions meet the environmental standards and environmental protection facilities operate stably, adhere to market principles and reduce the operating costs of trusteeship of environmental protection facilities.
Fluctuation in prices of bulk raw materials and the risk of synergy between purchase and sale	1) Strengthen market analysis and judgment, dynamically optimize procurement strategies, actively expand resource channels to drive procurement costs outperforming the market. 2) Maintain low inventory operation, intensify the rapid coordination between procurement and coal and ore blending system, and improve the ability to formulate procurement plans. 3) Optimize the proportion of imported ore, domestic ore, and self-produced ore procurement, coordinate the proportion of long-term agreement coal and market coal, and actively explore new coal and coke resources to reduce the procurement cost of bulk raw materials. 4) Deepen the “direct procurement + agency” purchasing model for scrap steel, expand the team of alloy suppliers and strengthen bargaining power.
“Inventories and receivables” risk control	1) Strictly control the total amount of “inventories and receivables”, formulate control goals and action plans for “inventories and receivables”, and ensure that the growth rate of the total amount of “inventories and receivables” is not higher than the growth level of sales revenue. 2) Focus on the “business and financial integration”, revitalize fund management, reduce fund occupation, and make full use of the synergies of funds to improve the efficiency of fund operations. 3) Optimize work-in-progress and finished goods inventory, improve the turnover efficiency of “inventories and receivables” achieve a 10% acceleration in the turnover rate of “inventories and receivables”, and improve the inventory turnover efficiency by over 6%. 4) Prepare for a prolonged period of financial tightness, control investments strictly with balancing outflows and inflows, reduce all non-essential expenses, promote a steady decline in the asset liability ratio, and ensure a healthy cycle of operating cash flow. Accelerate the revitalization and utilization of inefficient and idle stock resources.

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

### (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.

2. Details of tax are set out in Note IV "Tax", "20. Deferred Tax Assets and Deferred Tax Liabilities", "28. Tax Payable", and "59. 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 "42. Special Reserve" in Note V of the financial statements.
5. Public float

Based on publicly available information and to the best knowledge of the Directors, as of the date of this report, the Company has been complying with the prescribed public float requirement under the Listing Rules of the Hong Kong Stock Exchange.

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

6. Issue of preference shares and pre-emptive rights

During the Reporting Period, the Company did not issue any preference shares. According to the Articles of Association and the laws of the PRC, the Company is not required to offer to its existing shareholders preemptive right to acquire new shares in proportion to their shareholdings.

7. During the Reporting Period, the Group had complied with relevant laws and regulations having significant impact on the Company.

8. To the best knowledge of the Board, as of 31 December 2023, 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.

9. To the best knowledge of the Board, as of 31 December 2023, 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.

# Section IV Corporate Governance

## 1. EXPLANATION OF CORPORATE GOVERNANCE

### (1) Related Information of Corporate Governance

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

The Board is committed to continuously improving the level of corporate governance and of the view that good corporate governance is essential to the Company's operations and sustainable development. During the Reporting Period, the Board further improved the corporate governance system, strengthened the construction of the Board in order to improve the level of corporate governance. The Board amended the Working Rules of the Strategic and Sustainable Development Committee, the Working Rules of the Audit and Compliance Committee, the Working Rules of the Remuneration Committee, the Working Rules of the Nomination Committee, Administrative Measures on Information Disclosure, the Investor Relations Management System and the Working System of the Independent Directors, and formulated the Compliance Management System, involving the Special Committee of the Board of Directors of the Company, information disclosure, investor relations, compliance 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 2023, and where appropriate, endeavored to adopt the recommended best practices contained in the Code.

### (2) Directors and the Board

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

At the end of 2023, 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 Mr. Guan Bingchun, Mr. He Anrui, Mr. Liao Weiquan and Mr. Qiu Shengtao were Non-executive Directors. All four Non-executive Directors were Independent Directors, accounting for four-sevenths of the members of the Board. Please refer to Section IV "Directors, Supervisors and Senior Management" of this section for further details of names and incumbency of Directors.

## Section IV Corporate Governance (Continued)

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, 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; Mr. Liao Weiquan is a certified public accountant with extensive experience in financial management, risk management and auditing; Mr. Qiu Shengtao is an expert enjoying special allowance from the State Council, the deputy director of the National Engineering Research Center for Continuous Casting Technology of Central Iron & Steel Research Institute, and the deputy general manager of Zhongda National Engineering & Research Centre for Continuous Casting Technology Co. Ltd, and has extensive experience in basic theoretical knowledge and craft research and development in the field of steel material technology. All Independent Directors of the Company are fully capable of evaluating internal control and reviewing financial reports. The composition of the Board of Directors fully meets the requirements of domestic and foreign laws, regulations and regulatory documents, as well as the demands of the Company's development at the current stage. The Company purchased liability insurance for all Directors.

The names of all Directors are announced in the Company'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.

## Section IV Corporate Governance (Continued)

### 2. *Non-Executive Director*

The Non-executive Directors of the tenth session of the Board of Directors of the Company are all Independent Directors, and shall have the same term of office as other Directors of the Company and may be eligible for re-election and re-appointment upon expiry in successive terms, provided that the term of office shall not be longer than six years. During the Reporting Period, Ms. Zhang Chunxia and Ms. Zhu Shaofang, being Independent Directors, completed their six-year term and no longer served as Independent Directors of the Company. As approved at the 2023 Fourth Extraordinary General Meeting of the Company, Mr. Liao Weiquan and Mr. Qiu Shengtao acted as Independent Directors of the Company. Mr. Liao Weiquan and Mr. Qiu Shengtao had obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 27 November 2023. Each of Mr. Liao Weiquan and Mr. Qiu Shengtao had confirmed that he understood his responsibility as a Director of the Company. Please refer to Section IV “Directors, Supervisors and Senior Management” of this report for further details of names and incumbency of Non-executive Directors.

In order to protect the legal rights and interests of the minority shareholders and the stakeholders, the Company established and improved from time to time the “Work System of Independent Directors”. The system specifies in detail the appointment criteria and nomination procedures of Independent Directors and working conditions the responsibilities, performance methods and performance guarantees of the Company shall provide to Independent Directors. It also stipulates the responsibilities, performance methods and performance guarantees of Independent Directors.

### 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:

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.

## Section IV Corporate Governance (Continued)

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.

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

## Section IV Corporate Governance (Continued)

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 and other matters as stipulated by laws, administrative regulations, CSRC regulations and the Articles of Association.

- (2) The major duties of the Audit Committee are: to supervise and assess the work of the external accounting firm and express opinions to the Board on relevant issues; to direct the internal audit work, supervise the Company's internal audit system and its implementation, and assess the effectiveness of relevant operations of the Company; to review and comment on the Company's financial reports; to assess the effectiveness of internal controls, oversee the Company's financial management, the implementation of internal control and risk management systems to make sure the Company has adequate internal controls and risk management procedures in place, and review significant connected transactions of the Company; to acquire an understanding of the development and implementation of systems by the Company's risk management department and business department to ensure all major risks have been taken into account; to maintain good and independent communications with the management, the Audit Department and relevant departments, and the external accounting firm of the Company; and to acquire an understanding of the roles and responsibilities of each participants in the audit; to review the description of audit details submitted by the external accounting firm to the management, any significant questions raised to the management by the accountants on the accounting records, financial accounts or control system, and the feedback given by the management; and to ensure that the Board responses to the matters raised by the external accounting firm in the description of audit details above in a timely manner; to guide the compliance management of the Company's units and its subsidiaries; to assess and ensure proper arrangements the Company has put in place for its employees to raise concerns, in confidence, about possible improprieties in financial reporting, internal control or other matters, enabling the Company to conduct fair and independent investigation of these matters and for appropriate follow-up action; to monitor and evaluate the external audit process and propose the appointment or change of external auditors; to supervise the internal audit department to conduct at least once every half year on the implementation of significant matters including use of raised proceeds, provision of guarantees, connected transactions, securities investment and derivative transaction, financial assistance, purchase or sale of assets and external investment, as well as large-

## Section IV Corporate Governance (Continued)

value transactions and the transactions with Directors, supervisors, senior management members, controlling shareholder and de facto controller and their respective associates, and issue assessment opinions in writing in respect of the effectiveness of the internal control of the Company based on the internal audit report and relevant information submitted by the internal audit department, and report to the Board; to handle other matters authorised by the Board of the Company and other matters involved in relevant laws and regulations.

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.

- (3) The major duties of the Nomination Committee are: to review the structure, number, and composition of the Board (including skills, knowledge, and experience) at least annually, and make recommendations on any changes proposed to the Board to align with the Company’s strategy and ensure diversity of Board members (including but not limited to gender, age, cultural and educational background or professional experience); in accordance with relevant regulations of China and in line with the Company’s business development, changes to shareholding structure and so forth; to determine the selection criteria and procedures for director and senior management, and make recommendations to the Board thereto; to select, review and form clear review opinions on the candidates for directors and senior management as well as their qualifications; to make recommendations to the Board regarding the nomination, appointment or dismissal of directors; to make recommendations to the Board regarding the appointment or dismissal of senior management; to evaluate the independence of independent directors; other duties authorised by the Board and other matters stipulated by laws, administrative regulations, the China Securities Regulatory Commission, and the Articles of Association.
- (4) The major duties of the Remuneration Committee are: to be responsible for formulating standards for appraisal of directors and senior management and carrying out such appraisal, developing and reviewing the remuneration policies and packages for the directors and senior management, and making recommendations to the Board on the following matters: to draw up a remuneration policy for all directors and senior management, and the standardized and transparent procedures for formulating such policy; to draw up remuneration schemes or packages based on the scope of major work, duties of, importance and time commitment for the positions of directors and senior management, the levels of remuneration for relevant positions and paid by comparable companies in the society, the employment conditions for other intra-group positions and with reference to the corporate goals and objectives which have been set by the Board, including but not limited to the performance evaluation criteria,

## Section IV Corporate Governance (Continued)

procedures and major evaluation system; the amount or level of remuneration and the method of payment thereof; as well as major incentive and penalty scheme and policy; to be responsible for organizing performance evaluations for directors and senior management; to review the discharge of duties by directors and senior management based on how far the Company's business objectives are attained; and to conduct an annual performance appraisal and a performance appraisal for a specific term of office on directors and senior management; to consider the remuneration of directors and senior management, and to be responsible for supervising the implementation of the Company's salary policy; to determine or propose a change to the share incentive schemes and the employee share ownership plans, and fulfill the conditions for granting entitlements and exercising entitlements granted to the participants of such schemes and plans; to draw up the arrangement for a shareholding plan by directors and senior management in the proposed spin-off subsidiary; to review and consider the compensation to be paid to directors or senior management related to their removal or appointment; to ensure no directors or any of their respective associates may decide their own remunerations; other duties as delegated by the Board and other matters as stipulated under laws, administrative regulations, by the CSRC and under the Articles of Association.

- (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

At the end of 2023, the tenth session of the Supervisory Committee of the Company is composed of three Supervisors, including Mr. Ma Daoju, Ms. Geng Jingyan and Mr. Hong Gongxiang, of which 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 and Senior Management” 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 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 tenth session of the Board and each of the Independent Supervisors of the tenth session of the Supervisory Committee receives a fixed annual remuneration of not more than RMB150,000 and RMB100,000 respectively (tax inclusive) from the Company.

### (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, Mr. Guan Bingchun, Mr. He Anrui, Mr. Liao Weiquan and Mr. Qiu Shengtao and former Directors Ms. Zhang Chunxia and Ms. Zhu Shaofang, developed and updated their knowledge and skills, and were informed of the Company’s business performance and the market environment, and well understood their responsibilities and obligations under listing rules and other applicable regulatory rules, and were therefore equipped with the capabilities to make continuous contribution to the Board.

## Section IV Corporate Governance (Continued)

Case one: Organized all Directors to intensively study the "20 Typical Illegal Cases of China Securities Regulatory Commission Inspection in 2022" by the CSRC, the "Administrative Measures on the Selection and Recruitment of Accounting Firms by State-owned Enterprises and Listed Companies" by the Ministry of Finance, State-owned Assets Supervision and Administration Commission and the CSRC, the "Opinions on the Reform of the System of Independent Directors of Listed Companies" by the General Office of the State Council, the speech made by Mr. Wang Jianjun, vice chairman of the CSRC, at the annual meeting of the China Association for Public Companies and the 2023 China Listed Company Summit, and the "Measures for the Administration of Independent Directors of Listed Companies" by the CSRC, and the 2023 mid-year working symposium of the CSRC system, and the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (Amended in August 2023), as well as other relevant notices and notifications of securities regulatory agencies.

Case two: Ms. Zhang Chunxia participated in online trainings on "typical cases analysis of violations of laws and regulations of listed companies" Organized by the China Association for Public Companies.

Case three: Directors Mr. Guan Bingchun, Mr. He Anrui, Mr. Liao Weiquan and Mr. Qiu Shengtao, completed the follow-up training for independent directors 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 2023.

### (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 2023, 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 2023, which truly and fairly reflected the Company's financial position, operating performance and cash flow status. The auditor KPMG Huazhen 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 fine-tuning, 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 safety production risk, environmental protection risk, bulk raw materials price fluctuations and procurement and sales synergy risks, cash flow and "Two Funds" risks to keep the major risks under control.

On 28 March 2024, as of the reporting date for internal control assessment (31 December 2023), 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. KPMG Huazhen audited the Company's internal controls related to financial reporting in 2023 and issued an Internal Control Audit Report with standard opinion.

### (8) The Auditor

In accordance with the relevant regulations of the Notice on the Issuance of Administrative Measures for State-owned Enterprises and Listed Companies to Select and Engage Accounting Firms (Cai Kuai [2023] No. 4) (《關於印發〈國有企業、上市公司選聘會計師事務所管理辦法〉的通知》(財會[2023]4號)) issued by the Ministry of Finance, the State-owned Assets Supervision and Administration Commission of the State Council and the CSRC, as the previous auditor, Ernst & Young Hua Ming LLP, has been providing auditing services for the Company for consecutive years, the Audit Committee recommended to change of appointment of KPMG Huazhen as the Company's 2023 auditor, to which the Board has no objection. The relevant proposal has been reviewed and approved at the 2022 Annual General Meeting held by the Company on 16 June 2023.

Accordingly, KPMG Huazhen was appointed as the auditors of the Company in 2023 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 2022 Annual General Meeting and recognition by the Audit Committee, the Board decided that the remuneration for auditor amounted to RMB3.08 million (tax inclusive), including internal control audit fee of RMB340,000 and the fees for agreed upon procedures on 2023 interim financial statements of RMB340,000. 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.

## Section IV Corporate Governance (Continued)

In 2023, KPMG Huazhen provided audit services to the Company for the first time. Mr. Zhang Chenwei and Ms. Si Lingling were the certified public accountants who had signed the Company's 2023 auditors' reports, both of whom provided audit services to the Company for the first time.

KPMG Huazhen 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).

#### (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

## Section IV Corporate Governance (Continued)

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.

### 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 9 telephone or video conferences with investors, attended five strategy sessions, and communicated with nearly 50 institutions with more than 200 persons. The Company convened the 2022 annual results conference, the 2023 interim results conference and the 2023 third quarter results conference in a combination of online and offline methods, receiving nearly 170,000 times of viewing the live broadcast and video playback of the annual results conference. The Company also organised a results presentation in Hong Kong and visited 4 institutional investors, and 194 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, there were no amendments to the Company's Articles of Association.

## Section IV Corporate Governance (Continued)

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

As of 31 December 2023, the Company had 147,885 A shareholders with a total of 6,014,007,986 shares; 927 H shareholders with a total of 1,732,930,000 shares. Except for the Holding and Baosteel Hong Kong Investment, the total number of shares held by the remaining shareholders is 3,723,238,371 shares, including 2,349,258,371 A shares and 1,373,980,000 H shares. The public float of H shares is 79.3%, 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 the Holding and Baosteel Hong Kong 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 2023, the closing price of the Company’s A shares was RMB2.72, and the market value was RMB16.358 billion; the closing price of the Company’s H shares was HKD1.23, and the market value was HKD2.132 billion. The total market value was equivalent to approximately RMB18.29 billion.

### (5) *Log of Shareholder Matters*

2023 First Extraordinary General Meeting	Share Record Date	1 March 2023
	Meeting date	10 March 2023
2023 Second Extraordinary General Meeting	Share Record Date	21 March 2023
2023 First Class Meeting of the Holders of A Shares	Meeting date	29 March 2023
2023 First Class Meeting of the Holders of H Shares		
2022 Annual General Meeting	Share Record Date	8 June 2023
	Meeting date	16 June 2023
2023 Third Extraordinary General Meeting	Share Record Date	23 August 2023
2023 Second Class Meeting of the Holders of A Shares	Meeting date	29 August 2023
2023 Second Class Meeting of the Holders of H Shares		
2023 Fourth Extraordinary General Meeting	Share Record Date	27 November 2023
	Meeting date	30 November 2023

## Section IV Corporate Governance (Continued)

2022 Annual Equity Distribution	Record date for the	13 July 2023
	Cash Dividend	(A shares);
	Distribution	29 June 2023
		(H shares)
	Payment Date for	14 July 2023
	Cash Dividend	

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)

Circumstances where the controlling shareholder, de facto controller and other units under their control are engaged in the same or similar business as the Company, as well as the impact of horizontal competition or major changes in horizontal competition on the Company, the resolution measures that have been taken, the progress of resolution and the follow-up plan for resolution.

Applicable       Not Applicable

### 3. SHAREHOLDERS' GENERAL MEETING

Session of Meeting	Date of Meeting	Specified Website for Publishing Resolutions	Publishing Date of Resolution
2023 First Extraordinary General Meeting	10 March 2023	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-11/600808_20230311_4VAW.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-11/600808_20230311_4VAW.pdf</a>	11 March 2023
2023 Second Extraordinary General Meeting, 2023 First Class Meeting of the Holders of A Shares, 2023 First Class Meeting of the Holders of H Shares	29 March 2023	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-30/600808_20230330_ZDQL.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-30/600808_20230330_ZDQL.pdf</a>	30 March 2023
2022 Annual General Meeting	16 June 2023	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-06-17/600808_20230617_FWHO.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-06-17/600808_20230617_FWHO.pdf</a>	17 June 2023
2023 Third Extraordinary General Meeting, 2023 Second Class Meeting of the Holders of A Shares, 2023 Second Class Meeting of the Holders of H Shares	29 August 2023	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-08-30/600808_20230830_V3MY.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-08-30/600808_20230830_V3MY.pdf</a>	30 August 2023
2023 Fourth Extraordinary General Meeting	30 November 2023	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-12-01/600808_20231201_JYNA.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-12-01/600808_20231201_JYNA.pdf</a>	1 December 2023

The explanation of the shareholders' general meeting

2023 First Extraordinary General Meeting. Notice was given on 9 February 2023 that the 2023 First Extraordinary General Meeting will be held on 10 March 2023. The following 2 resolutions was considered and approved: (1) the resolution in relation to the transfer of assets related to the lime business of the Company; (2) the resolution in relation to the transfer of equity interest in Ouyeel Commercial Factoring Company Limited.

## Section IV Corporate Governance (Continued)

2023 Second Extraordinary General Meeting, 2023 First Class Meeting of the Holders of A Shares, 2023 First Class Meeting of the Holders of H Shares. Notice was given on 10 March 2023 that the 2023 Second Extraordinary General Meeting, 2023 First Class Meeting of the Holders of A Shares, 2023 First Class Meeting of the Holders of H Shares will be held on 29 March 2023. The meeting considered and approved the resolution in relation to repurchase and cancellation of certain restricted shares.

2022 Annual General Meeting. Notice was given on 19 May 2023 that the 2022 Annual General Meeting will be held on 16 June 2023. The following 6 resolutions was considered and approved: (1) the work report of the board of directors for the year 2022; (2) the work report of the supervisory committee for the year 2022; (3) the audited financial statements for the year 2022; (4) the resolution in relation to the appointment of auditor for the year 2023; (5) the profit distribution plan for the year 2022; (6) the remuneration of directors, supervisors and senior management for the year 2022.

2023 Third Extraordinary General Meeting, 2023 Second Class Meeting of the Holders of A Shares, 2023 Second Class Meeting of the Holders of H Shares. Notice was given on 4 August 2023 that the 2023 Third Extraordinary General Meeting, 2023 Second Class Meeting of the Holders of A Shares, 2023 Second Class Meeting of the Holders of H Shares will be held on 29 August 2023. The meeting considered and approved the resolution in relation to repurchase and cancellation of certain restricted shares.

2023 Fourth Extraordinary General Meeting. Notice was given on 14 November 2023 that the 2023 Fourth Extraordinary General Meeting will be held on 30 November 2023. The meeting considered and approved the resolutions on the change of independent directors of the Company.

The above meetings were held at the Company's office building at No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province. Mr. Ding Yi, the chairman of the Company, was unable to attend the 2023 First Extraordinary General Meeting due to other business arrangements, the meeting was presided over by Mr. Ren Tianbao, Secretary to the Board of the Company; Mr. Ma Daoju, Chairman of the Supervisory Committee, was unable to attend the 2022 Annual General Meeting due to other business arrangements, the remaining meetings were 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 AND SENIOR MANAGEMENT

#### (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	Gender	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
Ding Yi	Chairman	Male	60	9 August 2013	1 December 2025	85	<b>56.95</b>	-28.05	Failure to meet performance conditions triggers repurchase	-	Yes
Mao Zhanhong	Vice Chairman	Male	54	1 December 2022	1 December 2025	60.01	<b>40.21</b>	-19.80	Failure to meet performance conditions triggers repurchase	-	Yes
Ren Tianbao	Directors	Male	60	31 August 2011	1 December 2025	60	<b>40.20</b>	-19.80	Failure to meet performance conditions triggers repurchase	116.42	No
Ren Tianbao	General Manager	Male	60	18 August 2022	1 December 2025	-	-	-	-	-	No
Ren Tianbao	Secretary to the Board	Male	60	1 December 2022	1 December 2025	-	-	-	-	-	No
Guan Bingchun	Independent Director	Male	60	1 December 2022	1 December 2025	-	-	-	-	15	No
He Anrui	Independent Director	Male	52	1 December 2022	1 December 2025	-	-	-	-	15	No
Liao Wei-quan	Independent Director	Male	61	30 November 2023	1 December 2025	-	-	-	-	1.25	No
Qiu Shengtao	Independent Director	Male	58	30 November 2023	1 December 2025	-	-	-	-	1.25	No
Ma Daoju	Chairman of the Supervisory Committee	Male	58	1 December 2022	1 December 2025	-	-	-	-	-	Yes
Geng Jingyan	Supervisor	Female	49	29 June 2020	1 December 2025	-	-	-	-	37.59	No
Hong Gongxiang	Independent Supervisor	Male	61	1 December 2022	1 December 2025	-	-	-	-	10	No

## Section IV Corporate Governance (Continued)

Name	Position	Gender	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
Fu Ming	Deputy General Manager	Male	57	11 October 2017	1 December 2025	60	40.20	-19.80	Failure to meet performance conditions triggers repurchase	96.67	No
Zhang Chunxia	Independent Director (Resignation)	Female	61	30 November 2017	30 November 2023	-	-	-	-	13.75	No
Zhu Shaofang	Independent Director (Resignation)	Female	60	30 November 2017	30 November 2023	-	-	-	-	13.75	No
Zhang Maohan	Deputy General Manager (Resignation)	Male	54	18 December 2020	13 April 2023	60	40.20	-19.80	Failure to meet performance conditions triggers repurchase	16.15	No
Total	/	/	/	/	/	325.01	217.76	107.25	/	336.83	/

Explanation: Mr. Ren Tianbao and Mr. Fu Ming 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 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.

### 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.

## Section IV Corporate Governance (Continued)

Name	Working Experience
Mao Zhanhong	<p>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.</p>
Ren Tianbao	<p>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.</p>
Guan Bingchun	<p>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 &amp; 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.</p>

## Section IV Corporate Governance (Continued)

Name	Working Experience
He Anrui	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.
Liao Weiquan	Mr. Liao is the current Independent Director of the Company. From 1999 to 2019, he was the director of the Office of Anhui SASAC Supervisory Committee, during such period, he served as an external supervisor of nearly 20 Anhui provincial enterprises, including Anhui Expressway Holding Group Company Limited (安徽省高速公路控股集團有限公司); and from 2019 to 2022, he served as the director, first-level investigator and second-level inspector of the No. 3 Audit Office of the State-owned Enterprises of the Audit Department of Anhui Province. He served as the Independent Director of the Company since 30 November 2023.
Qiu Shengtao	Mr. Qiu is the current Independent Director of the Company. Since 2003, he has been the deputy director of the National Engineering Research Center for Continuous Casting Technology of Central Iron & Steel Research Institute (鋼鐵研究總院連鑄技術國家工程研究中心); since 2008, he has been the deputy general manager of Zhongda National Engineering & Research Center of Continuous Casting Technology Co., Ltd. (中達連鑄技術國家工程研究中心有限公司). He served as the Independent Director of the Company since 30 November 2023.
Ma Daoju	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 the Holding since January 2020. He served as the chairman of the Supervisory Committee of the Company since 1 December 2022.

## Section IV Corporate Governance (Continued)

Name	Working Experience
Geng Jingyan	Ms. Geng is currently the Supervisor of the Company. From January 2014 to January 2020, she successively served as Deputy Chief Inspector and Chief Inspector of the Audit Office of the Disciplinary Committee (Supervision and Audit Department) of Magang (Group) Holding Company Limited. Since January 2020, she served as the Chief Inspector of the audit function of the Audit Department of the Company, and she has served as the Staff Supervisor of the Company since 29 June 2020. Ms. Geng concurrently serves as a supervisor of Magang Hongfei Electricity Power Co., Ltd..
Hong Gongxiang	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.
Fu Ming	Mr. Fu is currently the Deputy General Manager of the Company. In February 2012, he was appointed as the Manager of the Company's Production Department. From December 2013 to July 2018, he has been the Director and Deputy Party Secretary of the Company's Second Ironmaking Plant. He was appointed as the Deputy General Manager of the Company on 11 October 2017. Since December 2019, he was appointed as the Deputy General Manager and Safety Director of the Company. He resigned from the position of Safety Director in January 2021.

### (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	Chief Representative of Maanshan Headquarters
	Magang (Group) Holding Co., Limited	Chairman, Secretary of the Party Committee
Mao Zhanhong	Magang (Group) Holding Co., Limited	Director, General Manager, Deputy Secretary of the Party Committee

## Section IV Corporate Governance (Continued)

Name	Name of shareholders' company	Position in shareholders' company
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

### 2. Positions in other Entities

Name	Name of other entities	Position in other entities
Mao Zhanhong	Metallurgical Equipment Committee of CISA	Vice President
	Enterprise Reform and Management Committee of CISA	Member
Ren Tianbao	The Ninth Committee of Maanshan Science Association	Member, Vice Chairman
	Steel Structure Construction Industry Manufacturing Working Committee	Member
	Chief Engineer Working Committee of the Chinese Society for Metals	Member

### (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.

Whether the Director abstain from the discussion of his/her emoluments

Yes

## Section IV Corporate Governance (Continued)

The specific circumstances under which the Remuneration Committee or the Special Meetings of Independent Directors has express opinions on remuneration of Directors, Supervisors and Senior Management	On 26 March 2023, the Remuneration Committee held a meeting to discuss the assessment of the operating performance of the Company's Executive Directors and Senior Management and their remuneration, and agreed to submit to the Board and general meeting for consideration.
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 RMB3.3683 million (tax inclusive).

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

Name	position	Movement	Reasons of movement
Liao Weiquan	Independent Director	Appointment	Board appointment
Qiu Shengtao	Independent Director	Appointment	Board appointment
Zhang Chunxia	Independent Director	Resignation	Re-election for six years
Zhu Shaofang	Independent Director	Resignation	Re-election for six years
Zhang Maohan	Deputy General Manager	Resignation	Resignation for personal reasons

### (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 fourth meeting of the tenth session	2023-2-9	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-02-10/600808_20230210_S4W3.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-02-10/600808_20230210_S4W3.pdf</a>
The fifth meeting of the tenth session	2023-3-10	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-11/600808_20230311_TOXT.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-11/600808_20230311_TOXT.pdf</a>
The sixth meeting of the tenth session	2023-3-30	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-31/600808_20230331_Z8UM.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-31/600808_20230331_Z8UM.pdf</a>
The seventh meeting of the tenth session	2023-4-27	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-04-28/600808_20230428_S728.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-04-28/600808_20230428_S728.pdf</a>
The eighth meeting of the tenth session	2023-5-19	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-05-20/600808_20230520_FX9L.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-05-20/600808_20230520_FX9L.pdf</a>
The ninth meeting of the tenth session	2023-7-28	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-07-29/600808_20230729_CNWU.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-07-29/600808_20230729_CNWU.pdf</a>
The tenth meeting of the tenth session	2023-8-30	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-08-31/600808_20230831_8ZMS.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-08-31/600808_20230831_8ZMS.pdf</a>
The eleventh meeting of the tenth session	2023-9-28	The Company's Compliance Management Rules was considered and approved.
The twelfth meeting of the tenth session	2023-10-27	The Company's unaudited financial statements for the third quarter of 2023 and the third quarterly report were considered and approved.
The thirteenth meeting of the tenth session	2023-11-8	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-11-09/600808_20231109_8UH7.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-11-09/600808_20231109_8UH7.pdf</a>
The fourteenth meeting of the tenth session	2023-11-14	Subsidiary-related issues were discussed.
The fifteenth meeting of the tenth session	2023-11-30	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-12-01/600808_20231201_XSHJ.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-12-01/600808_20231201_XSHJ.pdf</a>
The sixteenth meeting of the tenth session	2023-12-22	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-12-23/600808_20231223_MDL4.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-12-23/600808_20231223_MDL4.pdf</a>

## Section IV Corporate Governance (Continued)

### 6. PERFORMANCE OF DIRECTORS

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

Name of Director	Independent or not	Required attendance during the year	Attendance of directors in the board meetings				Attendance in the General Meeting In the General Meeting	
			Attendance in person	Attendance by way of correspondence	Attendance by proxy	Absence	Two consecutive personal absence	Attendance
Ding Yi	No	13	5	7	1	0	No	4
Mao Zhanhong	No	13	6	7	0	0	No	5
Ren Tianbao	No	13	6	7	0	0	No	5
Liao Weiquan	Yes	2	1	1	0	0	No	1
Qiu Shengtao	Yes	2	1	1	0	0	No	1
Zhang Chunxia	Yes	11	5	6	0	0	No	5
Zhu Shaofang	Yes	11	5	6	0	0	No	5
Guan Bingchun	Yes	13	6	7	0	0	No	5
He Anrui	Yes	13	6	7	0	0	No	5

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	13
Of which: Number of face-to-face meetings	6
Number of meetings with teleconferencing	7

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

Applicable  Not Applicable

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

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

Special Committee Category	Name (note)
Strategic and Sustainable Development Committee	Ding Yi, Mao Zhanhong, Ren Tianbao, Guan Bingchun, Liao Weiquan, Zhang Chunxia
Audit and Compliance Committee	Liao Weiquan, Guan Bingchun, He Anrui, Qiu Shengtao, Zhang Chunxia, Zhu Shaofang
Nomination Committee	He Anrui, Guan Bingchun, Liao Weiquan, Qiu Shengtao, Ding Yi, Zhang Chunxia, Zhu Shaofang

## Section IV Corporate Governance (Continued)

Special Committee Category	Name (note)
Remuneration Committee	Guan Bingchun, He Anrui, Liao Weiquan, Qiu Shengtao, Zhang Chunxia, Zhu Shaofang

*Note:* With effect from 30 November 2023, Ms. Zhang Chunxia and Ms. Zhu Shaofang ceased to be Independent Directors of the Company and ceased to hold positions in the aforesaid special committees.

(2) **During the Reporting Period, the Strategic and Sustainable Development Committee held 3 meetings**

Date	Meeting Content
2023-3-9	1. Discussion on the Company's fixed asset investment plan for 2023. 2. Discussion on the mixed ownership reform implementation plan of Masteel Transportation Material.
2023-3-29	1. Consider the environmental, social and governance report of the Company in 2022. 2. consider the valuation report of the Company's strategic implementation in 2022. 3. consider the report on the performance of the Strategic Development Committee of the Board of Directors in 2022. 4. Listen to the report on the Company's energy and environmental protection work in 2022. 5. listen to the report on the Company's carbon neutrality and carbon peak emission in 2022.
2023-4-27	1. Review the Management Measures for Social Responsibility Work. 2. Social Responsibility Plan (2023–2025). 3. Listen to the report on energy and environmental protection work in the first quarter of 2023.

During the Reporting Period, members of the committee, Mr. Ding Yi, Mr. Mao Zhanhong, Mr. Ren Tianbao, Mr. Guan Bingchun and former member Ms. Zhang Chunxia attended all the meetings they were required to attend and all of them discussed or considered and approved the relevant resolutions. The convening and convening procedures of all meetings of the committees comply with the relevant laws, regulations, the Articles of Association and the Regulations on the Work of the Strategic Development Committee of the Company's Board of Directors. All members of the committee have faithfully fulfilled their duty of confidentiality for the reports heard at the committee meeting in accordance with relevant regulations, and there is no unauthorized disclosure of relevant information.

## Section IV Corporate Governance (Continued)

### (3) During the Reporting Period, the Audit and Compliance Committee held 10 meetings

Date	Meeting Content
2023-1-18	Discuss the Company's 2022 unaudited financial statements; discuss the Company's 2022 audit work summary and 2023 audit work plan.
2023-3-16	Approve the resolution on the appointment of a professional institution for the Feasibility Study on Operational Improvement of MG-VALDUNES S.A.S.; listen to a report on the operation of MG-VALDUNES S.A.S..
2023-3-29	Discuss the audited financial report for 2022; discuss the Company's final profit distribution proposal for 2022; discuss Related Party Transactions for 2022; discuss the external guarantees for 2022; listen to the report on the Company's overall risk management and internal control work for 2022; listen to the Company's internal control valuation report for 2022; review the internal control audit report for 2022; approve the accounting firm's summary of the Company's audit work for 2022; discuss the resolution on auditor's remuneration for 2022; approve the report on the performance of the Audit and Compliance Committee for 2022
2023-4-27	Discuss the Company's unaudited financial report for the first quarter of 2023; discuss the recommendation for appointment of auditor for 2023; listen to the report on the Company's overall risk management and internal control work for the first quarter of 2023
2023-7-14	Listen to the Company's 2023 interim results announcement
2023-8-25	Listen to the implementation of the interim agreed procedures
2023-8-29	Review the Company's unaudited financial report for the half year 2023; listen to the report on the Company's overall risk management and internal control in the first half of 2023
2023-10-27	Review the Company's unaudited financial report for the third quarter of 2023; listen to the report on the Company's overall risk management and internal control in the third quarter of 2023
2023-11-30	Elect Mr. Liao Weiquan as the Chairman of the Audit and Compliance Management Committee of the Board
2023-12-20	Discuss the Company's Annual Audit Plan for 2023

During the Reporting Period, Mr. Liao Weiquan, Mr. Guan Bingchun, Mr. He Anrui and Mr. Qiu Shengtao, members of the Committee, and former members Ms. Zhu Shaofang and Ms. Zhang Chunxia 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 Committee. 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.

## Section IV Corporate Governance (Continued)

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 3 meetings

Date	Meeting Content
2023-3-24	Consider the Nomination Committee's Performance Report for 2022
2023-11-2	Discuss the resolution on the nomination of candidates for the Independent Directors of the Company
2023-11-30	Elect Mr. He Anrui as the Chairman of the Nomination Committee

During the Reporting Period, Mr. He Anrui, Mr. Guan Bingchun, Mr. Liao Weiquan, Mr. Qiu Shengtao and Mr. Ding Yi, members of the Committee, and former members Ms. Zhang Chunxia and Ms. Zhu Shaofang 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 Committee. 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.

## Section IV Corporate Governance (Continued)

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

Date	Meeting Content
2023-3-10	The resolution in relation to repurchase and cancellation of certain restricted shares
2023-3-24	Agree on the resolution on the assessment of the operating performance of executive directors and senior management in 2022 and submit it to the Board for consideration; agree on the remuneration of directors, supervisors, and senior management of the Company for the year 2022 and submit it to the Board for consideration; approve the performance report of the Remuneration Committee for 2022.
2023-7-28	The resolution in relation to repurchase and cancellation of certain restricted shares
2023-11-8	Resolution on the Letter of Responsibility for the Operating Results of the management of the Company

During the Reporting Period, Mr. Guan Bingchun and Mr. He Anrui, members of the Committee, and former members Ms. Zhang Chunxia and Ms. Zhu Shaofang attended all the meetings 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 Committee. 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	12,227
The number of current employees of the major subsidiaries	5,508
Total number of current employees	17,661
Number of retired employees whose parent company and major subsidiaries are required to bear expenses	–

#### Professional constitution

<b>Profession category</b>	<b>Number of staff of Profession constitution</b>
Production Line	14,290
Sales representative	508
Technician	2,022
Financial staff	119
Administrative staff	723
Total	
	17,661

#### Educational level

<b>Education</b>	<b>Number of staff</b>
Postgraduate	812
Graduate	3,855
Junior College	5,124
Vocational secondary or below	7,869
Total	
	17,661

## Section IV Corporate Governance (Continued)

### (2) Remuneration policy

The Company has highlighted the value of positions, strengthened performance traction, encouraged cumulative growth as the guide, and improved a diversified salary incentive system based on the performance-based remuneration system, supplemented by the annual remuneration system for performance-based positions, the competency-based remuneration system and the overseas payroll management method, to further enhance the appropriateness of the payroll distribution. By highlighting the remuneration guarantee and optimising the remuneration structure, 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 talent training needs, the Company implemented 285 unified training programmes in 2023, including 159 unified planning 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. The completion rate of the training programme was 98.28%, meeting challenging goals of the annual training programme.

## 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, there was no adjustment to the Company's cash dividend policy.

## Section IV Corporate Governance (Continued)

### (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:	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Whether the standard and proportion of dividend distribution were definite and clear:	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Whether the relevant decision-making procedure and mechanism were well-established:	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Whether the independent non-executive directors performed their duties and responsibilities and played their roles properly:	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO
Whether minority shareholders had sufficient opportunity to express their opinions and requests, whether their legitimate interests were sufficiently protected:	<input checked="" type="checkbox"/> YES	<input type="checkbox"/> NO

### (3) If the Company is Profitable during the Reporting Period and the Parent Company's Profit Available for Distribution to Shareholders is Positive with No Cash Profit Distribution Plan Proposed, the Company Shall Disclose the Reasons in Detail as well as the Purpose and Use Plans of the Undistributed Profits

Applicable       Not Applicable

### (4) 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)	–
Number of shares transferred per 10 shares (shares)	–
Amount of cash dividends (tax inclusive)	–
Net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements of the year of dividend distribution	-13.27
Proportion of cash dividends to net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)	–
Amount of shares repurchased in cash included in distribution of cash dividends	–
Total amount of dividends (tax inclusive)	–
Proportion of the total amount of dividends to the net profit attributable to ordinary shareholders of the listed company in the consolidated financial statements (%)	–

## Section IV Corporate Governance (Continued)

### 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 Implementation of Repurchase and Cancellation of Certain Restricted Shares under the 2021 Restricted A Share Incentive Scheme	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-07/600808_20230307_FHM0.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-07/600808_20230307_FHM0.pdf</a>
Announcement on the Repurchase and Cancellation of Certain Restricted Shares	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-11/600808_20230311_YQ41.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-11/600808_20230311_YQ41.pdf</a>
Announcement on Implementation of Repurchase and Cancellation of Certain Restricted Shares under the 2021 Restricted A Share Incentive Scheme	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-05-31/600808_20230531_P7YC.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-05-31/600808_20230531_P7YC.pdf</a>
Announcement on the Repurchase and Cancellation of Certain Restricted Shares	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-07-29/600808_20230729_K6IK.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-07-29/600808_20230729_K6IK.pdf</a>
Announcement on Implementation of Repurchase and Cancellation of Certain Restricted Shares under the 2021 Restricted A Share Incentive Scheme	<a href="https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-10-25/600808_20231025_7M5S.pdf">https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-10-25/600808_20231025_7M5S.pdf</a>

- (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	-28.05	2.29	-	56.95	56.95	2.72
Mao Zhanhong	Vice Chairman	60	-19.80	2.29	-	40.20	40.20	2.72
Ren Tianbao	Director, General Manager, Secretary of the Board	60	-19.80	2.29	-	40.20	40.20	2.72
Fu Ming	Senior management	60	-19.80	2.29	-	40.20	40.20	2.72
Zhang Maohan	Senior management (Resignation)	60	-19.80	2.29	-	40.20	40.20	2.72
Total	/	325	-107.25	/	-	217.65	217.65	/

## Section IV Corporate Governance (Continued)

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

The Company 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”. Mr. Ren Tianbao and Mr. Fu Ming, current senior management, and Mr. Zhang Maohan, former senior management, participated in the Company's Restricted Share Incentive Scheme and were granted 600,000 Restricted Shares respectively in 2022. During the Reporting Period, the Company repurchased all the Restricted Shares corresponding to the 2022 assessment year, including 198,000 shares each of the restricted shares held by the above-mentioned senior management, due to the failure to achieve the 2022 performance assessment target as stipulated in the 2021 A Share Restricted Share Incentive Plan.

## 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 2023, 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, sustained losses of overseas subsidiaries and high debt ratio, overall competitiveness improvement risks of Changjiang Steel, the risks of the planning and implementation of major overseas investment projects, the risks of filling in the new production lines and product innovation, the risks of service enhancement, the risks of fluctuations in the prices of bulk raw materials (such as ores and precious metals) and synergies in purchases and sales, the risks of fluctuations in exchange rates, the risks of cash flow control, 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 2023 Internal Control Evaluation Report available on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Explanation on significant deficiencies in internal controls during the Reporting Period.

Applicable       Not Applicable

## Section IV Corporate Governance (Continued)

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

The Company has established and continuously improved its subsidiary management system and has classified and controlled its subsidiaries.

The Company has 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.

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 relevant 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 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 of the special governance action.

# 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: 100 million)	33.83

### (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), Changjiang Steel and Masteel Transportation Material south area 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. Masteel Transportation Material north area 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, NO <sub>x</sub> , SO <sub>2</sub> , etc.	Emitted into the air via chimney stack after dust elimination, desulfidation and denitration	416 sets	376 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, NO <sub>x</sub> , SO <sub>2</sub> , 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, NO <sub>x</sub> , SO <sub>2</sub> , etc.	Discharged after up to standard processing	14 sets	19 distributed along the production lines

## Section V Environmental and Social Responsibility (Continued)

Name of Company	Pollutant Category	Typical Pollutants	Way of Discharge	Processing Equipment	Number and Distribution of Discharge Outlets
Masteel Transportation Material	Waste water	Acid and alkali, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	2 sets	1
	Solid wastes	Emulsified liquid slag, oil sludge, waste filter paper, bottom residue, etc.	Comprehensive utilization, outsourced compliant disposal	-	-
	Waste gases	Dust, NNO <sub>x</sub> , SO <sub>2</sub> , etc.	Dust removal	14	21 distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	1	1

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>	11,506	6,958
		SO <sub>2</sub>	≤8.45mg/m <sup>3</sup>	17,469	3,880
		NO <sub>x</sub>	≤14.97mg/m <sup>3</sup>	33,859	6,949
	Waste water	COD	≤13.41mg/l	1,573.6	130
Ammonia nitrogen		≤0.60mg/l	161.6	10	
Changjiang Steel	Waste gases	Dust	≤7.4mg/m <sup>3</sup>	2,938	1,883
		SO <sub>2</sub>	≤1.61mg/m <sup>3</sup>	3,243	289
		NO <sub>x</sub>	≤4.21mg/m <sup>3</sup>	7,092	756
	Waste water	COD	0mg/l	0	0
Ammonia nitrogen		0mg/l	0	0	
Ma Steel (Hefei)	Waste gases	Dust	≤8.4mg/m <sup>3</sup>	53	12
		SO <sub>2</sub>	≤15mg/m <sup>3</sup>	7	4
		NO <sub>x</sub>	≤63mg/m <sup>3</sup>	50	48
	Waste water	COD	-	9	-
Ammonia nitrogen		≤69.059mg/l	106	18	
Masteel Transportation Material	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>	/	94
	Waste water	COD	0mg/l	/	0
Ammonia nitrogen		0mg/l	/	0	

## Section V Environmental and Social Responsibility (Continued)

*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 5,176 tonnes of organised emission and 1,781 tonnes of unorganised emission. The total amount of smoke and dust emission of Changjiang Steel includes 1,327 tonnes of organised emission and 556 tonnes of unorganised emission. The total amount of smoke and dust emissions from Ma Steel (Hefei) includes 12 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.

Generation, disposal and storage of solid and hazardous waste in 2023 (Unit: 10,000 tonnes)

Company Name	Solid waste Amount disposed			Hazardous waste		
	Amount generated	Recycle for production and utilization	Compliant disposal	Amount generated	Disposal in compliance	Storage in compliance
The Company's head office	1,124.38	315.66	808.72	6.79	6.85	0.076
Changjiang Steel	283.43	73.17	210.21	0.58	0.58	0.005
Ma Steel (Hefei)	0.11	-	-	0.09	0.09	-
Magang Transportation Material	0.84	0.83	-	0.09	0.09	-
<b>Total</b>	<b>1,408.76</b>	<b>389.66</b>	<b>1,018.93</b>	<b>7.55</b>	<b>7.61</b>	<b>0.08</b>

*Note:* The amount of hazardous waste disposed of at the Company's head office includes 1,300 tonnes of compliant storage at the end of the previous year.

Emission of volatile organic compounds (VOC): No. 1 and No. 2 incinerators of color coated plate in cold rolling plant are managed for VOC. Units such as Masteel Transportation Material and the coal coking company of Maanshan Iron & Steel Company Limited have carried out self-monitoring according to requirements, installed automatic online monitoring facilities being connected, and the VOC emission data in 2023 was stable and up to standard.

## Section V Environmental and Social Responsibility (Continued)

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

In 2023, 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, 318 (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, 239 discharge outlets have been installed with online monitoring facilities (102 national control discharge outlets and 137 internal control discharge outlets), which were networked in accordance with government requirements; and 204 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 3 (sets) of wastewater treatment facilities and 13 (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 maintained in good working condition. The Company has installed one set of online monitoring system at the wastewater discharge outlet, which is mainly responsible for real-time monitoring of key parameters such as COD, ammonia nitrogen, pH value and drainage flow to ensure that the wastewater discharge complies with the relevant environmental standards.

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, 29 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 2023, the EIA of 4 projects, including the H-beam steel big line process and renovation project for stevedoring technology system and supporting facilities of Long Products Division of the Company's head office, was approved smoothly. 8 projects, including the renovation of the desulphurisation of the 3#360m<sup>2</sup> sintering machine in south area of the coking plant, completed the EIA registration form for filing. 9 key projects, including the No. 2 E-type coking coal silo project, overhaul project of A blast furnace, hazardous waste storage and scrap iron barrel utilization project, were successfully accepted.

In 2023, the environmental impact report form of 220 kV power transmission and transformation project of Anhui Changjiang Iron and Steel Co., Ltd. (Changjiang Steel Transformation) was approved by the Eco-environmental Bureau of Maanshan City.

The Group has applied for a total of four emission permits: the Company's head office, Changjiang Steel, Ma Steel (Hefei), Masteel Transportation Material, all of which have been completed in 2022. In 2023, the change of emission permits was completed in December by the Company's head office and Ma Steel (Hefei). 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 2023, Maanshan Municipal Government activated a total of 2 emergency responses to heavy air pollution in autumn and winter. During the emergency response period, the Company strictly in accordance with Masteel's emergency control plan for heavy polluted weather, adopted measures such as production reduction, production restriction and timely adjustment of inspection and repair plans, 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 by the end of 2023, with the filing number 340500-2023-087-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 conducted emergency rescue drills for hazardous chemicals accidents and a drill on the emergency disposal plan for ammonia leakage, No. 4 Steel Rolling Plant carried out an emergency drill for environmental pollution accidents; the port raw material plant carried out a special emergency drill for unexpected environmental pollution incidents; and the Special Steel Company carried out a special emergency drill for unexpected environmental pollution incidents (emergency disposal of waste oil leakage accidents).

### 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 2023 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*

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

Applicable       Not Applicable

## Section V Environmental and Social Responsibility (Continued)

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

During the reporting period, both the Company and Changjiang Steel completed the online announcement of ultra-low emission and successfully established Grade A environmental performance, and Masteel became the first steel enterprise in Anhui Province to complete the establishment of Grade A.

Focusing on the protection of the Yangtze River, the zero discharge of waste water was promoted. the Company accelerated the Yushan River ecological rehydration project, 4 # discharge and other outfall retention and reuse project; strengthened the outfall exceeding the standard traceability, pipeline network leakage investigation, completed the rectification and cancellation of 103 Yangtze River trunk stream into the river sewage outfall work. The total volume of wastewater was reduced by 42% year-on-year, COD by 48% year-on-year, and ammonia nitrogen by 15% year-on-year.

"No delivery of solid waste" indicators continue to improve. The annual solid waste utilisation rate was 100%, the no delivery of solid waste rate of 99.72%, and the return to production utilisation rate of 28.07%, with all indicators reaching the best level in history. The Company prepared and issued the Implementation Plan for the Construction of "Waste free Enterprises in the 14th-Five-Year Plan of Masteel, to support the construction of Baowu" Waste free Group "and Ma'anshan" Waste free City".

### (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)	372,500
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.)	Continuing to promote "extreme energy efficiency", increasing the research and development and application of low-carbon metallurgical technologies, strengthening the construction of a "dual-carbon" infrastructure, and developing new low-carbon products.

In 2023, the Company continued to develop clean energy alternatives. The total installed capacity of photovoltaic power generation was expanded to 50MW and the annual photovoltaic power generation capacity was increased to 44.12 million kWh and started to use biomass to generate electricity. At the same time, the Company continued to develop green power trading, with a trading volume of approximately 470 million kWh.

## Section V Environmental and Social Responsibility (Continued)

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 stockpiled negative carbon technologies represented by industrial application of biomass instead of coal. Among them, the research on carbon sequestration by steel slag mineralisation carbon reduction through blast furnace lime blasting and multi-energy coupled carbon reduction in the sintering process have already achieved milestones.

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. By the end of 2023, the Company released 8 products EPD carbon footprints for large H-beam, small H-beams, hot-dip galvanised steel coils, wheels, heavy H-beams, wire rods, cold rolled continuous regrind plates and strips, and fully-engineered cold rolled non-oriented electrical steel strips, on the CISA EPD platform. In 2023, the Company released the world's first shaft-loaded train wheels with the largest axle weight of 45t. After completing carbon offsetting, the Company released the world's first carbon-neutral wheels, and the Company pushed forward the development of low-carbon automotive plates and low-carbon steel profiles.

### 2. SOCIAL RESPONSIBILITY WORK

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

The Company has disclosed its 2023 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)	203.6	Funds invested in targeted assistance, charitable donations and subsidies for the landless elderly
Number of beneficiaries (persons)	Over 20,000 persons	Targeted assistance benefited 10,863 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)	97.47	The Company invested RMB924,700 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 solar-powered street lamps
Number of beneficiaries (persons)	10,863	Household population of Funan Liji Village and Hanshan Longtai Village
Forms of assistance (e.g. industrial poverty alleviation, employment poverty alleviation, education poverty alleviation, etc.)	Industry assistance, education assistance and consumption assistance	See description below

The Company has formulated and issued the 2023 targeted assistance and key assistance work plan, in accordance with the requirements of Anhui Province and China Baowu for targeted assistance and paired assistance, and promoted the implementation.

#### (1) Fulfilling the responsibility of assistance and implementing the assistance work mechanism

The Secretary of the Party committee and chairman of the Board of the Company, Mr. Ding Yi, attached great importance to the helping work and visited Longtai Village, Hanshan County to conduct assistance research, and provided guidance and suggestions for the development of the assisted area. The Company also formulated the “Management Measures for Targeted Assistance Work” and “Regulations on the Management of External Donations and Sponsorships” and carried out a special inspection and self-assessment on the issues of misconduct and corruption in the rural revitalization field, submitted the self-assessment report to the disciplinary inspection and supervision department and improved the system and mechanism for assistance.

## Section V Environmental and Social Responsibility (Continued)

### (2) Utilizing the advantages of resources to promote the development of the assisted areas

1. Implementing free assistance projects. The Company's Rural Revitalization Office and the Disciplinary Inspection and Supervision Department, Audit Department, Operation Improvement Department, Business and Finance Department, Legal Department, etc., jointly formed a research team to conduct feasibility research on the village's collective investment in a yellow peach processing project by the Longtai Village and investment in aquaculture project by the Liji Village, and the Company supported the two projects with a total of RMB900,000. At the same time, the Company supported the project of improving the hardware facilities of the village health center in Liji Village with RMB24,700.
2. Introducing compensated assistance projects and funds. The Company's Rural Revitalization Office actively liaised with assistance cadres in Jiangcheng County and promoted the successful registration of the Pu'er Xinqing Tea Industry Group Co., Ltd. in Jiangcheng County. As a result, a compensated assistance fund of RMB5 million has been introduced. The project is based on the development of tea industry in Jiangcheng County, which can create employment opportunities for 150 people in the surrounding areas, increase income for tea farmers, and promote the industrialization development of the tea industry in Jiangcheng County.

### (3) Extensive organization and promotion of consumer assistance

The Company held a meeting on 2023 Consumer Assistance Work, where it outlined and implemented the tasks related to consumer assistance. During the Reporting Period, the Company participated in the "Central Enterprise Consumer Assistance Spring Action", the consumer assistance activities in Ma'anshan City and the "Central Enterprise Consumer Assistance and Agricultural Development Week Action", launched campaigns such as group purchases of heat-prevention and cooling product in summer and the exhibition and sales of fresh fruits and vegetables from Longtai Village, exhibitions and sales of traditional milk products in Wengniute Banner, Inner Mongolia, and the Mid-Autumn Festival's "Contributing to Love and Filial Piety" activity, with a total of approximately RMB10.34 million in consumer assistance for the year.

## Section V Environmental and Social Responsibility (Continued)

### (4) Launching education assistance based on actual needs

The Company focused on and collected training needs for rural revitalization leaders and experts in poverty alleviation and prosperity, and organized special training courses that are in line with the actual development of rural areas. In 2023, the Company held special training courses on topics such as iron powder coating technology, legal education, Beibei pumpkin cultivation, short video marketing for agricultural products, and live streaming. A total of 93 people participated in the training, including 62 people from village's "two committees" of Liji Village and Longtai Village, resident cadres and village representatives. The Company's Youth League Committee organized a fundraising campaign called "Youthful Journey of Compassionate Education Assistance" and received over RMB24,000 in donations from nearly 700 young workers. All the donations will be used to support 20 primary and secondary school students from disadvantaged families in Liji Village and Longtai Village, as well as to purchase sports equipment and donate it to the schools in the assisted village.

### (5) Promoting joint innovation and construction to enhance the effectiveness of assistance work

In assistance work, the Company fully leveraged the strength of primary-level Party organizations. It organized paired assistance units to visit and offer help and comfort to poverty-alleviated households and needy households in Liji Village and Longtai Village. The General Party Branch of the Administrative Affairs Center collaborated and jointly established partnerships with Saiqintala Gacha and Derisu Gacha in Ongniud Banner, Inner Mongolia; the Administrative Affairs Center and No. 4 Steel Rolling Plant collaborated and jointly established partnerships with primary-level Party organizations of Liji Village. It organized the "two committees" of Longtai Village, resident-village work team and assisted unites to carry out the activity themed "Never Forget the Initial Aspiration, Shoulder the Mission, and Promote Revitalization through Paired Assistance", and visited the Magang Intelligent Park. Through joint creation and construction, the Company built cohesion and strong momentum, implemented practical measures to promote rural revitalization assistance, and achieved tangible results.

### (6) Strengthening communication and coordination and participating in the Baowu demonstration project

The Company promoted the development of the "Dun Dai Small Town" industrial project in Luotian County, Hubei Province through procurement cooperation. The Company spent approximately RMB2.17 million on products from Hubei Baoxin Packaging throughout the year.

The General Office of Anhui Province Party Committee and the General Office of Anhui Provincial Government conducted a comprehensive evaluation of the targeted assistance work of Masteel Group and gave it the highest rating of "excellent". Masteel, as the core enterprise of Magang Group, has played a major role.

# 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 exempt from cash offer acquisition of the A shares of the Company in 2019, the following 3 commitments were made: 1. to avoid horizontal competition, China Baowu issued the “Commitment Letter on Avoiding Horizontal Competition”; 2. to regulate and reduce the related party transactions between China Baowu and the Company, China Baowu issued the “Commitment Letter on Regulating and Reducing Related Party Transactions”; 3. to keep the independence of the Company, China Baowu issued the “Commitment Letter on Ensuring the Independence of Listed Companies”.

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

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

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

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

Applicable       Not Applicable

## Section VI Significant Events (Continued)

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

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

*The explanation of the reasons and effects of changes in accounting policies*

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

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

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

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

- (2) There were no corrections of material accounting errors during the Reporting Period.
- (3) Communication with former accounting firms

The Company has communicated with Ernst & Young Hua Ming LLP (“**Ernst & Young Hua Ming**”) in advance regarding the change of accounting firm and Ernst & Young Hua Ming has no objection to it. Ernst & Young Hua Ming and KPMG Huazhen will do the communication and coordination work in accordance with the relevant provisions of PRC Auditing Standard for Certified Public Accountants No. 1153 – Communication between Former Certified Public Accountants and Subsequent Certified Public Accountants.

## Section VI Significant Events (Continued)

### (4) Approval procedures and other explanation

The audit and compliance management committee of the board of directors of the Company, after verifying KPMG Huazhen's professional competence, investor protection capability, integrity and independence, concluded that KPMG Huazhen has experience in auditing services for listed companies and has the qualification to serve the Company, and agreed to appoint KPMG Huazhen as the auditor of the Company for the year 2023 and submit it to the board of directors for consideration.

The independent Directors of the Company confirmed the resolution in advance and considered that KPMG Huazhen possesses the corresponding practice qualification and professional ability, has sufficient investor protection capability, independence and good integrity, and is able to meet the work requirements of the Company's 2023 annual auditing, which will not harm the interests of the Company and its minority shareholders. The board of directors voted on the matter legally and effectively, and agreed to appoint KPMG Huazhen as the auditor of the Company for the year 2023.

At the eighth meeting of the tenth session of the board of directors of the Company held on 19 May 2023, the Resolution in relation to the Appointment of the Auditor for the Year 2023 was considered and approved. It was agreed to appoint KPMG Huazhen as the auditor of the Company for the year 2023 and recommended the general meeting to authorize the board of directors to determine its remuneration. The Company held 2022 annual general meeting on 16 June 2023 to approve the change of auditor.

## 6. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRMS

*Unit: ten thousand RMB*

	Formerly employed	Currently employed
Name of domestic accounting firm	Ernst & Young Hua Ming LLP	KPMG Huazhen LLP
Remuneration of domestic accounting firms	366	308
Audit period of domestic accounting firm	29	1
Name of certified public accountant of domestic accounting firm	Guo Jing, Gong Wei	Zhang Chenwei, Si Lingling
Cumulative term of service of certified public accountants of the domestic accounting firm	Guo Jing, 3 years; Gong Wei, 4 years	Zhang Chenwei, 1 year; Si Lingling, 1 year

## Section VI Significant Events (Continued)

All of the above remuneration includes internal control audit fees and fees for the interim implementation of agreed procedures.

	Name	Remuneration
Internal control audit accounting firm	KPMG Huazhen LLP	34

### Explanation of appointment and dismissal of accounting firms

In accordance with the relevant regulations of the Notice on the Issuance of Administrative Measures for State-owned Enterprises and Listed Companies to Select and Engage Accounting Firms (Cai Kuai [2023] No. 4) (《關於印發〈國有企業、上市公司選聘會計師事務所管理辦法〉的通知》(財會[2023]4號)) issued by the Ministry of Finance of the People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council and the China Securities Regulatory Commission, the Company is required to change its accounting firm to KPMG Huazhen as the Company's auditors for the year 2023 as Ernst & Young Hua Ming LLP has been providing auditing services for the Company for consecutive years.

### Explanation of the change of accounting firm during the audit period

Applicable  Not applicable

Explanation of the decrease of 20% (inclusive) or more in the audit fee as compared with the previous year

Applicable  Not applicable

- 7. THERE WAS NO RISK OF DELISTING DURING THE REPORTING PERIOD.**
- 8. THERE WAS NO INSOLVENCY OR RESTRUCTURING RELATED MATTERS NOR MAJOR LITIGATION OR ARBITRATION CASES DURING THE REPORTING PERIOD.**
- 9. NO VIOLATION OF LAWS AND REGULATIONS BY 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)

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

Applicable  Not Applicable

### 11. 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 and its subsidiaries were carried out in the daily course of business and were settled in cash or notes. The details of which are as follows:

- (1) The continuing related party transactions under the 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	8,773	8.89
Purchasing products from China Baowu	27,770	23.91
Total	36,543	/

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 2023 annual cap of RMB54,674 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	51	48.88
Receiving services from China Baowu	8,905	48.25
Total	8,956	/

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 2023 annual cap of RMB12,344 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 loan or deposit	Interest income/expenses	
Deposit	Maximum daily deposit	7,347		
	Monthly average maximum daily deposit	6,267	Interest expenses	36
Loan	Maximum daily loan	2,197		
	Monthly average maximum daily loan	1,297	Interest income	9
Other income				
Net income from handling fee and commission				10.2
Income from discount interest				0.6

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.

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

## Section VI Significant Events (Continued)

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 2023 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.

- (4) The continuing related party transactions under the 2023–2024 “Financial Services Agreement” between the Group and Baowu Finance

Due to the absorption and merger of Magang Finance and Baowu Finance, the Group and Baowu Finance entered into the 2023–2024 “Financial Services Agreement” on 15 November 2022 based on practical needs. The agreement was approved at the Shareholders’ General Meeting on 29 December 2022. During the Reporting Period, the transaction amount under the agreement was as follows:

*Unit: million RMB*

Project	Annual cap	Amount
Maximum daily deposit balance	10,000	4,273
Comprehensive credit line provided by Baowu Finance to the Company	10,000	2,128
Service fee paid by the Company to Baowu Finance for financial services	210	39
Total interest on the Company’s deposits with Baowu Finance	190	27

Baowu Finance provides deposit services to the Company at the deposit interest rate determined in accordance with that of the same type and under the same terms promulgated by the People’s Bank of China, in principle, not lower than the deposit interest rate of the same type and under the same terms of the independent major commercial banks in the PRC. The preferential credit interest rates and fee rates offered by Baowu Finance to the Company in respect of its credit facilities such as loans, bill acceptance and bill discounting are, in principle, not higher than the interest rates and fee rates of the Company’s credit facilities of the same type and at the same time, which the Company obtains from independent major commercial banks in the PRC. Baowu Finance shall follow the principles of fairness and reasonableness to provide other financial services to the Company, and charge the relevant fees not higher than the fair market prices obtained by the Company from independent major commercial banks in the PRC or the standards stipulated by the State.

## Section VI Significant Events (Continued)

All Directors of the Board (including Independent Non-executive Directors) who are not associated with Baowu Finance 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 each transaction amount was under the annual cap of 2023 for that agreement.

(5) Other continuing related party transactions

In December 2022, with the approval of the Board, the Company entered into the Industrial Finance Cooperation Framework Agreement with Hwabao Investment Co., Ltd., and Masteel Finance entered into the “Financial Services Agreement” with Ouye Lianjin Renewable Resources Co., Ltd.. As of the end of the Reporting Period, no transaction has been carried out under these agreements.

### (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
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>

(3) **There were no substantial related party transactions in respect of jointly investment during the Reporting Period**

(4) **There were no related credit transactions during the Reporting Period.**

## Section VI Significant Events (Continued)

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

#### 1. Deposits business

Unit: million RMB

Related party	Connection	Daily maximum deposit limit	Interest rate range of deposits	Balance at the beginning of the period	Amount for the period		Balance at the end of the period
					Total amount deposited during the period	Total amount withdrawn during the period	
Maanshan Iron and Steel Group and its subsidiaries	Financial business between the Company's holding financial company and its related parties	250	0.42%-2.18%	8,521.70	81,864.73	90,386.43	-
Baowu Finance	Financial business between the Group and related financial companies	10,000	0.20%-2.08%	-	148,954.61	145,971.45	2,983.16
Total	/	/	/	8,521.70	230,819.34	236,357.88	2,983.16

#### 2. Loans business

Unit: million RMB

Related party	Connection	Amount for loan	Interest rate range of Loans	Balance at the beginning of the period	Amount for the period		Balance at the end of the period
					Total loan amount for the period	Total amount repaid during the period	
Maanshan Iron and Steel Group and its subsidiaries	Financial business between the Company's holding financial company and its related parties	4,900	2.58%-4.60%	1,430.75	971.20	2,401.95	-
Baowu Finance	Financial business between the Group and its subsidiaries and related financial companies	10,000	2.04%-3.16%	-	7,540.00	5,412.00	2,128.00
Total	/	/	/	1,430.75	8,511.20	7,813.95	2,128.00

## Section VI Significant Events (Continued)

### 3. Credit business or other financial business

Unit: million RMB

Related party	Connection	Business types	Total	Actual amount
Maanshan Iron and Steel Group and its subsidiaries	Financial business between the Company's holding financial company and its related parties	Charge for financial services	250	9.36
Baowu Finance	Financial business between the Group and its related financial companies	Charge for financial services	210	39.22

## 12. MATERIAL CONTRACTS AND EXECUTION THEREOF

- (1) During the Reporting Period, there was no substantial entrustment, contracting and leasing nor was cash asset management entrusted to others.
- (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 (%)	13.1
of which:	
Amount of guarantees offered to shareholders, actual holder and their related parties (C)	–

## Section VI Significant Events (Continued)

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

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)	–

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.

# 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	Bonus shares	Shares converted from surplus reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares with selling restriction	75,050,000	0.97	-	-	-	-28,793,200	-28,793,200	46,256,800	0.60
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestically owned shares	75,050,000	0.97	-	-	-	-28,793,200	-28,793,200	46,256,800	0.60
Including: Domestic non-state-owned legal person shares	-	-	-	-	-	-	-	-	-
Shares owned by domestic natural persons	75,050,000	0.97	-	-	-	-28,793,200	-28,793,200	46,256,800	0.60
4. Foreign shareholding	-	-	-	-	-	-	-	-	-
Including: Overseas legal person shares	-	-	-	-	-	-	-	-	-
Overseas natural person shares	-	-	-	-	-	-	-	-	-
II. Shares without selling restriction	7,700,681,186	99.03	-	-	-	-	-7,700,681,186	7,700,681,186	99.40
1. RMB ordinary shares	5,967,751,186	76.75	-	-	-	-	-5,967,751,186	5,967,751,186	77.03
2. Foreign shares listed domestically	-	-	-	-	-	-	-	-	-
3. Foreign shares listed overseas	1,732,930,000	22.29	-	-	-	-	-1,732,930,000	1,732,930,000	22.37
4. Other shares	-	-	-	-	-	-	-	-	-
III. Total	7,775,731,186	100	-	-	-	-28,793,200	-28,793,200	7,746,937,986	100

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

During the Reporting Period, in accordance with the relevant provisions of the share incentive scheme, a cumulative total of 28,793,200 restricted A Shares were repurchased and cancelled.

#### 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

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

### (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	-	-2,879.32	4,625.68	Equity incentive	Note
Total	7,505	-	-2,879.32	4,625.68	/	/

*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. During the Reporting Period, a cumulative total of 28,793,200 restricted A Shares were repurchased and cancelled as a result of failure to meet the unlocking conditions, changes in the employment of some of the incentive targets or participation in the share incentive schemes of subsidiaries.

## 2. ISSUANCE AND LISTING OF SECURITIES

### (1) Securities issued during the Reporting Period

Applicable  Not Applicable

### (2) 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 repurchased and cancelled 28,793,200 restricted A Shares pursuant to the implementation plan of the Share Incentive Scheme, representing 0.37% of the number of shares as at the end of the previous year, 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" under "1. Share Capital 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 at the end of the Reporting Period (unit)	148,812
Numbers of Shareholders as at the end of last month prior to the report date (unit)	147,218

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

## 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	3,664,749,615	Ordinary shares in RMB	3,664,749,615
HKSCC Nominees Limited	1,716,677,795	Overseas listed shares	1,716,677,795
Central Huijin Investment Ltd.	139,172,300	Ordinary shares in RMB	139,172,300
China Merchants Bank Co., Ltd. – SSE dividend trading open-ended index securities investment fund	92,232,819	Ordinary shares in RMB	92,232,819
Hong Kong Securities Clearing Company Limited	89,591,586	Ordinary shares in RMB	89,591,586
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.	33,563,300	Ordinary shares in RMB	33,563,300
Industrial and Commercial Bank of China Limited – Fullgoal China Securities Dividend Index EIF	28,757,000	Ordinary shares in RMB	28,757,000
China Everbright Bank Corporation - Guojin Quantitative Multi-Strategy Flexible Allocation of Hybrid Securities Investment Fund	28,460,600	Ordinary shares in RMB	28,460,600
Zhang Wu	28,000,000	Ordinary shares in RMB	28,000,000
Explanation on the securities account designated for share repurchase of the top ten shareholders	Nil		
Explanation on entrusting, being entrusted voting rights or waiving voting rights of the aforesaid shareholders	Nil		
Notes on the above shareholders' affiliated relation or concerted action		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, HKSCC Nominees Limited held 1,716,677,795 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 Holding and Baosteel Hong Kong 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.

### *Participation of top ten shareholders in shares lent through securities lending and refinancing*

To the best of the Company's knowledge, none of the top ten shareholders of the Company had participated in shares lent through securities lending and refinancing at the end of the Reporting Period.

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

*Change in the top ten shareholders from the previous period*

*Unit: Share*

Name of Shareholder (Full Name)	Additions/ withdrawals during the Reporting Period	Number of shares lent through securities lending and refinancing at the end of the period and not yet repaid		Number of shares held in shareholders' general account, credit account and outstanding shares lent through securities lending and refinancing at the end of the period	
		Total amount	Percentage (%)	Total amount	Percentage (%)
		Industrial and Commercial Bank of China Limited – Fullgoal China Securities Dividend Index EIF	Addition	–	–
China Everbright Bank Corporation – Guojin Quantitative Multi-Strategy Flexible Allocation of Hybrid Securities Investment Fund	Addition	–	–	28,460,600	0.37
Magang (Group) Holding Company Limited	Withdrawal	–	–	–	–
Agricultural Bank of China Limited – CSI500 Index Open-ended Fund	Withdrawal	3,896,000	0.05	17,370,596	0.22

*Note:* On 3 March 2023, the Company received a notification letter from the Holding that Masteel Group Investment Ltd. had transferred its all 158,282,159 A Shares in aggregate in the Company to the Holding. For details, please refer to the Company's announcement at [http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-04/600808\\_20230304\\_JP79.pdf](http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2023-03-04/600808_20230304_JP79.pdf).

## 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 listing and trading		
			Time available for listing and trading	Number of additional shares available for listing and trading	Selling restrictions
1	Ding Yi	56.95	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	Mao Zhanhong	40.20			
3	Ren Tianbao	40.20			
4	Tang Qiming	40.20			
5	Fu Ming	40.20			
6	Zhang Maohan	40.20			
7	Wang Guangya	30.15			
8	Deng Songgao	30.15			
9	Luo Wulong	30.15			
10	Yang Xingliang	30.15			

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.

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

As of 31 December 2023, 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

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

As at 31 December 2023, 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 2023, 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.

### 4. SUBSTANTIAL SHAREHOLDERS AND ACTUAL HOLDER

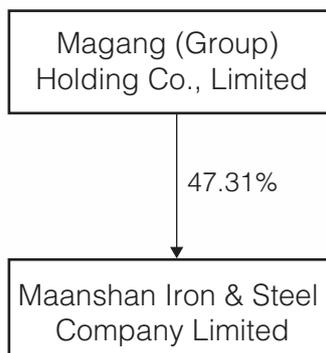
#### (1) Controlling shareholders

##### 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, the Holding also held 4.28% equity interest in Anhui Huasu, 0.93% in Baoxin Sight, 0.01% in Huishang Bank.

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

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



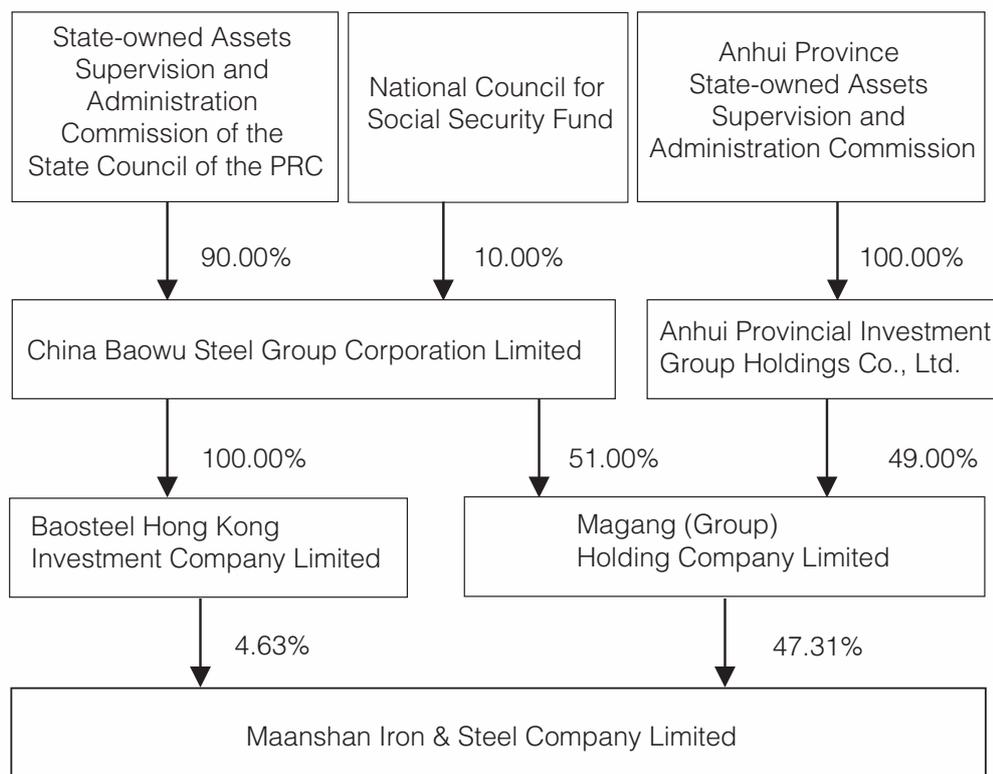
### (2) Actual holder

#### 1 Legal person

Name	China Baowu Steel Group Corporation Limited
Head of unit or legal representative	Hu Wangming
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 2023, the listed companies with over 5% shares being held by China Baowu directly or indirectly were as follows: Baosteel (62.71%), Baoxin Sight (49.82%), Bayi Iron and Steel (49.62%), ZNGF (52.95%), Baosteel Packaging (60.52%), Taigang Stainless (63.07%), Tibet Mining (20.86%), Xinyu Iron & Steel (45.42%), Chongqing Iron & Steel (27.64%), Sinosteel (48.65%), Sinosteel Luonai (41.34%), Sinosteel Tianyuan (32.85%), Daming International (16.28%), Shougang (10.18%), CPIC (14.06%), Baowu Magnesium (21.53%), New China Life Insurance (14.17%), Shanxi Securities (10.23%) and SRCB (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

### 6. OTHER THAN THE CONTROLLING SHAREHOLDERS, THE COMPANY HAS NO OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10 PER CENT OF THE SHARES

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

### **7. EXPLANATION OF RESTRICTIONS ON REDUCTION OF HOLDING OF SHARES**

For details, please refer to "(2) Changes in restricted shares" under "1. Share Capital Movements" above.

### **8. IMPLEMENTATION OF THE SHARE REPURCHASE DURING THE REPORTING PERIOD**

During the Reporting Period, the Company repurchased and cancelled 28,793,200 restricted A Shares pursuant to the implementation plan of the Share Incentive Scheme. In addition, the Company has not implemented any share repurchase.

# Section VIII Auditor's Report

畢馬威華振審字第2403546號

To the shareholders of Maanshan Iron & Steel Company Limited:

## OPINION

We have audited the accompanying financial statements of Maanshan Iron & Steel Company Limited (“Maanshan Iron & Steel”), which comprise the consolidated balance sheet and balance sheet as at 31 December 2023, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in shareholders’ equity and statement of changes in shareholders’ equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of Maanshan Iron & Steel as at 31 December 2023, and the consolidated and company financial performance and cash flows of Maanshan Iron & Steel for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People’s Republic of China.

## BASIS FOR OPINION

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

### 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 for 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.

#### Provision for impairment of inventories

Please refer to the accounting policies set out in Note III. "Significant accounting policies and accounting estimates" 11 and Note V. "Notes to the consolidated financial statements" 8.

#### Key audit matter

As at 31 December 2023, the carrying amount of inventories in the consolidated balance sheet of Maanshan Iron & Steel amounted to RMB10,327,914,758, the provision for impairment of inventories was RMB409,624,710, and the carrying amount of inventories was RMB9,918,290,048.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value. Net realisable value is determined based on the estimated selling price less the estimated costs of completion (if any), the estimated selling expenses and relevant taxes. In determining the net realisable value, management makes judgements and estimates on the estimated selling price, the estimated costs of completion and others, comprehensively considering the internal and external information.

We identified the provision for impairment of inventories as the key audit matter since the amount of inventories is significant and the determination on the provision for impairment of inventories involves significant management judgements and estimates that may be affected by the management bias.

#### How the matter was addressed in our audit

Our audit procedures to evaluate the provision for impairment of inventories mainly included the following:

- Understand and evaluate the design and operating effectiveness of key internal controls over the financial reporting related to the provision for impairment of inventories;
- Evaluate whether Maanshan Iron & Steel's policies for the provision for impairment of inventories are in compliance with the requirements of Accounting Standards for Business Enterprises, which are also referred to as China Accounting Standards ("CAS");
- Select items of inventories at the end of the period to evaluate the management's estimates on the estimated selling price by reference to forecast price information issued by authoritative institutions, taking into account the sales timing of inventories; compare the management's estimates on the estimated costs of completion with the actual historical costs of similar products to evaluate the reasonableness of relevant estimates made by the management in calculating the net realisable value;
- Select items of inventories at the beginning of the period and compare the management's estimates on the net realisable value of inventories with the actual results to evaluate whether there is any indication of management bias;
- Recalculate the provision for impairment of inventories based on Maanshan Iron & Steel's policies for the provision for impairment of inventories as well as related assumption data;
- Evaluate whether the provision for impairment of inventories is fully disclosed in the financial statements.

### OTHER INFORMATION

The management of Maanshan Iron & Steel is responsible for the other information. The other information comprises all the information included in 2023 Annual Report of Maanshan Iron & Steel, other than the financial statements and our auditor's report thereon.

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

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

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

### RESPONSIBILITIES OF THE MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing Maanshan Iron & Steel's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism 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'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 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 auditor's report. However, future events or conditions may cause Maanshan Iron & Steel 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 to express our audit 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 Auditor's Report (Continued)

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**KPMG Huazhen LLP**

**Zhang Chenwei**

Certified Public Accountant

Beijing, Chinese

**Si Lingling**

28 March 2024

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

(Expressed in Renminbi Yuan)

ASSETS	Note V	31 December 2023	31 December 2022
<b>CURRENT ASSETS :</b>			
Cash and bank balances	1	<b>5,569,797,722</b>	6,534,701,307
Financial assets held for trading	2	–	625,997,138
Notes receivable	3	<b>1,708,216,158</b>	1,933,419,913
Trade receivables	4	<b>1,400,664,759</b>	1,376,878,400
Financing receivables	5	<b>1,801,284,684</b>	2,659,676,438
Prepayments	6	<b>645,423,430</b>	523,771,038
Other receivables	7	<b>315,637,040</b>	330,510,759
Inventories	8	<b>9,918,290,048</b>	10,244,541,734
Financial assets purchased under agreements to resell	9	–	2,680,209,514
Loans and advances to customers	10	–	2,644,197,648
Other current assets	11	<b>682,306,261</b>	9,763,174,357
<b>Total current assets</b>		<b>22,041,620,102</b>	39,317,078,246
<b>NON-CURRENT ASSETS :</b>			
Long-term receivables	12	–	4,136,391
Long-term equity investments	13	<b>7,043,824,631</b>	4,449,421,983
Other equity instrument investments	14	<b>391,993,788</b>	541,406,510
Investment properties	15	<b>55,196,655</b>	57,207,919
Property, plant and equipment	16	<b>48,548,833,230</b>	42,432,233,911
Construction in progress	17	<b>4,013,854,765</b>	7,766,555,935
Right-of-use assets	18	<b>348,972,586</b>	289,244,099
Intangible assets	19	<b>1,753,618,113</b>	1,875,095,733
Deferred tax assets	20	<b>354,339,065</b>	155,887,946
Other non-current assets		–	4,020,703
<b>Total non-current assets</b>		<b>62,510,632,833</b>	57,575,211,130
<b>TOTAL ASSETS</b>		<b>84,552,252,935</b>	96,892,289,376

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2023

(Expressed in Renminbi Yuan)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note V	31 December 2023	31 December 2022
CURRENT LIABILITIES :			
Customer deposits	21	–	9,082,110,579
Funds from sales of financial assets with repurchasement agreement	22	–	659,635,255
Short-term loans	23	<b>9,428,060,223</b>	9,198,483,165
Notes payable	24	<b>8,631,701,173</b>	5,220,978,025
Trade payables	25	<b>13,513,640,486</b>	17,224,018,731
Contract liabilities	26	<b>4,013,383,663</b>	4,987,638,416
Payroll and employee benefits payable	27	<b>204,380,835</b>	488,255,914
Taxes payable	28	<b>372,393,489</b>	639,849,357
Other payables	29	<b>3,068,633,198</b>	3,917,090,333
Non-current liabilities due within one year	30	<b>3,784,343,228</b>	2,059,412,922
Accrued liabilities	36	<b>9,875,967</b>	25,699,276
Other current liabilities	31	<b>1,028,203,765</b>	648,392,994
<b>Total current liabilities</b>		<b>44,054,616,027</b>	54,151,564,967
NON-CURRENT LIABILITIES :			
Long-term loans	32	<b>6,799,686,232</b>	7,982,390,765
Lease liabilities	33	<b>361,507,890</b>	305,546,394
Long-term payable	34	<b>52,964,036</b>	168,053,940
Long-term employee benefits payable	35	<b>1,554,186</b>	16,423,474
Deferred revenue	37	<b>1,002,087,759</b>	933,916,449
Deferred tax liabilities	20	<b>295,454</b>	3,503,014
<b>Total non-current liabilities</b>		<b>8,218,095,557</b>	9,409,834,036
<b>TOTAL LIABILITIES</b>		<b>52,272,711,584</b>	63,561,399,003

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

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2023

(Expressed in Renminbi Yuan)

LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)	Note V	31 December 2023	31 December 2022
SHAREHOLDERS' EQUITY :			
Share capital	38	<b>7,746,937,986</b>	7,775,731,186
Capital reserve	39	<b>8,439,923,708</b>	8,442,757,852
Less: Treasury shares	40	<b>105,928,072</b>	171,864,500
Other comprehensive income	41	<b>(12,900,327)</b>	(30,006,411)
Special reserve	42	<b>96,805,291</b>	107,567,088
Surplus reserve	43	<b>4,720,262,452</b>	4,720,262,452
General reserve	44	–	271,501,110
Retained earnings	45	<b>6,883,481,566</b>	8,083,720,518
Equity attributable to owners of the parent		<b>27,768,582,604</b>	29,199,669,295
Non-controlling interests		<b>4,510,958,747</b>	4,131,221,078
Total shareholders' equity		<b>32,279,541,351</b>	33,330,890,373
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>84,552,252,935</b>	96,892,289,376

The financial statements were signed by the following persons:

*Legal Representative*  
**Ding Yi**

*Chief Accountant*  
**Ren Tianbao**

*Head of Accounting*  
**Xing Qunli**

(Company stamp)

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

# STATEMENT OF FINANCIAL POSITION

31 December 2023

(Expressed in Renminbi Yuan)

<b>ASSETS</b>		Note XVIII	<b>31 December 2023</b>	31 December 2022
<b>CURRENT ASSETS :</b>				
Cash and bank balances			<b>3,908,085,165</b>	4,947,811,247
Financial assets held for trading			–	40,471,388
Notes receivable	1		<b>1,271,492,301</b>	2,028,976,500
Trade receivables	2		<b>1,673,087,619</b>	1,554,799,112
Financing receivables	3		<b>1,450,677,653</b>	2,090,411,894
Prepayments			<b>618,829,770</b>	442,776,048
Other receivables	4		<b>158,196,188</b>	150,558,816
Inventories			<b>6,697,833,793</b>	7,002,397,080
Other current assets			<b>330,348,445</b>	462,906,022
<b>Total current assets</b>			<b>16,108,550,934</b>	18,721,108,107
<b>NON-CURRENT ASSETS :</b>				
Long-term equity investments	5		<b>12,526,066,104</b>	11,994,505,601
Other equity instrument investments			<b>387,077,667</b>	447,058,919
Investment properties			<b>55,196,655</b>	57,207,919
Property, plant and equipment			<b>38,963,858,584</b>	33,336,863,387
Construction in progress			<b>3,068,579,228</b>	6,636,259,808
Right-of-use assets			<b>343,900,893</b>	271,004,308
Intangible assets			<b>1,252,917,982</b>	1,357,773,436
Deferred tax assets			<b>283,871,388</b>	86,797,980
<b>Total non-current assets</b>			<b>56,881,468,501</b>	54,187,471,358
<b>TOTAL ASSETS</b>			<b>72,990,019,435</b>	72,908,579,465

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

# STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2023

(Expressed in Renminbi Yuan)

LIABILITIES AND SHAREHOLDERS' EQUITY		Note XVIII	31 December 2023	31 December 2022
CURRENT LIABILITIES :				
Short-term loans			<b>8,718,947,740</b>	9,677,805,231
Notes payable			<b>5,336,471,135</b>	2,468,071,491
Trade payables			<b>11,735,566,104</b>	15,008,917,007
Contract liabilities			<b>3,188,983,590</b>	4,221,839,659
Payroll and employee benefits payable			<b>136,973,136</b>	354,868,355
Taxes payable			<b>285,838,962</b>	474,452,288
Other payables	6		<b>7,016,841,883</b>	3,972,412,391
Non-current liabilities due within one year			<b>3,781,173,021</b>	2,057,457,424
Other current liabilities			<b>921,031,756</b>	548,839,156
Total current liabilities			<b>41,121,827,327</b>	38,784,663,002
NON-CURRENT LIABILITIES :				
Long-term loans			<b>6,683,686,232</b>	8,214,390,765
Lease liabilities			<b>357,818,769</b>	288,254,300
Long-term payable			<b>52,964,036</b>	168,053,940
Deferred revenue			<b>736,523,575</b>	692,633,615
Total non-current liabilities			<b>7,830,992,612</b>	9,363,332,620
Total liabilities			<b>48,952,819,939</b>	48,147,995,622
SHAREHOLDERS' EQUITY :				
Share capital			<b>7,746,937,986</b>	7,775,731,186
Capital reserve			<b>8,417,807,686</b>	8,447,275,568
Less: Treasury shares			<b>105,928,072</b>	171,864,500
Other comprehensive income			<b>84,007,969</b>	132,591,787
Special reserve			<b>46,090,904</b>	69,568,483
Surplus reserve			<b>3,883,475,865</b>	3,883,475,865
Retained earnings			<b>3,964,807,158</b>	4,623,805,454
Total shareholders' equity			<b>24,037,199,496</b>	24,760,583,843
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			<b>72,990,019,435</b>	72,908,579,465

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

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	Note V	2023	2022
Revenue	46	<b>98,937,969,364</b>	102,153,602,375
Less: Cost of sales	46	<b>97,308,142,081</b>	98,846,467,731
Taxes and surcharges	47	<b>378,851,648</b>	477,114,798
Selling expenses	48	<b>341,240,952</b>	295,129,468
General and administrative expenses	49	<b>933,378,645</b>	1,263,771,737
R&D expenses	50	<b>1,231,049,205</b>	1,167,297,776
Financial expenses	51	<b>466,911,329</b>	519,456,330
Including: Interest expense		<b>506,684,523</b>	472,856,092
Interest income		<b>61,547,907</b>	46,140,803
Add: Other income	52	<b>714,197,840</b>	172,641,171
Investment income	53	<b>308,185,072</b>	814,285,702
Including: Share of profits of associates and joint ventures		<b>182,658,080</b>	423,321,646
(Loss)/gain on the changes in fair value	54	<b>(34,558,767)</b>	30,075,870
Credit impairment losses	55	<b>39,230,056</b>	33,008,666
Asset impairment losses	56	<b>(993,092,220)</b>	(1,558,665,706)
Gain from disposal of assets	57	<b>93,861,158</b>	440,339,732
Operating loss		<b>(1,593,781,357)</b>	(483,950,030)
Add: Non-operating income	58	<b>7,799,360</b>	13,246,032
Less: Non-operating expenses	58	<b>10,677,519</b>	89,913,246
Loss before tax		<b>(1,596,659,516)</b>	(560,617,244)
Less: Income tax expense	59	<b>43,241,145</b>	258,625,238
Net loss		<b>(1,639,900,661)</b>	(819,242,482)
Categorised by operation continuity :			
Net loss from continuing operations		<b>(1,639,900,661)</b>	(819,242,482)
Categorised by ownership :			
Net loss attributable to owners of the parent		<b>(1,327,161,500)</b>	(857,615,094)
Net (loss)/profit attributable to non-controlling interests		<b>(312,739,161)</b>	38,372,612

# CONSOLIDATED INCOME STATEMENT (Continued)

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	Note V	2023	2022
Other comprehensive income, net of tax	41	<b>(17,770,217)</b>	(41,791,159)
Other comprehensive income attributable to owners of the parent, net of tax		<b>(17,770,217)</b>	(41,791,159)
Other comprehensive income that will not be reclassified to profit or loss:		<b>(45,891,254)</b>	(58,960,711)
Changes in fair value of other equity instrument investments		<b>(45,891,254)</b>	(58,960,711)
Other comprehensive income that may be reclassified to profit or loss:		<b>28,121,037</b>	17,169,552
Other comprehensive income using the equity method that may be reclassified to profit or loss		<b>1,885,752</b>	163,625
Changes in fair value of other debt investments		<b>4,076,476</b>	(9,249,030)
Exchange differences on translation of foreign operations		<b>22,158,809</b>	26,254,957
Other comprehensive income attributable to non-controlling interests, net of tax		–	–
<b>Total comprehensive income</b>		<b>(1,657,670,878)</b>	(861,033,641)
Attributable to:		<b>(1,344,931,717)</b>	(899,406,253)
Owners of the parent		<b>(312,739,161)</b>	38,372,612
Non-controlling interests			
EARNINGS PER SHARE:	60	<b>(17.24)</b>	(11.50)
Basic earnings per share (cent/share)	60	<b>(17.24)</b>	(11.50)

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

# STATEMENT OF INCOME STATEMENT

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	Note XVIII	2023	2022
Revenue	7	<b>80,117,509,791</b>	84,684,262,198
Less: Cost of sales	7	<b>79,383,153,477</b>	83,042,691,760
Taxes and surcharges		<b>222,339,569</b>	330,517,885
Selling expenses		<b>181,569,046</b>	153,954,265
General and administrative expenses		<b>513,485,742</b>	944,360,695
R&D expenses	8	<b>838,217,476</b>	826,772,430
Financial expenses		<b>469,024,878</b>	485,750,966
Including: Interest expense		<b>508,416,714</b>	436,364,199
Interest income		<b>36,167,219</b>	26,123,496
Add: Other income		<b>675,158,613</b>	126,419,483
Investment income	9	<b>1,307,168,081</b>	2,712,431,411
Including: Share of profits of associates and joint ventures		<b>175,173,243</b>	400,470,289
(Loss)/gain on the changes in fair value		<b>(40,471,388)</b>	72,134,886
Credit impairment gains/(losses)		<b>10,298,449</b>	(19,231,231)
Asset impairment losses		<b>(1,111,102,119)</b>	(1,448,422,857)
Gain from disposal of assets		<b>83,471,073</b>	76,393,705
Operating (loss)/profit		<b>(565,757,688)</b>	419,939,594
Add: Non-operating income		<b>4,700,424</b>	1,556,088
Less: Income tax expense		<b>3,446,275</b>	54,572,103
(Loss)/profit before tax		<b>(564,503,539)</b>	366,923,579
Less: Income tax expense		<b>(59,911,995)</b>	44,253,642
Net (loss)/profit		<b>(504,591,544)</b>	322,669,937
Net (loss)/profit from continuing operations		<b>(504,591,544)</b>	322,669,937
Other comprehensive income, net of tax		<b>(47,594,826)</b>	(60,306,512)
Other comprehensive income that will not be reclassified to profit or loss:		<b>(49,480,578)</b>	(60,470,137)
Changes in fair value of other equity instrument investments		<b>(49,480,578)</b>	(60,470,137)
Other comprehensive income that may be reclassified to profit or loss:		<b>1,885,752</b>	163,625
Other comprehensive income using the equity method that may be reclassified to profit or loss		<b>1,885,752</b>	163,625
Total comprehensive income		<b>(552,186,370)</b>	262,363,425

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	Note	2023	2022
1. Cash flows from operating activities :			
Cash received from sale of goods and rendering of services		<b>82,776,686,061</b>	89,402,281,159
Tax refunds received		<b>758,357,155</b>	1,380,979,545
Net decrease in deposits in the central bank		<b>249,240,601</b>	130,479,969
Net decrease in financial assets purchased under agreements to resell		<b>2,680,209,514</b>	–
Net decrease in loans and advances to customers		<b>1,645,825,963</b>	2,143,875,524
Cash received for interest charges, fees and commissions		<b>93,262,097</b>	326,085,821
Cash received relating to other operating activities	V.62(1)	<b>646,486,202</b>	399,084,967
<b>Sub-total of cash inflows</b>		<b>88,850,067,593</b>	93,782,786,985
Cash paid for purchases of goods and services		<b>(77,532,466,944)</b>	(77,467,644,712)
Net decrease in repurchase agreements		<b>(659,635,255)</b>	(265,830,697)
Net increase in financial assets purchased under agreements to resell		–	(1,895,613,906)
Net decrease in customer deposits and balances from banks and other financial institutions		<b>(2,493,266,501)</b>	(170,946,712)
Cash paid to or on behalf of employees		<b>(4,299,348,842)</b>	(4,635,583,250)
Taxes and surcharges paid		<b>(1,348,908,186)</b>	(2,019,740,186)
Cash paid for interest charges, fees and commissions		<b>(48,659,682)</b>	(166,498,844)
Cash paid relating to other operating activities	V.62(1)	<b>(475,982,921)</b>	(519,227,091)
<b>Sub-total of cash outflows</b>		<b>(86,858,268,331)</b>	(87,141,085,398)
<b>Net cash flows from operating activities</b>	V.63(1)	<b>1,991,799,262</b>	6,641,701,587

# CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	Note	2023	2022
2. Cash flows from investing activities :			
Cash received from disposal of investments		<b>6,134,334,278</b>	22,743,160,659
Cash received from investment income		<b>134,818,022</b>	382,470,601
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets		<b>611,049,988</b>	477,502,462
Net cash received from disposal of subsidiaries and other business units	V.63(2)	<b>790,122,876</b>	449,763,136
Cash received relating to other investing activities	V.62(2)	<b>680,259</b>	56,354,452
Sub-total of cash inflows		<b>7,671,005,423</b>	24,109,251,310
Purchases of property, plant and equipment, intangible assets and other non-current assets		<b>(6,399,162,194)</b>	(8,342,161,649)
Payment for other investing activities	VII.1(1)	<b>(19,849,741)</b>	–
Sub-total of cash outflows		<b>(8,231,876,993)</b>	(31,207,211,265)
Net cash flows from/(used in) in investing activities		<b>(560,871,570)</b>	(7,097,959,955)

# CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	Note	2023	2022
3. Cash flows from financing activities :			
Cash received from investors		<b>937,470,040</b>	171,864,500
Including: Capital injection from a subsidiary's non-controlling interests		<b>937,470,040</b>	–
Proceeds from issuance of short-term commercial papers		<b>12,654,687,416</b>	16,408,462,049
Cash received relating to other financing activities	V.62(3)	<b>500,000,000</b>	–
		<b>511,120,715</b>	549,341,708
Sub-total of cash inflows		<b>14,603,278,171</b>	17,129,668,257
Repayment of borrowings		<b>(15,185,121,421)</b>	(12,953,712,984)
Cash paid for distribution of dividends or profits and for interest expenses		<b>(690,566,786)</b>	(3,625,015,435)
Including: Dividends or profits paid to non-controlling interests by subsidiaries		<b>(13,913,579)</b>	(482,950,740)
Cash paid relating to other financing activities	V.62(3)	<b>(88,873,977)</b>	(34,369,893)
Sub-total of cash outflows		<b>(15,964,562,184)</b>	(16,613,098,312)
Net cash flows used in financing activities		<b>(1,361,284,013)</b>	516,569,945
4. Effect of foreign exchange rate changes on cash and cash equivalents		<b>(1,787,882)</b>	77,364,944
5. Net increase in cash and cash equivalents	V.63(1)	<b>67,855,797</b>	137,676,521
Add: Cash and cash equivalents at the beginning of the period		<b>4,360,738,411</b>	4,223,061,890
6. Cash and cash equivalents at the end of the period	V.63(3)	<b>4,428,594,208</b>	4,360,738,411

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

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	2023	2022
1. Cash flows from operating activities :		
Cash received from sale of goods and rendering of services	<b>67,158,265,895</b>	66,573,688,100
Tax refunds received	<b>643,449,435</b>	1,091,873,190
Cash received relating to other operating activities	<b>115,959,236</b>	197,746,068
Sub-total of cash inflows	<b>67,917,674,566</b>	67,863,307,358
Cash paid for purchase of goods and services	<b>(63,076,797,063)</b>	(59,369,484,712)
Cash paid to or on behalf of employees	<b>(2,970,689,125)</b>	(3,195,275,990)
Taxes and surcharges paid	<b>(862,271,994)</b>	(1,048,813,735)
Cash paid relating to other operating activities	<b>(396,579,379)</b>	(524,439,544)
Sub-total of cash outflows	<b>(67,306,337,561)</b>	(64,138,013,981)
Net cash flows from operating activities	<b>611,337,005</b>	3,725,293,377
2. Cash flows from investing activities :		
Cash received from disposal of investments	<b>201,531,186</b>	484,788,584
Cash received from investment income	<b>383,737,423</b>	2,200,722,710
Net cash received from disposal of property, plant and equipment, intangible assets and other non-current assets	<b>382,780,444</b>	182,496,910
Net proceeds from disposal of subsidiaries and other business units	-	641,771,981
Net cash received relating to other investing activities	<b>680,259</b>	56,354,452
Sub-total of cash inflows	<b>968,729,312</b>	3,566,134,637
Purchase of property, plant and equipment, intangible assets and other non-current assets	<b>(5,128,102,576)</b>	(6,079,588,190)
Cash paid for investments	-	(20,965,443)
Sub-total of cash outflows	<b>(5,128,102,576)</b>	(6,100,553,633)
Net cash flows used in investing activities	<b>(4,159,373,264)</b>	(2,534,418,996)

# STATEMENT OF CASH FLOWS (Continued)

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	2023	2022
3. Cash flows from financing activities :		
Cash received from investors	–	171,864,500
Cash received from borrowings	<b>11,578,668,455</b>	15,542,968,076
Proceeds from issuance of short-term commercial papers	<b>500,000,000</b>	–
Cash received relating to other financing activities	<b>4,484,838,907</b>	549,341,708
Sub-total of cash inflows	<b>16,563,507,362</b>	16,264,174,284
Repayment of borrowings	<b>(13,521,539,916)</b>	(12,242,768,052)
Cash paid for the distribution of dividend or profits and for interest expenses	<b>(667,308,178)</b>	(3,106,863,018)
Cash paid relating to other financing activities	<b>(81,013,891)</b>	(30,643,889)
Sub-total of cash outflows	<b>(14,269,861,985)</b>	(15,380,274,959)
Net cash flows used in financing activities	<b>2,293,645,377</b>	883,899,325
4. Effect of foreign exchange rate changes on cash and cash equivalents	<b>(7,150,868)</b>	37,649,947
5. Net (decrease)/increase in cash and cash equivalents	<b>(1,261,541,750)</b>	2,112,423,653
Add: Cash and cash equivalents at the beginning of the period	<b>4,643,475,840</b>	2,531,052,187
6. Cash and cash equivalents at the end of the period	<b>3,381,934,090</b>	4,643,475,840

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

## FOR THE YEAR ENDED 31 DECEMBER 2023

	Attributable to owners of the parent								Non-controlling interests	Total shareholders' equity	
	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings			
	(Note V.38)	(Note V.39)	(Note V.40)	(Note V.41)	(Note V.42)	(Note V.43)	(Note V.44)	(Note V.45)			
1. Balance at the end of the previous year	7,775,731,186	8,442,757,852	171,864,500	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,083,720,518	29,199,669,295	4,131,221,078	33,330,890,373
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of the year	7,775,731,186	8,442,757,852	171,864,500	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,083,720,518	29,199,669,295	4,131,221,078	33,330,890,373
3. Increase/(decrease) during the year											
(1) Total comprehensive income	-	-	-	(17,770,217)	-	-	-	(1,327,161,500)	(1,344,931,717)	(312,739,161)	(1,657,670,878)
(2) Shareholders' contributions and reduction in capital											
i. Capital reduction by shareholders	(28,793,200)	(37,143,228)	(65,936,428)	-	-	-	-	-	-	-	-
ii. Changes in other equity of associates and joint ventures	-	29,355,484	-	-	-	-	-	-	29,355,484	-	29,355,484
iii. Amount of share-based payments recognised in equity	-	(21,680,138)	-	-	-	-	-	-	(21,680,138)	-	(21,680,138)
iiii. Others	-	17,343,002	-	-	-	-	-	-	17,343,002	920,127,038	937,470,040
(3) Profits appropriation											
i. Distribution to shareholders	-	-	-	-	-	-	-	(155,395,744)	(155,395,744)	(13,913,579)	(169,309,323)
(4) Transfers within equity											
i. Other comprehensive income carried forward to retained earnings	-	-	-	(10,817,182)	-	-	-	10,817,182	-	-	-
(5) Special reserve											
i. Additions	-	-	-	-	103,277,907	-	-	-	103,277,907	19,159,890	122,437,797
ii. Utilisation	-	-	-	-	(114,039,704)	-	-	-	(114,039,704)	(11,814,284)	(125,853,988)
(6) Disposal of a subsidiary	-	9,290,736	-	45,693,483	-	-	(271,501,110)	271,501,110	54,984,219	(221,082,235)	(166,098,016)
4. Balance at the end of the year	7,746,937,986	8,439,923,708	105,928,072	(12,900,327)	96,805,291	4,720,262,452	-	6,883,481,566	27,768,582,604	4,510,958,747	32,279,541,351

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

## FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the parent									Non-controlling interests	Total shareholders' equity
	Share capital (Note V.38)	Capital reserve (Note V.39)	Less: treasury shares (Note V.40)	Other comprehensive income (Note V.41)	Special reserve (Note V.42)	Surplus reserve (Note V.43)	General reserve (Note V.44)	Retained earnings (Note V.45)	Sub-total		
1. Balance at the end of the previous 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
Add: Changes in accounting policies	-	-	-	-	-	-	-	4,233,757	4,233,757	28,643	4,262,400
2. Balance at the beginning of the year	7,700,681,186	8,344,594,034	-	12,271,369	45,427,634	4,688,014,995	300,334,506	11,665,768,967	32,757,092,691	4,658,353,187	37,415,445,878
3. Increase/(decrease) during the year											
(1) Total comprehensive income	-	-	-	(41,791,159)	-	-	-	(657,615,094)	(899,406,253)	38,372,612	(861,033,641)
(2) Shareholders' contributions and reduction in capital											
i. Capital 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. Distribution to shareholders	-	-	-	-	-	-	-	(2,721,505,915)	(2,721,505,915)	(491,481,270)	(3,212,987,185)
ii. Transfer to general reserve	-	-	-	-	-	-	(28,833,396)	28,833,396	-	-	-
iii. Appropriation for surplus reserve	-	-	-	-	-	32,198,795	-	(32,198,795)	-	-	-
(4) Transfers within equity											
i. 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
(6) Others	-	-	-	-	(139,094)	-	-	-	(139,094)	(46,366)	(185,460)
4. Balance at the end of the year	7,775,731,186	8,442,757,852	171,864,500	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,083,720,518	29,199,669,295	4,131,221,078	33,330,890,373

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

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

## FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
1. Balance at the end of the previous year	7,775,731,186	8,447,275,568	171,864,500	132,591,787	69,568,483	3,883,475,865	4,623,805,454	24,760,583,843
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
2. Balance at the beginning of the year	7,775,731,186	8,447,275,568	171,864,500	132,591,787	69,568,483	3,883,475,865	4,623,805,454	24,760,583,843
3. Increase/(decrease) during the year								
(1) Total comprehensive income	-	-	-	(47,594,826)	-	-	(504,591,544)	(552,186,370)
(2) Shareholders' contributions and reduction in capital								
i. Capital contributions by shareholders	(28,793,200)	(37,143,228)	(65,936,428)	-	-	-	-	-
ii. Changes in the share of other equity of associates and joint ventures	-	29,355,484	-	-	-	-	-	29,355,484
iii. Amounts of share-based payments recognised	-	(21,680,138)	-	-	-	-	-	(21,680,138)
(3) Profit appropriation								
i. Distribution to shareholders	-	-	-	-	-	-	(155,395,744)	(155,395,744)
(4) Transfers within equity								
i. Other comprehensive income carried forward to retained earnings	-	-	-	(988,992)	-	-	988,992	-
(5) Special reserve								
i. Additions	-	-	-	-	64,822,828	-	-	64,822,828
ii. Utilisation	-	-	-	-	(88,300,407)	-	-	(88,300,407)
(6) Others	-	-	-	-	-	-	-	-
4. Balance at the end of the year	7,746,937,986	8,417,807,686	105,928,072	84,007,969	46,090,904	3,883,475,865	3,964,807,158	24,037,199,496

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

# STATEMENT OF CHANGES IN EQUITY (Continued)

For the year ended 31 December 2023

(Expressed in Renminbi Yuan)

## FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total Shareholders' equity
1. Balance at the end of the previous 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
Add: Changes in accounting policies	-	-	-	-	-	-	3,939,354	3,939,354
2. 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	7,054,402,268	27,168,568,819
3. Increase/(decrease) during the year								
(1) Total comprehensive income	-	-	-	(60,306,512)	-	-	322,669,937	262,363,425
(2) Shareholders' contributions and reduction in capital								
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. Amounts of share-based payments recognised	-	-	-	-	-	-	-	-
iv. Amounts of share-based payments recognised	-	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) Transfers within equity								
i. 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
(6) Others	-	-	-	-	-	-	-	-
4. 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	4,623,805,454	24,760,583,843

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

# NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan unless otherwise indicated)

## I. GENERAL INFORMATION OF THE COMPANY

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 license 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 2023, the Company had issued 7,746,940,000 shares in total, including ordinary A shares of 5,967,750,000 shares, restrictive A shares of 46,260,000 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. Please refer to Note VIII for details of the subsidiaries of the Company.

The parent company of the Group is Magang (Group) Holding Company Limited (the “Holding”), which is incorporated 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 28 March 2024.

The scope of the consolidated financial statements is determined on the control basis. During the reporting period, details of the scope of consolidated financial statements and its changes are disclosed in Note VII. “Change in the scope of consolidation” and Note VIII. “Interests in other entities”.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## II. BASIS OF PREPARATION

The financial statements are prepared on a going concern basis.

As of 31 December 2023, the net current liabilities of the Group amounted to 22,012,995,925. The directors of the Company have considered the availability of funding sources, including but not limited to unutilised banking facilities of RMB46.2 billion as at 31 December 2023 and the expected cash inflows from the operating activities in the upcoming 12 months. The Board of Directors of the Company believes that the Group has sufficient working capital to continue as a going concern for not less than 12 months after the end of reporting period. Therefore, the Board of Directors of the Company continues to prepare the Group's financial statements for the year ended 31 December 2023 on a going concern basis.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. 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 and the provision for safety production reserve, etc.

### 1. Statement of compliance with the CAS

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises, which are also referred to as China Accounting Standards ("CAS") issued by the Ministry of Finance ("MOF") of the People's Republic of China. These financial statements present truly and completely the consolidated and company financial position of the Company as at 31 December 2023, and the consolidated and company financial performance and cash flows of the Company for the year then ended.

These financial statements also comply with the disclosure requirements of "Regulation on the Preparation of Information Disclosures by Companies Issuing Securities, No. 15: General Requirements for Financial Reports" as revised by the China Securities Regulatory Commission ("CSRC") in 2023.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 2. Accounting period

The accounting period is from 1 January to 31 December.

### 3. Operating cycle

The Company takes the period from the acquisition of assets for processing to until the ultimate realisation of cash or cash equivalents as a normal operating cycle. The operating cycle of the Company is usually less than 12 months.

### 4. Reporting currency

The Company's functional currency is Renminbi, and these financial statements are presented in Renminbi. The functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled. Some of the Company's subsidiaries have functional currencies that are different from the Company's functional currency. Their financial statements have been translated based on the accounting policy set out in Note III 9.

### 5. Method used to determine the materiality threshold and the basis for selection

Item	Materiality threshold
Significant receivables for which provisions for bad and doubtful debts are individually assessed	Amount $\geq$ RMB150,000,000
Significant receivables written-off	Amount $\geq$ RMB150,000,000
Significant receivables with ageing of more than one year	Amount $\geq$ RMB150,000,000
Significant payables with ageing of more than one year	Amount $\geq$ RMB150,000,000
Significant unpaid dividends payable with ageing of more than one year	Amount $\geq$ RMB150,000,000
Significant constructions in progress	Amount $\geq$ RMB200,000,000
Significant cashes relating to investing activities	Amount $\geq$ RMB200,000,000
Significant joint ventures or associates	Amount $\geq$ RMB500,000,000
Significant non-wholly-owned subsidiaries	Revenue of non-wholly-owned subsidiaries $\geq$ 10% of the Group's total revenue

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 6. Accounting treatments for business combinations involving entities under common control and not under common control

A transaction or event constitutes a business combination when the Group obtains control of one or more entities (or a group of assets or net assets) which meet the definition of a Business. Business combinations are classified as either business combinations involving enterprises under common control or business combinations not involving enterprises under common control.

For a transaction not involving enterprises under common control the acquirer determines whether an acquired set of assets constitutes a business. The Group may elect to apply the simplified assessment method, the concentration test, to determine whether an acquired set of assets is a business. If the concentration test is met the set of assets is determined not to be a business, no further assessment is needed. If the concentration test is not met, the Group should perform the assessment according to the guidance on the determination of a business.

When the set of assets the group acquired does not constitute a business, acquisition costs should be allocated to each identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. The accounting treatments for business combinations described below are not applied.

#### (1) *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 acquired and liabilities assumed are measured based on their carrying amounts in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognised in profit or loss when incurred. The combination date is the date on which one combining entity obtains control of other combining entities.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 6. Accounting treatments for business combinations involving entities under common control and not under common control (Continued)

#### (2) *Business combinations 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. Where (1) the aggregate of the acquisition-date fair value of assets transferred (including the acquirer's previously-held equity interest in the acquiree), liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree, exceeds (2) the acquirer's interest in the acquisition-date fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill. If (1) is less than (2), the difference is recognised in profit or loss for the current period. The costs of issuing equity or debt securities as a part of the consideration for the acquisition are included in the carrying amounts of these equity or debt securities upon initial recognition. Other acquisition-related costs are expensed when incurred. The acquiree's identifiable asset, liabilities and contingent liabilities, if the recognition criteria are met, are recognised by the Group at their acquisition-date fair value. The acquisition date is the date on which the acquirer obtains control of the acquiree.

For a business combination involving entities not under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its acquisition-date fair value and recognises any resulting difference between the fair value and the carrying amount as investment income or other comprehensive income for the current period. In addition, any amount recognised in other comprehensive income and other changes in the owners' equity under equity accounting in prior reporting periods relating to the previously-held equity interest that may be reclassified to profit or loss are transferred to investment income at the date of acquisition (see Note III.12(2) (b)); For any previously-held equity interest that is designated as equity investment at fair value through other comprehensive income, the other comprehensive income recognised in prior reporting periods is transferred to retained earnings and surplus reserve at the date of acquisition.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 7. Criteria of control and Consolidated financial statements

#### (1) *General principles*

The scope of consolidated financial statements is based on control, and the consolidated financial statements comprise the Company and its subsidiaries. Control exists when the investor has all of the following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

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

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in full in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 7. Criteria of control and Consolidated financial statements (Continued)

#### (2) *Subsidiaries acquired through a business combination*

Where a subsidiary was acquired during the reporting period through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements based on the carrying amounts of the assets and liabilities of the subsidiary in the financial statements of the ultimate controlling party as if the combination had occurred at the date that the ultimate controlling party first obtained control. The opening balances and the comparative figures of the consolidated financial statements are also restated.

Where a subsidiary was acquired during the reporting period through a business combination involving entities not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

#### (3) *Disposal of subsidiaries*

When the Group loses control over a subsidiary, any resulting disposal gains or losses are recognised as investment income for the current period. The remaining equity interests is re-measured at its fair value at the date when control is lost, and any resulting gains or losses are also recognised as investment income for the current period.

When the Group loses control of a subsidiary in multiple transactions in which it disposes of its long-term equity investment in the subsidiary in stages, the following are considered to determine whether the Group should account for the multiple transactions as a single transaction:

- arrangements are entered into at the same time or in contemplation of each other;
- arrangements work together to achieve an overall commercial effect;
- the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement;
- one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 7. Criteria of control and Consolidated financial statements (Continued)

#### (3) *Disposal of subsidiaries (Continued)*

If each of the multiple arrangements does not form part of a single transaction, the arrangements conducted before the loss of control of the subsidiary are accounted for in accordance with the accounting policy for partial disposal of equity investment in subsidiaries where control is retained (see Note III.7(4)).

If each of the multiple transactions forms part of a single transaction which eventually results in the loss of control in the subsidiary, these multiple arrangements are accounted for as a single transaction. In the consolidated financial statements, the difference between the consideration received and the corresponding proportion of the subsidiary's net assets (calculated continuously from the acquisition date) in each transaction prior to the loss of control shall be recognised in other comprehensive income and transferred to profit or loss when the parent eventually loses control of the subsidiary.

#### (4) *Changes in non-controlling interests*

Where the Company acquires more interest in a subsidiary from the subsidiary's non-controlling shareholders or disposes of a portion of an interest in a subsidiary without losing control, the difference between the portion of the interest in the subsidiary's net assets being acquired or disposed of and the amount of the consideration paid or received is adjusted to the capital reserve (share premium) in the consolidated balance sheet, with any excess adjusted to retained earnings.

### 8. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits that can be readily withdrawn on demand, and short-term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 9. Foreign currency transactions and translation of foreign currency financial statements

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate at the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss, unless they arise from the re-translation of the principal and interest of specific borrowings for the acquisition and construction of qualifying assets (see Note III 16). Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of equity investments at fair value through other comprehensive income, which are recognised in other comprehensive income.

In translating the financial statements of a foreign operation, assets and liabilities of foreign operation are translated to Renminbi at the spot exchange rate at the balance sheet date. Equity items, excluding retained earnings and the translation differences in other comprehensive income, are translated to Renminbi at the spot exchange rates at the transaction dates. Income and expenses of foreign operation are translated to Renminbi at the spot exchange rates at the transaction dates. The resulting translation differences are recognised in other comprehensive income. The translation differences accumulated in other comprehensive income with respect to a foreign operation are transferred to profit or loss in the period when the foreign operation is disposed of.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments

Financial instruments include cash at bank and on hand and equity securities other than those classified as long-term equity investments (see Note III.12), receivables, payables, loans and borrowings and share capital.

#### (1) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

A financial asset or financial liability is measured initially at fair value. For financial assets and financial liabilities measured at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs. Trade receivables that do not have a significant financing component or do not account for the significant financing component in one year or less contracts under the practical expedient are initially measured at the transaction price in accordance with Note III.23.

#### (2) *Classification and subsequent measurement of financial assets*

##### (a) Classification of financial assets

The classification of financial assets is generally based on the business model under which a financial asset is managed and its contractual cash flow characteristics. On initial recognition, a financial asset is classified as measured at amortised cost, at fair value through other comprehensive income ("FVOCI"), or at fair value through profit or loss ("FVTPL").

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (2) Classification and subsequent measurement of financial assets (Continued)

##### (a) Classification of financial assets (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held under a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held under a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis, and the instrument meets the definition of equity from the perspective of the issuer.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (2) Classification and subsequent measurement of financial assets (Continued)

##### (a) Classification of financial assets (Continued)

The business model refers to how the Group manages its financial assets in order to generate cash flows. That is, the Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Group's key management personnel.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Group also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

##### (b) Subsequent measurement of financial assets

###### – Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

###### – Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

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

##### (b) Subsequent measurement of financial assets (Continued)

- Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

#### (3) *Classification and subsequent measurement of financial liabilities*

Financial liabilities are classified as measured at FVTPL or as financial liabilities measured at amortised cost.

- Financial liabilities at FVTPL

A financial liability is classified as at FVTPL if it is classified as held for trading (including derivative financial liabilities) or if it is designated as such on initial recognition.

Financial liabilities at FVTPL are subsequently measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss, unless the financial liabilities are part of a hedging relationship.

- Financial liabilities at amortised cost

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (4) *Off setting*

Financial assets and financial liabilities are generally presented separately in the balance sheet, and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

#### (5) *Derecognition of financial assets and financial liabilities*

A financial asset is derecognised when one of the following conditions is met:

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred; and although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred measured at the date of derecognition;
- the sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the financial asset derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is extinguished.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (6) Impairment

The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost;
- debt instrument investments measured at FVOCI; and
- loan commitments and financial guarantee contracts.

Financial assets measured at fair value, including debt investments or equity securities at FVTPL, equity securities designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

Loss allowances for bills receivable, accounts receivable and receivables under financing arising from ordinary business activities such as sale of goods and provision of services are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (6) Impairment (Continued)

##### Measurement of ECLs (Continued)

Except for bills receivable, trade receivables, lease receivables and contract assets, the Group measures loss allowances at an amount equal to 12-month ECLs for the following financial instruments, and at an amount equal to lifetime ECLs for all other financial instruments:

- Financial instruments that have been determined to have low credit risk at the balance sheet date;
- Financial instruments for which credit risk has not increased significantly since initial recognition.

##### Provisions for bad and doubtful debts arising from receivables

- (a) Categories of groups for collective assessment based on credit risk characteristics and basis for determination

Bills receivable	Based on the different credit risk characteristics of acceptors, the Group classifies bills receivable into two groups: bank acceptance bills and commercial acceptance bills.
Accounts receivable	Historically, there is no significant difference in terms of occurrence of losses among different customer types for the Group. Therefore, the Group makes provisions for bad and doubtful debts arising from accounts receivable on the basis of all customers being one group without further segmentation by different customer types.
Receivables under financing	The Group's receivables under financing are bank acceptance bills held for dual purposes. As the accepting banks have high credit ratings, the Group considers all receivables under financing as a single group.
Other receivables	The Group's other receivables mainly include dividends receivable, amounts due from trading companies, deposits for steel futures, prepaid import tariff and VAT deposit, etc. Based on the nature of receivables and the credit risk characteristics of different counterparties, the Group classifies other receivables into two groups, specifically: the group of pledges and deposits, the group of receivables due from other parties.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (6) Impairment (Continued)

Measurement of ECLs (Continued)

#### (b) Criteria for individual assessment

Bills receivable, accounts receivable, receivables under financing and other receivables are usually assessed collectively as a group based on credit risk characteristics to make provisions. When a counterparty is significantly different from other counterparties in the group in terms of credit risk characteristics, or if there has been a significant change in its credit risk characteristics, the individual approach is adopted for receivables due from this counterparty.

Financial instruments that have low credit risk

The credit risk on a financial instrument is considered low if the financial instrument has a low risk of default, the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the balance sheet date with that assessed at the date of initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (6) Impairment (Continued)

Significant increases in credit risk (Continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including forward-looking information. In particular, the following information is taken into account:

- failure to make payments of principal or interest on their contractual due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (6) Impairment (Continued)

Significant increases in credit risk (Continued)

When one or more quantitative and qualitative thresholds or upper limits are reached, the Group considers that the credit risk of the financial instrument has increased significantly :

- A quantitative threshold is a set percentage that as at the report day, compare to initial recognition, the probability of default over the remaining term exceeds;
- A qualitative threshold is significant adverse changes in the operating or financial situation of the key debtors, red flagged client list, etc;
- An upper limit is a certain period of time that a debtor failed to repay its matured contractual payments (both principal and interest).

Credit-impaired financial assets

At each balance sheet date, the Group assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulties of the issuer or debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- for economic or contractual reasons relating to the debtor's financial difficulties, the Group having granted to the debtor a concession that it would not otherwise consider;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties of the issuer or debtor.
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (6) *Impairment (Continued)*

Presentation of allowance for ECL

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investments that are measured at FVOCI, the loss allowance is recognised in other comprehensive income and not deducted from the carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This generally occurs when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

#### (7) *Equity instruments*

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. The entire repurchase expenditure is recorded as the cost of the treasury shares in the reference register. Treasury shares are excluded from profit distributions and are presented as a deduction from shareholders' equity on the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 10. Financial instruments (Continued)

#### (7) *Equity instruments (Continued)*

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is deducted from capital reserve (share premium), surplus reserve and retained earnings sequentially. If the cost of treasury shares cancelled is less than the total par value, the difference is credited to the capital reserve (share premium).

When treasury shares are disposed of, any excess of proceeds above cost is recognised in capital reserve (share premium); otherwise, the shortfall is deducted against capital reserve (share premium), surplus reserve and retained earnings sequentially.

### 11. Inventories

#### (1) *Classification*

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

Inventories are initially measured at cost. The cost of inventories comprises all costs of purchase, costs of conversion and other expenditure incurred in bringing the inventories to their present location and condition. In addition to the purchase cost of raw materials, work in progress and finished goods include direct labour costs and an appropriate allocation of production overheads.

#### (2) *Measurement method of cost*

Cost of inventories recognised is calculated using the weighted average method.

#### (3) *Count system*

The Group maintains a perpetual inventory system.

#### (4) *Amortisation method for spare parts, low-value consumables and packaging materials*

General spare parts, low-value consumables and packaging materials are charged to profit or loss upon receipt; large rolls on rolling mills are amortised according to the grinding amount. The amortisation charge is included in the cost of the related assets or recognised in profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 11. Inventories (Continued)

(5) *Basis for determining the net realisable value and method for provision for obsolete inventories*

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes. The net realisable value of materials held for use in production is measured based on the net realizable value of the finished goods in which they will be incorporated. The net realisable value of inventory held to satisfy sales or service contracts is measured based on the contract price. If the quantities of inventories held by the Group exceed the quantities specified in sales contracts, the net realisable value of the excess portion of inventories is based on general selling prices.

### 12. Long-term equity investments

(1) *Investment cost of long-term equity investments*

(a) Long-term equity investments acquired through a business combination

- The initial cost of a long-term equity investment acquired through a business combination involving entities under common control is the Company's share of the carrying amount of the subsidiary's equity in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to the share premium in the capital reserve, with any excess adjusted to retained earnings. For a long-term equity investment in a subsidiary acquired through a business combination achieved in stages which do not form a single transaction and involving entities under common control, the Company determines the initial cost of the investment in accordance with the above policies. The difference between this initial cost and the sum of the carrying amount of the previously-held equity investment immediately before the business combination and the consideration paid for the interest newly acquired at the combination date is adjusted to share premium in the capital reserve, with any excess adjusted to retained earnings.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) *Investment cost of long-term equity investments (Continued)*

##### (a) Long-term equity investments acquired through a business combination (Continued)

- For a long-term equity investment obtained through a business combination not involving entities under common control, the initial cost comprises the aggregate of the fair value of assets transferred, liabilities incurred or assumed, and equity securities issued by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving entities under common control and achieved through multiple transactions in stages which do not form a single transaction, the initial cost comprises the carrying amount of the previously-held equity investment in the acquiree immediately before the acquisition date, and the additional investment cost at the acquisition date.

##### (b) Long-term equity investments acquired other than through a business combination

- A long-term equity investment acquired other than through a business combination is initially recognised at the amount of cash paid if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities.

#### (2) *Subsequent measurement of long-term equity investment*

##### (a) Investments in subsidiaries

In the Company's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement unless the investment is classified as held for sale. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period.

The investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (2) *Subsequent measurement of long-term equity investment (Continued)*

##### (a) Investments in subsidiaries (Continued)

For the impairment of investments in subsidiaries, refer to Note III.18.

In the Group's consolidated financial statements, subsidiaries are accounted for in accordance with the policies described in Note III.7.

##### (b) Investment in joint ventures and associates

A joint venture is an arrangement whereby the Group and other parties have joint control (see Note III.12(3)) and rights to the net assets of the arrangement.

An associate is an entity over which the Group has significant influence (see Note III.12(3)).

An investment in a joint venture or an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

The accounting treatments under the equity method adopted by the Group are as follows:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (2) *Subsequent measurement of long-term equity investment (Continued)*

##### (b) Investment in joint ventures and associates (Continued)

- After acquiring the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution (referred to as "other changes in owners' equity"), are recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.
- In calculating its share of the investee's net profit or loss, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income based on the fair value of the investee's identifiable net assets at the date of acquisition after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group. Unrealised profits and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses resulting from transactions between the Group and its associates or joint ventures are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in full in the financial statements.
- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the joint venture or associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the joint venture or associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment of investments in joint ventures and associates, refer to Note III.18.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

(3) *Criteria for determining the existence of joint control or significant influence over an investee*

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (activities with significant impact on the returns of the arrangement) require the unanimous consent of the parties sharing control.

The following factors are usually considered when assessing whether the Group can exercise joint control over an investee:

- Whether no single participant party is in a position to control the investee's relevant activities unilaterally;
- Whether decisions relating to the investee's relevant activities require the unanimous consent of all participant parties that share control.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control of those policies.

### 13. Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both. Investment properties are accounted for using the cost model and stated in the balance sheet at cost less accumulated depreciation, amortisation and impairment losses. The cost of investment property, less its estimated residual value and accumulated impairment losses, is amortised using the straight-line method over its estimated useful life. For the impairment of investment properties, refer to Note III.18.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 13. Investment properties (Continued)

The estimated useful lives, residual value rates and depreciation rates of each class of investment properties are as follows:

<b>Class</b>	<b>Estimated useful life (years)</b>	<b>Estimated residual value (%)</b>	<b>Annual depreciation rate (%)</b>
Buildings	30 – 50 years	3%	1.9% – 3.2%

### 14. Fixed assets

#### (1) Recognition of fixed assets

Fixed assets represent the tangible assets held by the Group for use in production of goods, supply of services, rental or administrative purposes with useful lives over one accounting year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note III.15.

Where the parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern, thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 14. Fixed assets (Continued)

#### (2) Depreciation of fixed assets

The cost of a fixed asset, less its estimated residual value and accumulated impairment losses, is depreciated using the straight-line method over its estimated useful life.

The estimated useful lives, residual value rates and depreciation rates of each class of fixed assets are as follows:

<b>Class</b>	<b>Estimated useful life (years)</b>	<b>Estimated residual value (%)</b>	<b>Annual depreciation rate (%)</b>
Plant and buildings	10–30 years	3%	3.2%–9.7%
Machinery and equipment	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%

Useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

#### (3) For the impairment of fixed assets, refer to Note III.18.

#### (4) Disposal of fixed assets

The carrying amount of a fixed asset is derecognised:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item, and are recognised in profit or loss on the date of retirement or disposal.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 15. Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note III.16), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is classified as construction in progress and transferred to fixed assets when it is ready for its intended use. No depreciation is recorded against construction in progress.

Construction in progress is transferred to fixed assets at the actual cost of construction when it is ready for its intended use. Construction in progress that is ready for its intended use but before the final account for completed project is transferred to fixed assets at its estimated value, which will be adjusted based on the actual cost upon the final account for completed project without adjustment to the depreciation already made.

Category	Timing	The criteria and timing according to which, construction projects in progress are transferred to fixed assets
Machinery & equipment	Meet the requirements of pilot production	Meet the requirements or criteria stipulated in the contract after installation and commissioning
Plant & buildings	Qualified project acceptance	Meet the criteria for the construction completion acceptance

Construction in progress is stated in the balance sheet at cost less accumulated impairment losses (see Note III.18).

When an enterprise sells products or by-products produced before a fixed asset is available for its intended use, the proceeds and related cost are accounted for in accordance with CAS 14 –Revenue and CAS 1 –Inventories respectively, and recognised in profit or loss for the current period.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 16. Borrowing costs

Borrowing costs incurred that are directly attributable to the acquisition and construction of a qualifying asset are capitalised as part of the cost of the asset. Other borrowing costs are recognised as financial expenses when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition and construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before they are used on the asset.
- To the extent that the Group borrows funds generally and uses them for the acquisition of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditure on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense when incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition construction activities are interrupted abnormally for a period of more than three months.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 17. Intangible assets

#### (1) Useful life and amortisation methods

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note III.18). For an intangible asset with finite useful life, its cost less estimated residual value and accumulated impairment losses is amortised using the straight-line method over its estimated useful life.

The estimated useful lives, basis for determination and amortisation methods of intangible assets are as follows:

Item	Useful life (year)
Concession rights	25 years
Land use rights	50 years
Mining rights	25 years
Patents and others	3–20years

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.

Useful lives and amortisation methods of intangible asset with finite useful life are reviewed at least at each year-end.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group reassesses the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group estimates its useful life and accounts for it in accordance with the same policy as intangible assets with finite useful lives described above.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 17. Intangible assets (Continued)

#### (2) Expenditures on research and development

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.

When an enterprise sells products or by products produced in the course of research and development, the proceeds and related cost are accounted for in accordance with CAS 14 Revenue and CAS 1 Inventories respectively, and recognised in profit or loss for the current period.

### 18. Impairment of assets other than inventories and financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- Fixed assets
- Construction in progress
- Right-of-use assets
- Intangible assets
- Investment properties measured using a cost model
- Long-term equity investments, etc

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 18. Impairment of assets other than inventories and financial assets (Continued)

If any indication exists, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of intangible assets not ready for use at least annually and the recoverable amounts of intangible assets with indefinite useful lives at each year-end, irrespective of whether there is any indication of impairment.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value (see Note III.19) less costs to sell and its present value of expected future cash flows.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Impairment losses cannot be reversed in subsequent accounting periods.

### 19. Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 19. Fair value measurement (Continued)

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

### 20. Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid-point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome.
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

### 21. Share-based payments

#### (1) Classification of share-based payments

Share-based payment transactions in the Group are equity-settled share-based payments.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 21. Share-based payments (Continued)

#### (2) *Accounting treatment of share-based payments*

- Equity-settled share-based payment

Where the Group uses shares or other equity instruments as consideration for services received from the employees, the payment is measured at the fair value of the equity instruments granted to the employees at the grant date. If the equity instruments granted do not vest until the completion of services for a period, or until the achievement of a specified performance condition, the Group recognises an amount at each balance sheet date during the vesting period based on the best estimate of the number of equity instruments expected to vest according to the newly obtained subsequent information of the changes of the number of the employees expected to vest the equity instruments. The Group measures the services received at the grant-date fair value of the equity instruments and recognises the costs or expenses as the services are received, with a corresponding increase in capital reserve.

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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 22. Repurchase and reverse repurchase transactions

Assets sold under agreements to repurchase at a specified future date (“**repos**”) are not derecognised from the statement of financial position. The corresponding cash received, including accrued interest, is recognised as “repurchase agreement” on the statement of financial position, reflecting the economic nature that such cash is a loan to the Group. The difference between the sale and repurchase prices is treated as an interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, assets purchased under agreements to resell at a specified future date (“**reverse repos**”) are not recognised in the statement of financial position as a “reverse repurchase agreement.” The corresponding cash paid, including accrued interest, is recognised as a “reverse repurchase agreement” in the statement of financial position. The difference between the purchase and resale prices is treated as an interest income and is accrued over the life of the agreement using the effective interest rate method.

### 23. Revenue

Revenue is the gross inflow of economic benefits arising in the course of the Group’s ordinary activities when the inflows result in increase in shareholders’ equity, other than increase relating to contributions from shareholders.

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.

Where a contract has two or more performance obligations, the Group determines the stand-alone selling price at contract inception of the distinct good or service underlying each performance obligation in the contract and allocates the transaction price in proportion to those stand-alone selling prices. The Group recognises as revenue the amount of the transaction price that is allocated to each performance obligation. The stand-alone selling price is the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group considers all information that is reasonably available to the entity, maximises the use of observable inputs to estimate the stand-alone selling price.

For the contract with a warranty, the Group analyses the nature of the warranty provided, if the warranty provides the customer with a distinct service in addition to the assurance that the product complies with agreed-upon specifications, the Group recognises for the promised warranty as a performance obligation. Otherwise, the Group accounts for the warranty in accordance with the requirements of CAS No.13 – Contingencies.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 23. Revenue (Continued)

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Where the contract contains a significant financing component, the Group recognises the transaction price at an amount that reflects the price that a customer would have paid for the promised goods or services if the customer had paid cash for those goods or services when (or as) they transfer to the customer. The difference between the amount of promised consideration and the cash selling price is amortised using an effective interest method over the contract term. The Group does not adjust the consideration for any effects of a significant financing component if it expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

The Group satisfies a performance obligation over time if one of the following criteria is met; or otherwise, a performance obligation is satisfied at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the customer can control the asset created or enhanced during the Group's performance; or
- the Group's performance does not create an asset with an alternative use to it and the Group has an enforceable right to payment for performance completed to date.

The Group determines whether it is a principal or an agent, based on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognises revenue in the gross amount of consideration which it has received (or which is receivable). Otherwise, the Group is an agent, and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is determined according to the established amount or proportion.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 23. Revenue (Continued)

For performance obligation satisfied over time, the Group recognises revenue over time by measuring the progress towards complete satisfaction of that performance obligation. When the outcome of that performance obligation cannot be measured reasonably, but the Group expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation.

For performance obligation satisfied at a point in time, the Group recognises revenue at the point in time at which the customer obtains control of relevant goods or services. To determine whether a customer has obtained control of goods or services, the Group considers the following indicators:

- the Group has a present right to payment for the goods or services;
- the Group has transferred physical possession of the goods to the customer;
- the Group has transferred the legal title of the goods or the significant risks and rewards of ownership of the goods to the customer;
- the customer has accepted the goods or services and etc.

The Group determines whether it is a principal or an agent, depending on whether it obtains control of the specified good or service before that good or service is transferred to a customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and recognises revenue in the gross amount of consideration to which it has received (or receivable). Otherwise, the Group is an agent, and recognises revenue in the amount of any fee or commission to which it expects to be entitled. The fee or commission is the net amount of consideration that the Group retains after paying the other party the consideration, or is the established amount or proportion.

For the sale of a product with a right of return, the Group recognises revenue when the Group obtains control of that product, in the amount of consideration to which the Group expects to be entitled in exchange for the product transferred (ie excluding the amount of which expected to be returned), and recognises a refund liability for the products expected to be returned. Meanwhile, an asset is recognised in the amount of carrying amount of the product expected to be returned less any expected costs to recover those products (including potential decreases in the value of returned products), and carry forward to cost in the amount of carrying amount of the transferred products less the above costs. At the end of each reporting period, the Group updates its assessment of future sales return. If there is any change, it is accounted for as a change in accounting estimate.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 23. Revenue (Continued)

Trade receivables is the Group's right to consideration that is unconditional (only the passage of time is required). A contract liability is the Group's 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.

The following is the description of accounting policies regarding revenue from the Group's principal activities:

#### (1) *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 recognizes 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.

Some of the Group's contracts with customers include rebate arrangements (the Group offers customers future discounts based on individual cumulative sales volume), therefore, considerations may vary. The Group makes its best estimate of the variable consideration based on expectations or the most likely amount. However, if the price of a transaction involving variable consideration does not exceed the cumulative amount of revenue that would have been recognised had the related uncertainty been resolved, it is highly unlikely that there would be a material reversal.

#### (2) *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 the 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)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 24. Payroll and employee benefits payable

#### (1) *Short-term employee benefits payable*

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

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

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participated in a defined contribution basic pension insurance plan in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance plans based on the applicable benchmarks and rates stipulated by the government. Basic pension insurance contributions payable are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate.

#### (3) *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.

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value of the defined benefit liability.

The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and interest expense on the defined benefit liability are charged to profit or loss or recognised as part of the cost of assets, and remeasurements of defined benefit liability are recognised in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (4) *Termination benefits*

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

#### (5) *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.

### 25. Government grants

Government grants are non-reciprocal transfers of monetary or non-monetary assets from the government to the Group except for capital contributions from the government in the capacity as an investor in the Group.

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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 25. Government grants (Continued)

Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income. Or included in other income directly.

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.

### 26. Special reserve

The Group recognises a safety fund in the specific reserve pursuant to relevant government regulations, with a corresponding increase in the costs of the related products or expenses.

When the safety fund is subsequently used for revenue expenditure, the specific reserve is reduced accordingly. When the safety fund is subsequently used for the construction or acquisition of fixed assets, the Group recognises the capitalised expenditure incurred as the cost of the fixed assets when the related assets are ready for their intended use. In such cases, the specific reserve is reduced by the amount that corresponds to the cost of the fixed assets and the credit side is recognised in the accumulated depreciation with respect to the related fixed assets. Consequently, such fixed assets are not depreciated in subsequent periods.

### 27. Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or items recognised directly in equity (including other comprehensive income).

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, plus any adjustment to tax payable in respect of previous years.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 27. Income tax (Continued)

At the balance sheet date, current tax assets and liabilities are offset only if the Group has a legally enforceable right to set them off and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and deferred tax liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is not recognized for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or deductible loss) and does not give rise to equal taxable and deductible temporary differences. Deferred tax is also not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, deferred tax is measured based on the tax consequences that would follow from the expected manner of recovery or settlement of the carrying amounts of the assets and liabilities, using tax rates enacted at the balance sheet date that are expected to be applied in the period when the asset is recovered or the liability is settled.

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.

At the balance sheet date, deferred tax assets and deferred tax liabilities are offset if all of the following conditions are met:

- the taxable entity has a legally enforceable right to offset current tax liabilities and current tax assets;
- they relate to income taxes levied by the same tax authority on either:
  - the same taxable entity; or
  - different taxable entities which intend either to settle the current tax liabilities and current tax assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or deferred tax assets are expected to be settled or recovered.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## 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.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be explicitly or implicitly specified in a contract and are physically distinct, or may be a portion of an asset's capacity or other portion of an asset that is not physically distinct but represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains multiple separate lease components, the lessee and the lessor separate the lease components and account for each lease component as a lease separately. For a contract that contains lease and non-lease components, the lessee and the lessor separate the lease components from the non-lease components. For a contract that contains lease and non-lease components, the lessee allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The lessor allocates the consideration in the contract in accordance with the accounting policy in Note III.23.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 28. Leases (Continued)

#### (1) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to obtain the ownership of the lease asset by the end of the lease term, the right-of-use asset is depreciated over the remaining useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated over the shorter of the lease term or the remaining useful life of the lease asset. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note III.18.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability are charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the lease commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or the Group has exercised the extension or termination option in a different manner from the original assessment.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 28. Leases (Continued)

#### (1) *As a lessee (Continued)*

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases in profit or loss or as the cost of the assets where appropriate using the straight-line method over the lease term.

#### (2) *As a lessor*

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the asset under finance lease. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term with a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are accounted for in accordance with the accounting policy in Note III.10. Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases are recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 29. Dividends distributions

Dividends or profit distributions proposed in the profit appropriation plan, which will be approved after the balance sheet date, are not recognised as a liability at the balance sheet date but are disclosed in the notes separately.

### 30. Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related-party relationships are not regarded as related parties.

In addition to the related parties stated above, the Company determines related parties based on the disclosure requirements of the Administrative Procedures on the Information Disclosures of Listed Companies issued by the CSRC.

### 31. Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system after taking the materiality principle into account. Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are the same or similar in respect of the nature of each segment's products and services, the nature of production processes, the types or classes of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

For segment reporting, inter-segment revenues are measured on the basis of the actual transaction prices for such transactions, and segment accounting policies are consistent with those used to prepare the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 32. Significant accounting estimates and judgements

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as the underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### (1) *Significant accounting estimates*

Notes X and XIII contain information about the accounting estimates relating to assumptions and risk factors regarding valuation of fair value of financial instruments and share-based payments. Other significant accounting estimates are as follows:

##### (a) Impairment of financial assets

As stated in Note III.10, 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.

##### (b) Estimation of inventories under net realisable value

As stated in Note III.11, 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)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) Significant accounting estimates (Continued)

- (c) Impairment of assets other than inventories and financial assets (goodwill excluded)

As stated in Note III.18, 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.

- (d) Fair values of investments in unlisted companies

The fair value of investments in unlisted companies is determined based on the expected future cash flows discounted using the current discount rate applicable to other financial instruments with similar contractual terms and risk characteristics. This requires the Group to make an estimation of the expected future cash flows, credit risk, volatility, and discount rate. Such estimation involve uncertainties.

- (e) Sales involving right of return

For contracts with sales clause involving right of return, the Group forms a reasonable estimate of the rate of return based on sales return historical data, current sales return, and consider all relevant information such as customer changes, market changes and etc. Estimates of the expected return rate may not be representative of the actual returns in the future. The Group re-evaluates the return rate on each balance sheet date, and based on the re-evaluated discount rates and return rates.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) Significant accounting estimates (Continued)

##### (f) 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.

##### (g) 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.

##### (h) 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.

#### (2) Significant accounting judgements

Significant judgements made by the Group in the application of accounting policies are as follows:

- (a) Notes VIII.1(1) and 2: Significant judgements and assumptions in determining control, joint control or significant influence over other entities.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (2) Significant accounting judgements (Continued)

- (b) 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.
  
- (c) Note III.28: 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. At the commencement date of the lease. 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. Therefore, the lease term includes the period covered by the renewal option. After the commencement date of the lease term, if any major event or change occurs within the control of the Group and affects whether the Group reasonably determines that it will exercise the corresponding renewal option, the Group will reassess whether to exercise the renewal option and modify the lease term according to the reassessment result.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (2) Significant accounting judgements (Continued)

- (d) Note III.10: 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 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.

### 33. Changes in significant accounting policies

#### *Description of and reasons for changes in accounting policies*

In 2023 the Group has adopted the revised accounting requirements and guidance under CASs newly issued by the Ministry of Finance (“**MOF**”)

- (a) CAS 25 Insurance Contracts (Caikuai [2020] No.20) (the “**New Insurance Standard**”) and the related implementation Q&As

The New Insurance Standard has replaced CAS 25 Direct Insurance Contracts and CAS 26 Reinsurance Contracts that were issued in 2006, and Accounting Requirements for Insurance Contracts (Caikuai [2009] No.15) that was issued in 2009.

The Group does not have transactions related to insurance contracts. Applying the New Insurance Standard does not have a material impact on the financial position or financial performance of the Group.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 33. Changes in significant accounting policies (Continued)

- (b) “The accounting treatment of deferred tax related to assets and liabilities arising from a single transaction excluded from the scope of the initial recognition exemption” in CAS Bulletin No. 16 (Caikuai [2022] No. 31) (“CAS Bulletin No. 16”)

According to the provisions, the Group does not apply the initial recognition exemption under CAS 18 Income Taxes to temporary differences arising from the initial recognition of assets or liabilities in a single transaction that is not a business combination, affects neither accounting profits nor taxable profit (or deductible losses) and gives rise to equal taxable and deductible temporary differences.

In accordance with the above provisions, the Group has made retrospective adjustments for relevant transactions that occurred between 1 January 2022 and the date of initial application and to which the provisions apply. For the taxable and deductible temporary differences arising from the recognition of lease liabilities and right-of-use assets on 1 January 2022 as a result of the relevant transactions to which the provisions apply, the Group has recognised the cumulative effect as an adjustment to the opening balance of retained earnings and other related financial statement items for the earliest period presented in the financial statements in accordance with the above provisions and the requirements of CAS 18 Income Tax.

- (i) The effects on the financial statements

The effects of these changes in accounting policies on the net profit/(loss) for the year ended 31 December 2022, and opening and closing balances of shareholders' equity as at 1 January and 31 December 2022 are summarised as follows:

The Group

	2022 Net loss	2022 Closing balance of shareholders' equity	2022 Opening balance of shareholders' equity
Net loss and shareholders' equity before adjustments	(819,853,720)	33,326,016,735	37,411,183,478
Deferred tax related to assets and liabilities arising from a single transaction excluded from the scope of the initial recognition exemption	611,238	4,873,638	4,262,400
Net loss and shareholders' equity after adjustments	(819,242,482)	33,330,890,373	37,415,445,878

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 33. Changes in significant accounting policies (Continued)

*Description of and reasons for changes in accounting policies (Continued)*

#### (i) The effects on the financial statements (Continued)

The Company

	2022 Net profit	2022 Closing balance of shareholders' equity	2022 Opening balance of shareholders' equity
Net profit and shareholders' equity before adjustments	321,987,953	24,755,962,505	27,164,629,465
Deferred tax related to assets and liabilities arising from a single transaction excluded from the scope of the initial recognition exemption	681,984	4,621,338	3,939,354
Net profit and shareholders' equity after adjustments	322,669,937	24,760,583,843	27,168,568,819

The effects on each of the line items in the consolidated balance sheet and company balance sheet as at 31 December 2022 are as follows:

The Group

	Before adjustments	The amounts of adjustments	After adjustments
Asset :			
Deferred tax assets	150,908,792	4,979,154	155,887,946
Liability :			
Deferred tax liabilities	3,397,498	105,516	3,503,014
Shareholders' equity :			
Retained earnings	8,078,876,545	4,843,973	8,083,720,518
Non-controlling interests	4,131,191,413	29,665	4,131,221,078

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 33. Changes in significant accounting policies (Continued)

*Description of and reasons for changes in accounting policies (Continued)*

(i) The effects on the financial statements (Continued)

The Company

	Before adjustments	The amounts of adjustments	After adjustments
Asset :			
Deferred tax assets	82,176,642	4,621,338	86,797,980
Shareholders' equity :			
Retained earnings	4,619,184,116	4,621,338	4,623,805,454

## IV. TAX

### 1. The principal kinds of taxes and related tax rates

Tax type	Tax basis	Tax rate
Value-added tax	According to tax laws, output VAT is calculated on product sales and taxable services revenue. VAT payable is determined by deducting input VAT from output VAT for the period	13%
City construction and maintenance tax	Based on VAT paid	5% - 7%
Education surcharge	Based on VAT paid	3%
Local education surcharge	Based on VAT paid	2%
Land appreciation tax	Based on the appreciation amount of transferred property and the applicable tax rate	30% - 60%
Property tax	70% of the original cost of the property or the rental income	1.2%、12%
Environment protection tax	The taxable pollutants shall be determined based on the pollution equivalent quantity converted from the quantity of pollutant discharged and the applicable tax rates	For air pollutant, the tax standard is RMB1.2 per pollution equivalent quantity; For water pollutant, the tax standard is RMB1.4 per pollution equivalent quantity
Income tax	Based on taxable profits	15%、16.5%、25%、28%、30%

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## IV. TAX (CONTINUED)

### 1. The principal kinds of taxes and related tax rates (Continued)

The applicable income tax rates for the Group and its subsidiaries are 25% (31 December 2022: 25%) except for those stated in Note IV.2 which are eligible for preferential tax treatments, and Ma Steel (Hong Kong) Company Limited (“**Ma Steel (HK)**”), where the applicable income tax rate is 16.5%, Maanshan Iron and Steel (Australia) Proprietary Limited and Trading and Development GmbH (“**MG Trading**”), where the applicable income tax rate is 30%.

### 2. Tax preference

Name of Company	Preferential tax rate	Reason
Maanshan Iron & Steel Company Limited (“Magang Stock”)	15%	Hi-tech Enterprises (note (i))
Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. (“Masteel Transportation Material”)	15%	Hi-tech Enterprises (note (i))
Mascometal Co.,Ltd.(“Mascometal”)	15%	Hi-tech Enterprises (note (i))
Ma Steel (Hefei) Iron & Steel Co., Ltd. (“Ma Steel (Hefei)”)	15%	Hi-tech Enterprises (note (i))
Anhui Changjiang Iron & Steel Co., Ltd. (“Anhui Changjiang Iron and Steel”)	15%	Hi-tech Enterprises (note (i))

Note (i) Pursuant to Article 28 of the Corporate Income Tax Law of the People’s Republic of China, corporate income tax (CIT) is levied at a reduced rate of 15% for state-supported key high-tech enterprises. In accordance with Article 9 of the Administrative Measures on Accreditation of High-tech Enterprises, the qualification of an accredited high-tech enterprise is valid for three years from the date of issuance of the certificate.

The Company qualified as a high-tech enterprise in 2022, and the applicable income tax rate has been 15% since then and will remain so for 3 years.

Masteel Transportation Material, a subsidiary of the Group, was recognised as a high-tech enterprise in 2023. The preferential income tax rate of 15% is applicable in three years from 2023.

Mascometal, a subsidiary of the Group, was recognised as a high-tech enterprise in 2023. The preferential income tax rate of 15% is applicable in three years from 2023.

Ma Steel (Hefei), a subsidiary of the Group, was recognised as a high-tech enterprise in 2023. The preferential income tax rate of 15% is applicable in three years from 2023.

Anhui Changjiang Iron and Steel, a subsidiary of the Group, was recognised as a high-tech enterprise in 2023. The preferential income tax rate of 15% is applicable in three years from 2023.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

Item	Note	31 December 2023	31 December 2022
Cash on hand		–	2,210
Bank balances		<b>1,445,438,702</b>	4,360,736,201
Other monetary assets		<b>1,141,203,514</b>	1,366,044,310
Mandatory reserves of Magang Group Finance Company Limited (“Masteel Finance”) deposited in the central bank		–	807,918,586
Deposits with Baowu Group Finance Company Limited (“Baowu Finance”)		<b>2,983,155,506</b>	–
<b>Total</b>		<b>5,569,797,722</b>	6,534,701,307
Including: Total overseas deposits		<b>322,969,512</b>	524,484,279
Restricted amount due to mortgage,pledge or freeze	V.64	<b>1,141,203,514</b>	1,366,044,310

### 2. Financial assets held for trading

Item	31 December 2023	31 December 2022	Rationale and basis for designation
Financial assets at fair value through profit or loss	–	625,997,138	N/A
Including: Debt instrument investment	–	585,525,750	N/A
Derivative financial assets- Futures contracts	–	40,471,388	N/A
<b>Total</b>	–	625,997,138	/

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 3. Notes receivable

#### (1) Classification of notes receivable

Item	31 December 2023	31 December 2022
Bank acceptance notes	<b>1,708,216,158</b>	1,933,419,913
Less: Provisions for bad debts	—	—
<b>Total</b>	<b>1,708,216,158</b>	1,933,419,913

All of the above notes are due within one year.

#### (2) The pledged notes receivable of the Group at the end of the year:

	Note	31 December 2023	31 December 2022
Bank acceptance notes	V.64	<b>395,413,470</b>	581,980,154

#### (3) Outstanding endorsed or discounted notes that have not matured at the end of the year:

Item	31 December 2023		31 December 2022	
	Amount derecognized	Amount not derecognized	Amount derecognized	Amount not derecognized
Bank acceptance notes	<b>12,228,142,679</b>	<b>1,242,029,813</b>	9,544,110,862	1,281,016,240

#### (4) Notes transferred to accounts receivable due to non-performance of the issuers at the end of the year :

As of 31 December 2023, the Group did not have any note transferred to accounts receivable due to non-performance of the issuers (31 December 2022: Nil).

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 4. Trade receivables

(1) Trade receivables by customer type are as follows:

Customer type	Note	31 December 2023	31 December 2022
Related parties	XII.6	<b>538,100,177</b>	420,196,646
Third party		<b>1,094,191,231</b>	1,033,032,057
Sub-total		<b>1,632,291,408</b>	1,453,228,703
Less: Provisions for bad debts		<b>231,626,649</b>	76,350,303
Total		<b>1,400,664,759</b>	1,376,878,400

(2) Age analysis of the trade receivables is as follows:

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

The ageing is counted starting from the date when trade receivables are recognised.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 4. Trade receivables (Continued)

#### (3) Trade receivables by provisioning method

Category	31 December 2023				31 December 2022							
	Book value		Provision for bad debts		Book value		Book value		Provision for bad debts		Book value	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	
Assessed bad debt												
provision individually	164,936,960	10	(158,009,608)	96	6,927,352	-	-	-	-	-	-	-
Assessed bad debt												
provision in portfolios	1,467,354,448	90	(73,617,041)	5	1,393,737,407	1,453,228,703	100	(76,350,303)	5	1,376,878,400		
- Assessed bad debt												
provision in portfolios												
based on credit risk												
characteristics	1,467,354,448	90	(73,617,041)	5	1,393,737,407	1,453,228,703	100	(76,350,303)	5	1,376,878,400		
Total	1,632,291,408	100	(231,626,649)		1,400,664,759	1,453,228,703	100	(76,350,303)		1,376,878,400		

#### (a) Basis for individual assessments:

Item	Basis for provision
Company 1	Bankruptcy and reorganisation of the debtor

#### (b) Assessment of ECLs on trade receivables :

At all times the Group measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the aging and the expected loss rate. According to the historical experience of the Group, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 4. Trade receivables (Continued)

#### (3) Trade receivables by provisioning method (Continued)

##### (b) Assessment of ECLs on trade receivables: (Continued)

**2023**

	Expected credit loss ratio	Carrying amount	Impairment loss at the end of the year
Within one year	1%	1,402,446,230	14,142,443
One to two years	17%	4,476,187	760,952
Two to three years	53%	3,656,139	1,937,754
Over three years	100%	56,775,892	56,775,892
Total		1,467,354,448	73,617,041

**2022**

	Expected credit loss ratio	Carrying amount	Impairment loss at the end of the year
Within one year	1%	1,335,955,228	13,359,552
One to two years	16%	58,996,750	9,439,480
Two to three years	45%	8,591,735	3,866,281
Over three years	100%	49,684,990	49,684,990
Total		1,453,228,703	76,350,303

The loss given default is measured based on the actual credit loss experience in the past, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 4. Trade receivables (Continued)

(4) The movements of provisions for bad debts is as follows:

	31 December 2023	31 December 2022
Opening balance	<b>76,350,303</b>	56,899,956
Increase	–	24,871,073
Recoveries or reversals during the year	<b>(5,650,549)</b>	(2,684,929)
Transfers out during the year	<b>10,103,065</b>	–
Changes in consolidation scope	<b>150,464,542</b>	(2,967,666)
Exchange gains or losses	<b>359,288</b>	231,869
Closing balance	<b>231,626,649</b>	76,350,303

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

31 December 2023	Relationship with the Group	Ending balance	Ageing	Percentage of trade receivables	Ending balance of bad debt provision
Company 1	Third party	164,936,960	Within 2 year	10%	(158,009,608)
Company 2	Third party	154,709,355	Within 1 year	9%	(1,547,094)
Company 3	Third party	76,254,005	Within 1 year	5%	(762,540)
Company 4	Third party	75,909,042	Within 1 year	5%	(759,090)
Company 5	Third party	63,952,919	Within 1 year	4%	(639,529)
<b>Total</b>		<b>535,762,281</b>		<b>33%</b>	<b>(161,717,861)</b>

31 December 2022	Relationship with the Group	Ending balance	Ageing	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 2 year	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>Total</b>		<b>533,717,189</b>		<b>37%</b>	<b>(48,988,534)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 4. Trade receivables (Continued)

#### (6) *Derecognition of trade receivables due to transfer of financial assets*

As of 31 December 2023, there were no trade receivables that were derecognised due to the transfer of financial assets (31 December 2022: Nil).

#### (7) *Assets and liabilities recognised due to the transfer with continuing involvement of trade receivables*

As of 31 December 2023, the Group had no assets or liabilities derived from transferring trade receivables in which the Group was continuingly involved (31 December 2022: Nil).

### 5. Financial receivables

Item	Opening balance	Changes in fair value during the period	Ending balance	Accumulated impairment losses recognised in other comprehensive income
Bank acceptance notes	2,659,676,438	–	1,801,284,684	–

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

### 6. Prepayments

#### (1) *Dividend receivable by category:*

Item	31 December 2023	31 December 2022
Prepayment for materials	645,423,430	523,771,038
Total	645,423,430	523,771,038

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 6. Prepayments (Continued)

(2) Age analysis of the prepayments is as follows:

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

The age is counted starting from the date when prepayments are recognised.

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.

(3) Five largest prepayments by debtor at the end of the year:

31 December 2023

Debtor	Relationship with the Group	Ending balance	Percentage of prepayments (%)
Company 1	Third party	<b>281,157,573</b>	<b>44%</b>
Company 2	Third party	<b>91,894,435</b>	<b>14%</b>
Company 3	Third party	<b>51,635,929</b>	<b>8%</b>
Company 4	Third party	<b>31,693,800</b>	<b>5%</b>
Company 5	Third party	<b>23,174,586</b>	<b>4%</b>
<b>Total</b>		<b>479,556,323</b>	<b>75%</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 6. Prepayments (Continued)

(3) Five largest prepayments by debtor at the end of the year: (Continued)

31 December 2022

Debtor	Relationship with the Group	Ending balance	Percentage of prepayments (%)
Company 1	Third party	97,859,301	19%
Company 2	Third party	55,328,760	11%
Company 3	Third party	51,544,820	10%
Company 4	Associate of the Holding	49,960,538	10%
Company 5	Third party	48,632,393	9%
Total		303,325,812	59%

### 7. Other receivables

	31 December 2023	31 December 2022
Dividends receivable	5,049,555	–
Other receivables	310,587,485	330,510,759
Total	315,637,040	330,510,759

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 7. Other receivables (Continued)

#### (1) Dividends receivable

##### (a) Dividends receivable by category:

Investee	31 December 2023	31 December 2022
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.	5,049,555	–
Total	5,049,555	–

#### (2) Other receivables

##### (a) Other receivables by customer type:

Customer type	Note	31 December 2023	31 December 2022
Related parties	XII.6	13,289,602	6,046,409
Third party		384,955,393	399,712,452
Sub-total		398,244,995	405,758,861
Less: Provisions for bad debts		87,657,510	75,248,102
Total		310,587,485	330,510,759

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 7. Other receivables (Continued)

#### (2) Other receivables (Continued)

(b) Other receivables analysed by nature were as follows:

Nature	31 December 2023	31 December 2022
Asset deposition	228,973,927	169,786,572
Due from trading companies	69,983,981	103,543,396
Deposit for steel futures	81,255,708	81,935,967
Prepaid import tariff and VAT deposit	–	30,020,000
Tax refunds	237,911	237,911
Others	17,793,468	20,235,015
Sub-total	398,244,995	405,758,861
Less: Provisions for bad debts	87,657,510	75,248,102
Total	310,587,485	330,510,759

(c) Age analysis of other receivables is as follows:

Age	31 December 2023	31 December 2022
Within one year (inclusive)	128,049,825	328,454,904
One to two years (inclusive)	201,483,500	4,644,213
Two to three years (inclusive)	301,850	1,181,678
Over three years	68,409,820	71,478,066
Sub-total	398,244,995	405,758,861
Less: Provisions for bad debts	87,657,510	75,248,102
Total	310,587,485	330,510,759

The age is counted starting from the date when other receivables are recognised.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 7. Other receivables (Continued)

#### (2) Other receivables (Continued)

(d) The movements of Provisions for bad debts is as follows

	31 December 2023				31 December 2022			
	Stage I	Stage II Not credit- impaired financial assets	Stage III Credit- impaired financial assets	Total	Stage I	Stage II Not credit- impaired financial assets	Stage III Credit-impaired financial assets	Total
Provisions for bad debts	12-month expected credit losses	(Lifetime expected credit losses)	(Lifetime expected credit losses)		12-month expected credit losses	(Lifetime expected credit losses)	(Lifetime expected credit losses)	
1. Provisions for bad debts								
Opening balance	961,704	22,650,121	51,636,277	75,248,102	1,009,562	18,919,748	50,635,384	70,564,694
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Reverse to stage 2	-	-	-	-	-	-	-	-
Reverse to stage 1	-	-	-	-	-	-	-	-
Accrual	-	12,399,036	389,210	12,788,246	58,075	3,730,373	1,000,893	4,789,341
Disposal of a subsidiary	(86,766)	-	-	(86,766)	(108,176)	-	-	(108,176)
Other changes	4,818	-	-	4,818	2,243	-	-	2,243
Reversal	(296,890)	-	-	(296,890)	-	-	-	-
Write-off	-	-	-	-	-	-	-	-
Transfers out during the year	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Closing balance	582,866	35,049,157	52,025,487	87,657,510	961,704	22,650,121	51,636,277	75,248,102
2. Balance of other receivables								
at the end of the year	95,944,809	250,274,699	52,025,487	398,244,995	237,886,499	116,236,085	51,636,277	405,758,861
3. Provision percentage	1%	14%	100%		0%	19%	100%	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 7. Other receivables (Continued)

#### (2) Other receivables (Continued)

##### (e) Provisions for bad and doubtful debts

Category	Opening balance	Movements during the year			Other movements	Closing balance
		Provision	Recoveries or reversals	Transfers or write-offs		
The group of pledges and deposits	-	-	-	-	-	-
The group of receivables due from other parties	75,248,102	12,788,246	(296,890)	-	(81,948)	87,657,510
<b>Total</b>	<b>75,248,102</b>	<b>12,788,246</b>	<b>(296,890)</b>	<b>-</b>	<b>(81,948)</b>	<b>87,657,510</b>

##### (f) Five largest others-by debtor at the end of the year

31 December 2023

Debtor	Nature	Carrying amount	Aging	Ratio in other receivables (%)	Provision for bad debts
Company 1	Amount from disposal of assets	<b>163,262,000</b>	Within 2 year	<b>41</b>	<b>(17,953,820)</b>
Company 2	Amount from disposal of assets	<b>49,891,137</b>	Within 1 year	<b>13</b>	<b>(498,911)</b>
Company 3	Due from trading companies	<b>45,390,133</b>	Over 3 years	<b>11</b>	<b>(45,390,133)</b>
Company 4	Deposit for steel futures	<b>43,326,088</b>	Within 2 year	<b>11</b>	-
Company 5	Deposit for steel futures	<b>37,927,619</b>	Within 2 year	<b>10</b>	-
<b>Total</b>		<b>339,796,977</b>		<b>86</b>	<b>(63,842,864)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 7. Other receivables (Continued)

#### (2) Other receivables (Continued)

##### (f) Five largest others-by debtor at the end of the year (Continued)

31 December 2022

Debtor	Nature	Carrying amount	Aging	Ratio in other receivables (%)	Provision for bad debts
Company 1	Land transfer to the government	168,212,000	Within 1 year	41	(1,682,120)
Company 2	Due from trading companies	45,390,133	Over 3 years	11	(45,390,133)
Company 3	Deposit for steel futures	44,388,394	Over 1 years	11	-
Company 4	Deposit for steel futures	37,545,573	Within 1 year	9	-
Company 5	Deposit	29,950,000	Within 1 year	7	(299,500)
<b>Total</b>		<b>325,486,100</b>		<b>79</b>	<b>(47,371,753)</b>

##### (g) Others-government grants

31 December 2023 and 31 December 2022

Debtor	Government grant project	Balance	Aging	Expected receiving time, amount and basis
Other receivables due from Taibai Town Government	Policy return from 2004 to 2009	<b>237,911</b>	Over 3 years	Note 1
<b>Total</b>		<b>237,911</b>		

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 7. Other receivables (Continued)

#### (2) Other receivables (Continued)

#### (g) Others-government grants (Continued)

*Note 1:* The balance is the government grant received by a subsidiary named Anhui Changjiang Iron and Steel Co., Ltd. ("Anhui Changjiang Iron and Steel") in 2009 from the Town Government of Taibai, Dangtu in Anhui Province for its timely and full tax payments between 2004 and 2009. This government grant was recorded as non-operating income in 2009, there is still RMB237.911 to be received and full accrued allowance/provision for bad debts in 2023.

### 8. Inventories

#### (1) Inventories by category

Item	31 December 2023			31 December 2022		
	Book amount	Provision for impairment	Carrying amount	Book amount	Provision for impairment	Carrying amount
Raw materials	4,544,361,602	(178,594,326)	4,365,767,276	5,479,948,207	(529,418,028)	4,950,530,179
Work in progress	2,371,869,544	(128,383,763)	2,243,485,781	2,240,249,064	(159,685,964)	2,080,563,100
Finished goods	1,703,568,454	(57,984,053)	1,645,584,401	1,589,139,490	(80,073,281)	1,509,066,209
Spare parts	1,370,901,467	(44,662,568)	1,326,238,899	1,468,865,282	(22,530,660)	1,446,334,622
Others	337,213,691	-	337,213,691	258,047,624	-	258,047,624
Total	10,327,914,758	(409,624,710)	9,918,290,048	11,036,249,667	(791,707,933)	10,244,541,734

As of 31 December 2023, none of the Group's ownership of its inventory was restricted (31 December 2022: Nil).

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### (2) Impairment provision against inventories

2023

Item	Opening balance	Increase		Decrease		Closing balance
		Provided	Reversal or write-off	Exchange gains or losses	Changes in consolidation scope	
Raw materials	529,418,028	446,830,492	(786,528,880)	(95,947)	(11,029,367)	178,594,326
Work in progress	159,685,964	364,761,869	(389,509,620)	(55,816)	(6,498,634)	128,383,763
Finished goods	80,073,281	157,485,346	(175,456,113)	(35,518)	(4,082,943)	57,984,053
Spare parts	22,530,660	24,855,956	–	(23,483)	(2,700,565)	44,662,568
<b>Total</b>	<b>791,707,933</b>	<b>993,933,663</b>	<b>(1,351,494,613)</b>	<b>(210,764)</b>	<b>(24,311,509)</b>	<b>409,624,710</b>

2022

Item	Opening balance	Increase		Decrease		Closing balance
		Provided	Reversal or write-off	Exchange gains or losses	Changes in consolidation scope	
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>Total</b>	<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>

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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

Item	31 December 2023	31 December 2022
Bonds	–	2,680,219,906
Less: Provision for impairment	–	10,392
Total	–	2,680,209,514

The financial assets purchased under agreements to resell are payments for bonds purchased by Masteel Finance, a subsidiary of the Company, in order to resell at the fixed prices in accordance with the resale agreements. As stated in Note XII. 7, Masteel Finance was disposed of on 30 April 2023.

### 10. Loans and advances to customers

Item	31 December 2023	31 December 2022
Loans from other companies	–	1,470,238,970
Discounted notes	–	1,248,912,989
Sub-total	–	2,719,151,959
Less: Bad debt provision for loans and advances to customers	–	74,954,311
Total	–	2,644,197,648

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## V. 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:

Item	31 December 2023	31 December 2022
Credit loans	–	2,684,385,093
Pledged loans	–	34,766,866
Total	–	2,719,151,959

Loans and advances to customers are mainly loans and advances provided by Masteel Finance, a subsidiary of the Company, to the Holding and its subsidiaries. As stated in Note XII.7, Masteel Finance was disposed of on 30 April 2023.

The movements of provisions for bad debts against loans and advances to customers are as follows:

#### 2023

	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	74,954,311	–	–	74,954,311
Current period accrual	–	–	–	–
Current period reversal	(44,821,980)	–	–	(44,821,980)
Changes in consolidation scope	(30,132,331)	–	–	(30,132,331)
Closing balance	–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

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	136,333,518	–	–	136,333,518
Current period accrual	–	–	–	–
Current period reversal	(61,379,207)	–	–	(61,379,207)
Closing balance	74,954,311	–	–	74,954,311

### 11. Other current assets

Item	Note	31 December 2023	31 December 2022
Prepaid income tax		<b>11,656,241</b>	401,579,513
Deductible value added tax		<b>670,650,020</b>	477,778,603
Debt instrument investments	(1)	–	8,883,816,241
Sub-total		<b>682,306,261</b>	9,763,174,357
Less : Provision for impairment		–	–
Total		<b>682,306,261</b>	9,763,174,357

- (1) Bonds held by the Group are mainly interbank certificates of deposit bought by Masteel Finance, a subsidiary of the Company. As stated in Note XII.7, Masteel Finance was disposed of on 30 April 2023.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 12. Long-term receivables

Item	31 December 2023	31 December 2022
Sales and leaseback receivables	–	4,136,391

Sales and leaseback receivables are from the sales and leaseback business of Masteel Finance, a subsidiary of the Company. As stated in Note XII.7, Masteel Finance was disposed of on 30 April 2023.

### 13. Long-term equity investments

(1) *Long-term equity investments by category:*

Item	31 December 2023	31 December 2022
Investments in joint ventures	297,836,841	297,830,424
Investments in associates	6,745,987,790	4,151,591,559
Sub-total	7,043,824,631	4,449,421,983
Less : Provision for impairment	–	–
– Joint ventures	–	–
– Associates	–	–
Total	7,043,824,631	4,449,421,983

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

(2) The movements of long-term equity investments during the year is as follows:

2023

Investee	Opening balance	Changes 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	Translation differences arising from translation of foreign currency financial statements			Provision for impairment	Others	
Joint ventures													
Maanshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel")	297,830,424	-	-	55,006,417	-	-	(55,000,000)	-	-	-	-	297,836,841	-
Sub-total	297,830,424	-	-	55,006,417	-	-	(55,000,000)	-	-	-	-	297,836,841	-
Associates													
Henan JinMa Energy Co., Ltd. ("Henan JinMa Energy")	934,867,868	-	-	8,783,723	(1,575,282)	(8,039,772)	(14,400,000)	-	-	-	-	919,636,537	-
Shenglong Chemical Co., Ltd. ("Shenglong Chemical")	1,114,069,916	-	-	(20,790,895)	-	(1,004,128)	-	-	-	-	-	1,092,274,893	-
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. ("Xinchuang Environmental Protection")	75,989,051	-	-	148,767	-	1,066,248	(5,049,555)	-	-	-	-	72,174,511	-
Ouyee Commercial Factoring Co., Ltd. ("Ouyee Factoring") (Note 1)	163,524,728	-	(165,138,626)	1,613,898	-	-	-	-	-	-	-	-	-
Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy")	276,457,495	-	-	1,355,213	-	694,887	-	-	-	-	-	278,507,575	-
Anhui Baoxin Software Co., Ltd. ("Baoxin Anhui") (Formerly known as Prima Intelligence Technology Co., Ltd.)	224,404,566	-	-	6,977,196	-	-	(7,086,088)	-	-	-	-	224,295,674	-
OBEI Co., Ltd. ("OBEI")	425,551,735	-	-	8,015,394	43,035	20,405,966	-	-	-	-	-	454,016,130	-
Baowu Water Technology Co., Ltd. ("Baowu Water")	661,849,275	-	-	8,925,032	-	3,774,828	(7,821,348)	-	-	-	-	666,727,667	-
Anhui Masteeel Gas Technology Co., Ltd. ("Masteeel Gases")	174,462,190	-	-	15,378,441	-	296,119	(14,374,332)	-	-	-	-	175,762,418	-
Anhui Masteeel Holy Industrial Co., Ltd. ("Holy Industrial")	100,414,735	-	-	507,639	-	-	(8,239,439)	-	-	-	478,903	93,161,838	-
Baowu Finance (Note 2)	-	2,671,258,054	-	96,737,255	3,417,999	(1,982,881)	-	-	-	-	-	2,769,430,427	-
Sub-total	4,151,591,559	2,671,258,054	(165,138,626)	127,651,663	1,885,752	15,231,247	(56,970,762)	478,903	-	-	-	6,745,987,790	-
Total	4,449,421,983	2,671,258,054	(165,138,626)	182,658,080	1,885,752	15,231,247	(111,970,762)	478,903	-	-	-	7,043,824,631	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

(2) The movements of long-term equity investments during the year is as follows:

2022

Investee	Opening balance	Changes 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	Translation differences arising from translation of foreign currency financial statements		
Joint ventures										
Maanshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel")	307,367,524	-	-	83,462,900	-	-	-	(93,000,000)	-	297,830,424
Sub-total	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	234,788	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
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. ("Xinchuang Environmental Protection")	74,212,749	-	-	7,260,385	-	(13,076)	(5,471,007)	-	-	75,989,051
Ouyee Commercial Factoring Co., Ltd. ("Ouyee Factoring")	169,107,630	-	-	3,116,814	-	-	-	1,300,284	-	163,524,728
Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy")	773,242,851	-	(500,232,300)	90,285,248	-	(1,138,082)	(120,515,965)	-	34,815,723	276,457,495
Anhui Masteel K.Wah New Building Materials Co., Ltd. ("Masteel K. Wah")	117,087,596	-	(117,087,596)	-	-	-	-	-	-	-
Ouyee Blockchain Finance and Metal Recycling Resource Co., Ltd. ("Ouyee Blockchain Finance")	347,391,995	-	(351,167,916)	31,818,502	-	(9,599,571)	(18,443,000)	-	-	-
Anhui Baoxin Software Co., Ltd. ("Baoxin Anhui") (Formerly known as Prima Intelligence Technology Co., Ltd.)	213,619,073	-	-	22,851,358	-	-	(12,065,865)	-	-	224,404,566
OBEI Co., Ltd. ("OBEI")	422,657,885	-	-	3,377,519	(71,143)	(412,526)	-	-	-	425,551,735
Baowu Water Technology Co., Ltd. ("Baowu Water")	655,562,950	-	-	21,087,679	-	(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")	-	100,414,735	-	-	-	-	-	-	-	100,414,735
Sub-total	4,851,516,371	100,414,735	(868,487,812)	357,629,930	163,625	(8,156,241)	(217,605,056)	-	36,116,007	4,151,591,559
Total	5,158,883,895	100,414,735	(868,487,812)	441,092,830	163,625	(8,156,241)	(310,605,056)	-	36,116,007	4,449,421,983

Note 1: On 9 February 2023, the Company entered into an equity transfer agreement with Shanghai Ouyee Financial Information Service Co., Ltd. for the transfer of the Company's 16.14% equity interest in Ouyee Factoring.

Note 2: As stated in Note XII.7, the Company disposed of Masteel Finance on 30 April 2023 and in exchange, obtained 29.68% of equity in Baowu Finance.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 14. Other equity instrument investments

(1) Details of other equity instruments:

**2023**

Item	Opening balance	Changes during the year			Closing balance	Dividend income recognised for the year	Accumulated gains/(losses) included in other comprehensive income	Reason for designation
		Increase	Decrease	Gains/(losses) included in other comprehensive income during the year				
Henan Longyu	59,170,155	-	-	2,088,472	61,258,627	-	51,258,627	With the intention of establishing or maintaining a long-term investment for strategic reasons
MCC17	46,314,227	-	-	10,280,073	56,594,300	-	48,039,500	With the intention of establishing or maintaining a long-term investment for strategic reasons
Anshan Huatai	1,825,672	-	(1,563,486)	(262,186)	-	-	-	With the intention of establishing or maintaining a long-term investment for strategic reasons
Linhan Coking	168,185,453	-	-	(48,467,453)	119,718,000	-	15,594,935	With the intention of establishing or maintaining a long-term investment for strategic reasons
Masteel Lihua	5,712,591	-	-	(796,470)	4,916,121	551,607	416,121	With the intention of establishing or maintaining a long-term investment for strategic reasons
Huabao Duding	88,635,000	-	(92,780,065)	4,145,065	-	-	-	With the intention of establishing or maintaining a long-term investment for strategic reasons
Baowu Clean Energy	171,563,412	-	-	(22,056,672)	149,506,740	-	(5,939,620)	With the intention of establishing or maintaining a long-term investment for strategic reasons
<b>Total</b>	<b>541,406,510</b>	<b>-</b>	<b>(94,343,551)</b>	<b>(55,069,171)</b>	<b>391,993,788</b>	<b>551,607</b>	<b>109,369,563</b>	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) Details of other equity instruments: (Continued)

In order to optimize its portfolio of SOE assets, the Group disposed of its interest in Huabao Duding and Anshan Huatai, which had a fair value of RMB92,780,065 and RMB1,563,486 at the date of derecognition, and the accumulated gain was RMB9,828,190 and RMB1,163,486.

2022

Item	Opening balance	Changes during the year			Closing balance	Dividend income recognised for the year	Accumulated gains/(losses) included in other comprehensive income	Reason for designation
		Increase	Decrease	Gains/(losses) included in other comprehensive income during the year				
Henan Longyu	51,823,828	-	-	7,346,327	59,170,155	-	49,170,155	With the intention of establishing or maintaining a long-term investment for strategic reasons
MCC17	46,825,970	-	-	(511,743)	46,314,227	-	37,759,427	With the intention of establishing or maintaining a long-term investment for strategic reasons
Custeel E-commerce Co., Ltd. ("Custeel E-commerce")	245,946	-	(245,946)	-	-	-	-	With the intention of establishing or maintaining a long-term investment for strategic reasons
Anshan Huatai	586,688	-	-	1,238,984	1,825,672	250,000	1,425,672	With the intention of establishing or maintaining a long-term investment for strategic reasons
Linhuan Coking	295,235,620	-	-	(127,050,167)	168,185,453	21,597,770	53,684,997	With the intention of establishing or maintaining a long-term investment for strategic reasons
Masteel Lihua	3,475,845	-	-	2,236,746	5,712,591	-	1,212,591	With the intention of establishing or maintaining a long-term investment for strategic reasons

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) Details of other equity instruments: (Continued)

2022

Item	Opening balance	Changes during the year			Closing balance	Dividend income recognised for the year	Accumulated gains/(losses) included in other comprehensive income	Reason for designation
		Increase	Decrease	Gains/(losses) included in other comprehensive income during the year				
Huabao Duding	88,303,082	-	-	331,918	88,635,000	4,020,634	5,683,125	With the intention of establishing or maintaining a long-term investment for strategic reasons
Baowu Clean Energy	155,446,360	-	-	16,117,052	171,563,412	-	16,117,052	With the intention of establishing or maintaining a long-term investment for strategic reasons
<b>Total</b>	<b>641,943,339</b>	<b>-</b>	<b>(245,946)</b>	<b>(100,290,883)</b>	<b>541,406,510</b>	<b>25,868,404</b>	<b>165,053,019</b>	

#### (2) Investments derecognised during the year:

Item	Accumulated gains transferred to retained earnings due to derecognition	Accumulated losses transferred to retained earnings due to derecognition	Reason for derecognition
Anshan Huatai	988,992	-	Optimisation on the stock assets of the state-owned enterprises
Huabao Duding	9,828,190	-	Optimisation on the stock assets of the state-owned enterprises
<b>Total</b>	<b>10,817,182</b>	<b>-</b>	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 15. Investment properties

**2023**

	<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>20,094,623</b>
Provided	<b>2,011,264</b>
Transferred to property, plant and equipment	–
Closing balance	<b>22,105,887</b>
Provision for impairment:	
Opening balance	–
Provided	–
Disposal	–
Closing balance	–
Net carrying amount:	
At the ending of the year	<b>55,196,655</b>
At the beginning of the year	<b>57,207,919</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 15. Investment properties (Continued)

2022

	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	16,490,938
Provided	3,603,685
Transferred to property, plant and equipment	–
Closing balance	20,094,623
Provision for impairment:	
Opening balance	–
Provided	–
Disposal	–
Closing balance	–
Net carrying amount:	
At the ending of the year	57,207,919
At the beginning of the year	60,811,604

As of 31 December 2023, the Group did not have any investment properties for which certificates of ownership had not yet been duly issued (31 December 2022:Nil).

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 16. Property, plant and equipment

#### (1) Property, plant and equipment

	31 December 2023	31 December 2022
Property, plant and equipment	<b>48,548,833,230</b>	42,421,162,633
Property, plant and equipment to be disposed of	–	11,071,278
<b>Total</b>	<b>48,548,833,230</b>	42,432,233,911

#### 2023

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land <i>(Note)</i>	Total
Cost:						
At the beginning 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
Addition	3,662,676	16,071,502	5,030,602	56,008,798	–	80,773,578
Transferred from						
construction in progress	222,069,614	8,829,489,713	627,571,948	283,301,792	–	9,962,433,067
Disposal	(275,303,016)	(350,386,697)	(3,288,534)	(17,519)	–	(628,995,766)
Disposal of a subsidiary	(41,725,154)	(221,505,054)	(7,552,500)	(9,176,179)	(11,041,898)	(291,000,785)
Exchange realignment	2,177,750	12,079,922	460,134	291,290	612,986	15,622,082
<b>At the end of the year</b>	<b>33,788,710,491</b>	<b>71,926,203,989</b>	<b>1,256,327,274</b>	<b>1,494,218,295</b>	<b>–</b>	<b>108,465,460,049</b>
Accumulated depreciation:						
At the beginning of the year	14,982,180,752	41,060,738,879	204,337,164	369,041,834	–	56,616,298,629
Addition	938,671,402	2,260,539,612	381,660,537	134,458,116	–	3,715,329,667
Disposal	(173,363,137)	(319,614,141)	(3,025,535)	(17,519)	–	(496,020,332)
Disposal of a subsidiary	(14,251,936)	(85,027,626)	(5,179,874)	(7,516,913)	–	(111,976,349)
Exchange realignment	844,046	5,233,000	324,520	211,972	–	6,613,538
<b>At the end of the year</b>	<b>15,734,081,127</b>	<b>42,921,869,724</b>	<b>578,116,812</b>	<b>496,177,490</b>	<b>–</b>	<b>59,730,245,153</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) Property, plant and equipment (Continued)

#### 2023

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land <i>(Note)</i>	Total
Impairment:						
At the beginning of the year	11,887,557	274,608,282	2,332,249	338,523	-	289,166,611
Disposal	(12,848,869)	(93,149,772)	(2,469,333)	(358,421)	-	(108,826,395)
Exchange realignment Provided	961,312	4,923,156	137,084	19,898	-	6,041,450
	-	-	-	-	-	-
At the end of the period	-	186,381,666	-	-	-	186,381,666
Net carrying amount:						
At the end of the year	18,054,629,364	28,817,952,599	678,210,462	998,040,805	-	48,548,833,230
At the beginning of the year	18,883,760,312	22,305,107,442	427,436,211	794,429,756	10,428,912	42,421,162,633

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) Property, plant and equipment (Continued)

2022

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land <i>(Note)</i>	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	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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) Property, plant and equipment (Continued)

2022

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land (Note)	Total
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

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) Property, plant and equipment (Continued)

Impairment of long-term assets

Item	Carrying amount	Recoverable amount	Impairment amount	Terms of forecast period	Key parameters for the forecast period	Key parameters for the stable period	Basis for determining the key parameters for the stable period
The long-term asset groups of the headquarters	43,242,870,414	48,064,000,000	-	15 years	Pre-tax discount rate 7.15% Sales growth rate 0.11% - 1.88%	N/A	N/A
The long-term asset groups of Changjiang Steel	7,165,340,800	7,703,000,000	-	15 years	Pre-tax discount rate 7.27% Sales growth rate 0% - 4.96%	N/A	N/A
Total	50,408,211,214	55,767,000,000	- /	/	/	/	/

#### (2) Temporarily idle property, plant and equipment

As of 31 December 2023, the Group had no idle property, plant and equipment (31 December 2022: Nil).

Property, plant and equipment to be disposed of

	31 December 2023	31 December 2022
Machinery and equipment	-	11,071,278
Total	-	11,071,278

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (3) Property, plant and equipment leased out under operating leases

Item	Plant and buildings
Cost:	
At the beginning of the year	57,068,400
Addition	–
Disposal	–
At the end of the year	57,068,400
Accumulated depreciation:	
At the beginning of the year	44,172,969
Provided	1,162,705
Disposal	–
At the end of the year	45,335,674
Impairment:	
At the beginning of the year	–
Provided	–
Disposal	–
At the end of the year	–
Net carrying amount:	
At the end of the year	11,732,726
At the beginning of the year	12,895,431

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (4) Property, plant and equipment pending certificates of ownership

Item	Cost as at 31 December 2023	Cost as at 31 December 2022	Reason why certificates of ownership are pending
Plant and buildings	1,646,753,102	1,555,606,783	Certificate of ownership are being reviewed by relevant government authorities

As of 31 December 2023, certificates of ownership in respect of 65 buildings of the Group in Mainland China, mainly used for production and operation, with an aggregate cost of RMB1,646,753,102 (31 December 2022: RMB1,555,606,783), 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.

### 17. Construction in progress

	Note	31 December 2023	31 December 2022
Construction in progress	(1)	4,013,854,765	7,766,555,935
Total		4,013,854,765	7,766,555,935

#### (1) Construction in progress

Item	31 December 2023		31 December 2022			
	Carrying amount	Provision for impairment	Carrying amount	Carrying amount	Provision for impairment	Carrying amount
Product quality projects	745,171,211	-	745,171,211	3,414,899,160	-	3,414,899,160
Energy-saving and environmental protection project	1,041,376,031	-	1,041,376,031	1,872,185,401	-	1,872,185,401
Equipment advancement and other modification projects	637,018,579	-	637,018,579	1,150,747,707	-	1,150,747,707
Other projects	1,590,288,944	-	1,590,288,944	1,328,723,667	-	1,328,723,667
Total	4,013,854,765	-	4,013,854,765	7,766,555,935	-	7,766,555,935

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## (CONTINUED)

### 17. Construction in progress (Continued)

#### (1) Construction in progress (Continued)

(a) The movements of significant projects were as follows  
2023

Item	Budget RMB'000	Opening balance		Addition	Transferred to property, plant and equipment (Note Y.16) RMB	Other decrease (Note 1) RMB	Closing balance	The proportion of projects investment accounted for budget		Percentage of completion	Capitalised interest		The capitalised interest rate in current year	Source of fund
		RMB	RMB					(%)	(%)		RMB	RMB		
Energy saving and emission reduction gas-fired power generation project	573,062	72,075,577	272,896,104	-	-	-	345,771,681	60%	60%	60%	1,132,917	1,040,833	0.99%	Internally and externally financed
Continuous casting of the new special steel project	4,207,020	1,030,531,416	1,006,077,618	(1,792,751,300)	-	-	243,857,734	60%	60%	60%	14,399,898	6,481,551	2.65%	Internally and externally financed
Steelmaking and refining of the new special steel project	2,486,000	907,393,948	366,126,794	(1,271,046,873)	-	-	2,471,869	54%	54%	54%	6,063,363	3,072,143	2.67%	Internally and externally financed
Smart manufacturing and informatisation project	402,060	299,740,162	54,540,319	(364,280,461)	-	-	-	100%	100%	100%	-	-	-	Internally financed
Section steel upgrading project in the southern area of Ma Steel	569,660	241,095,011	203,939,659	(445,034,670)	-	-	-	100%	100%	100%	-	-	-	Internally financed
Transformation and capacity expansion for the supporting of the energy medium system	680,590	212,022,893	312,020,666	(524,043,559)	-	-	-	100%	100%	100%	2,511,502	1,811,081	2.54%	Internally and externally financed
Others	不適用	5,002,696,928	4,205,075,458	(5,575,274,184)	(210,944,721)	(210,944,721)	3,421,753,481	不適用	不適用	不適用	6,038,605	100,690	2.73%	Internally and externally financed
Sub-total		7,766,555,935	6,420,676,618	(9,962,433,067)	(210,944,721)	(210,944,721)	4,013,854,765	30.136,285	30.136,285	30.136,285	12,506,298	2,322	2.32%	
Less: impairment		-	-	-	-	-	-	-	-	-	-	-	-	-
Total		7,766,555,935	6,420,676,618	(9,962,433,067)	(210,944,721)	(210,944,721)	4,013,854,765	30.136,285	30.136,285	30.136,285	12,506,298	2,322	2.32%	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 17. Construction in progress (Continued)

#### (1) Construction in progress (Continued)

(a) The movements of significant projects were as follows (Continued)

2022

Item	Budget RMB '000	Opening balance		Addition RMB	Transferred to property, plant and equipment (Note V.16) RMB	Other decrease RMB	Closing balance		The proportion of projects investment accounted for budget (%)	Percentage of completion (%)	Capitalised interest		The capitalised interest rate in current year Source of fund
		RMB	RMB				RMB	RMB			RMB	RMB	
Energy saving and emission reduction gas-fired power generation project	573,062	-	72,875,577	-	-	-	72,875,577	13%	13%	92,083	92,083	2.50%	Internally and externally financed
Continuous casting of the new special steel project	4,207,020	415,008	1,030,116,408	-	-	-	1,030,531,416	36%	36%	7,918,347	7,918,347	2.77%	Internally and externally financed
Steelmaking and refining of the new special steel project	2,486,000	692,193	906,701,755	-	-	-	907,393,948	39%	39%	2,981,220	2,981,220	2.84%	Internally and externally financed
Smart manufacturing and informatization project	402,060	256,637	299,483,525	-	-	-	299,740,162	75%	75%	-	-	-	Internally financed
Section steel upgrading project in the southern area of Ma Steel	569,660	-	241,095,011	-	-	-	241,095,011	42%	42%	-	-	-	Internally financed
Section steel upgrading project in the southern area of Ma Steel	680,390	95,602	211,927,291	-	-	-	212,022,893	57%	57%	700,421	700,421	2.70%	Internally and externally financed
Others	不適用	10,997,873,860	10,853,951,519	(16,848,928,451)	-	-	5,002,896,928	不適用	不適用	5,937,916	5,937,916	2.86%	Internally and externally financed
Sub-total		10,999,333,300	13,616,151,086	(16,848,928,451)	-	-	7,766,555,935	17,629,987	17,629,987	2.82%	2.82%		
Less: impairment		-	-	-	-	-	-	-	-	-	-	-	-
Total		10,999,333,300	13,616,151,086	(16,848,928,451)	-	-	7,766,555,935	17,629,987	17,629,987	2.82%	2.82%		

Note 1 : Other decrease represents the transfer of construction in progress involved in the Company's lime business to Maanshan Baozhichun Calcium and Magnesium Technology Co., Ltd.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 17. Construction in progress (Continued)

(1) *Construction in progress (Continued)*

(b) Provision for impairment of construction in progress

As of 31 December 2023, details on the impairment of the Group's construction in progress are disclosed in Note V.16.

### 18. Right-of-use assets

(1) *As a lessee*

Right-of-use assets

**2023**

Item	Plant and buildings	Land use rights	Total
Cost:			
At the beginning of the year	385,618,865	3,819,322	389,438,187
Addition	96,147,218	141,350	96,288,568
Disposal	(17,750,738)	–	(17,750,738)
At the end of the year	464,015,345	3,960,672	467,976,017
Accumulated depreciation:			
At the beginning of the year	99,752,126	441,962	100,194,088
Provided	29,501,993	103,491	29,605,484
Disposal	(10,796,141)	–	(10,796,141)
At the end of the year	118,457,978	545,453	119,003,431

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) As a lessee (Continued)

Right-of-use assets (Continued)

**2023**

Item	Plant and buildings	Land use rights	Total
Impairment:			
At the beginning of the year	–	–	–
Provided	–	–	–
Disposal	–	–	–
At the end of the year	–	–	–
Net carrying amount:			
At the end of the year	<b>345,557,367</b>	<b>3,415,219</b>	<b>348,972,586</b>
At the beginning of the year	<b>285,866,739</b>	<b>3,377,360</b>	<b>289,244,099</b>

As at 31 December 2023, Details on the impairment of the Group's right-of-use assets are disclosed in Note V.16.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (1) As a lessee (Continued)

Right-of-use assets (Continued)

2022

Item	Plant and buildings	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	–	–	–
Charge	–	–	–
Disposal	–	–	–
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

As at 31 December 2023, Details on the impairment of the Group's right-of-use assets are disclosed in Note V.16.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 19. Intangible assets

#### (1) Intangible assets

**2023**

Item	Land use rights	Patents and others	Total
Cost:			
At the beginning of the year	2,574,551,239	174,259,335	2,748,810,574
Addition	6,523,862	17,733,782	24,257,644
Disposal	(103,840,234)	(1,638,603)	(105,478,837)
Exchange realignment	–	90,966	90,966
At the end of the year	2,477,234,867	190,445,480	2,667,680,347
Accumulated amortization:			
At the beginning of the year	866,618,142	7,096,699	873,714,841
Provided	55,822,836	9,115,359	64,938,195
Disposal	(23,259,104)	(1,409,972)	(24,669,076)
Exchange realignment	–	78,274	78,274
At the end of the year	899,181,874	14,880,360	914,062,234
Impairment:			
At the beginning of the year	–	–	–
Addition	–	–	–
Disposal	–	–	–
At the end of the year	–	–	–
Net carrying amount:			
At the end of the year	1,578,052,993	175,565,120	1,753,618,113
At the beginning of the year	1,707,933,097	167,162,636	1,875,095,733

As at 31 December 2023, Details on the impairment of the Group's intangible assets are disclosed in Note V.16.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 19. Intangible assets (Continued)

#### (1) Intangible assets (Continued)

2022

Item	Land use rights	Patents and others	Mining rights	Total
Cost:				
At the beginning of the year	2,584,246,587	2,236,612	128,117,262	2,714,600,461
Addition	150,184,960	172,085,477	–	322,270,437
Disposal	(97,451,794)	(125,703)	(129,566,967)	(227,144,464)
Disposal of a subsidiary	(62,428,514)	–	–	(62,428,514)
Exchange realignment	–	62,949	1,449,705	1,512,654
At the end of the year	2,574,551,239	174,259,335	–	2,748,810,574
Accumulated amortization:				
At the beginning of the year	857,241,924	1,911,451	128,117,262	987,270,637
Provided	56,330,748	5,245,738	–	61,576,486
Disposal	(26,187,219)	(119,763)	(129,566,967)	(155,873,949)
Disposal of a subsidiary	(20,767,311)	–	–	(20,767,311)
Exchange realignment	–	59,273	1,449,705	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	–	–	–	–
Addition	–	–	–	–
Disposal	–	–	–	–
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

#### (2) Without the property right certificate Land use rights are as follows

Item	31 December 2023	31 December 2022	Reason for not completing the Property Ownership Certificate
Land use rights	6,494,747	9,679,426	The relevant materials for applying the certificate have not been obtained

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 20. Deferred tax assets, deferred tax liabilities

#### (1) Deferred tax assets and deferred tax liabilities

Item	31 December 2023		31 December 2022	
	Deductible temporary differences or Taxable temporary differences	Deferred tax assets/liabilities	Deductible temporary differences or Taxable temporary differences	Deferred tax assets/liabilities
Deferred tax assets :				
Asset impairment provision	<b>36,407,971</b>	<b>5,753,639</b>	67,118,714	17,414,242
Sales incentive	<b>28,405,030</b>	<b>4,260,755</b>	26,578,129	6,644,532
Payroll payable	–	–	11,506,429	3,246,267
Government grants	<b>166,462,383</b>	<b>24,969,357</b>	170,910,246	32,340,167
Deductible losses	<b>1,782,104,210</b>	<b>267,315,631</b>	642,599,026	96,389,851
Lease liabilities	<b>391,096,574</b>	<b>58,480,397</b>	321,060,819	49,927,327
Others	<b>398,873,871</b>	<b>69,686,480</b>	148,701,549	36,710,775
Sub-total	<b>2,803,350,039</b>	<b>430,466,259</b>	1,388,474,912	242,673,161
Amount offset	/	<b>76,127,194</b>	/	86,785,215
Balance after offsetting	/	<b>354,339,065</b>	/	155,887,946
Deferred tax liabilities :				
Fair value adjustments related to business combinations not under common control	<b>37,494,822</b>	<b>9,373,705</b>	60,176,608	13,802,368
Changes in fair value of futures	–	–	40,471,387	6,070,708
Changes in fair value of other equity instrument investments	<b>98,825,726</b>	<b>14,848,826</b>	159,369,891	24,026,743
Right-of-use assets	<b>348,984,214</b>	<b>52,200,117</b>	289,244,099	45,053,689
Others	–	–	5,338,882	1,334,721
Sub-total	<b>485,304,762</b>	<b>76,422,648</b>	554,600,867	90,288,229
Amount offset	/	<b>76,127,194</b>	/	86,785,215
Balance after offsetting	/	<b>295,454</b>	/	3,503,014

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 20. Deferred tax assets, deferred tax liabilities (Continued)

#### (2) The Group's unrecognised deferred tax assets

Item	31 December 2023	31 December 2022
Deductible temporary differences	<b>2,008,409,806</b>	3,278,153,136
Deductible tax losses	<b>6,179,280,592</b>	4,376,951,555
Total	<b>8,187,690,398</b>	7,655,104,691

#### (3) Unrecognised deferred tax assets arising from deductible tax losses will expire

Year	31 December 2023	31 December 2022	Note
2023	–	10,821,092	/
2024	<b>24,315,670</b>	24,315,670	/
2025	<b>14,580,461</b>	14,580,461	/
2026	–	–	/
2027	<b>363,361,767</b>	363,361,767	/
To expire in 2028 and subsequent years (Note)	<b>5,777,022,694</b>	3,963,872,565	/
Total	<b>6,179,280,592</b>	4,376,951,555	/

Note: As of 31 December 2023, the Company's overseas subsidiaries did not have any accumulated deductible tax losses (31 December 2022 : RMB661,192,737).

#### (4) The Group's unrecognised deferred tax liabilities

Item	31 December 2023	31 December 2022
The Group's unrecognised (Note)	<b>2,279,826,513</b>	1,438,521,807

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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 20. Deferred tax assets, deferred tax liabilities (Continued)

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, it has not recognised any deferred tax liabilities according to the above mentioned taxable temporary differences.

For taxable temporary differences arising from associates and joint ventures, as the Group 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

Item	31 December 2023	31 December 2022
Demand deposits	–	2,533,157,419
Notice deposits	–	2,164,630,175
Time deposits	–	4,384,322,985
Total	–	9,082,110,579

Customer deposits are from the deposit accepting business of Masteel Finance, a subsidiary of the Group. As stated in Note XII.7, Masteel Finance was disposed of on 30 April 2023.

### 22. Funds from sales of financial assets with repurchasement agreement

Item	31 December 2023	31 December 2022
Bonds	–	500,000,000
Notes	–	159,635,255
Total	–	659,635,255

The balance of funds from sales of financial assets with repurchasement agreement are capital inflow from re-discounted notes and re-discounted bonds purchased by Masteel Finance, a subsidiary of the Group, from other financial institutions. As stated in Note XII.7, Masteel Finance was disposed of on 30 April 2023.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 23. Short-term loans

Short-term loans by category :

Item	31 December 2023	31 December 2022
Pledged loans (Note)	–	581,980,154
Unsecured loans	<b>9,428,060,223</b>	8,616,503,011
Total	<b>9,428,060,223</b>	9,198,483,165

*Note* : As of 31 December 2023, the Group pledged the bank acceptance notes was nil (31 December 2022 : RMB581,980,154).

As of 31 December 2023, the interest rates of the above short-term loans ranged from 0.77% – 3.50% (31 December 2022 : 0.77% – 3.50%).

As of 31 December 2023 and 31 December 2022, the Group had no overdue short-term loans.

### 24. Notes payable

Item	31 December 2023	31 December 2022
Bank acceptance notes	<b>8,631,701,173</b>	5,220,978,025
Total	<b>8,631,701,173</b>	5,220,978,025

As of 31 December 2023, the Group did not have any past due note (31 December 2022: nil). The amount listed above are notes payable due within 6 months.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 25. Trade payables

(1) Trade payables:

Item	Note	31 December 2023	31 December 2022
Related parties	XII.6	<b>6,197,222,341</b>	5,782,051,531
Third party		<b>7,316,418,145</b>	11,441,967,200
Total		<b>13,513,640,486</b>	17,224,018,731

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

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

(3) The material trade payables aged over one year were as follows:

As at 31 December 2018, the Group had no significant accounts payable with ageing of more than one year.

### 26. Contract liabilities

Item	31 December 2023	31 December 2022
Advances from customers	<b>4,013,383,663</b>	4,987,638,416

As of 31 December of 2023, contract liabilities aged over one year amounting to RMB28,833,143 (31 December 2022 : RMB31,839,540), were mainly due to the contracts that were not fully executed.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 27. Payroll and employee benefits payable

#### (1) Employee benefits payable:

For the year ended 31 December 2023

	Note	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term employee benefits		386,830,501	3,469,562,807	3,653,922,550	202,470,758
Post-employment benefits (defined contribution plans)		95,386,721	529,982,441	625,363,720	5,442
Supplementary retirement benefits due within one year	V.35	2,318,080	95,269	2,413,349	–
Termination benefits		1,840,527	15,833,246	17,373,772	300,001
Early retirement benefits due within one year	V.35	1,880,085	–	275,451	1,604,634
<b>Total</b>		<b>488,255,914</b>	<b>4,015,473,763</b>	<b>4,299,348,842</b>	<b>204,380,835</b>

For the year ended 31 December 2022

	Note	Opening balance	Increase during the year	Decrease during the year	Closing balance
Short-term employee benefits		341,523,209	3,854,591,009	3,809,283,717	386,830,501
Post-employment benefits (defined contribution plans)		1,617,049	642,618,800	548,849,128	95,386,721
Supplementary retirement benefits due within one year	V.35	1,780,083	1,290,704	752,707	2,318,080
Termination benefits		1,840,527	370,842,845	370,842,845	1,840,527
Early retirement benefits due within one year	V.35	2,763,873	1,880,085	2,763,873	1,880,085
<b>Total</b>		<b>349,524,741</b>	<b>4,871,223,443</b>	<b>4,732,492,270</b>	<b>488,255,914</b>

Termination benefits are a lump-sum indemnity paid to the Group's former employees as a result of the Group's human resources optimization policy.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (2) Short-term employee benefits

For the year ended 31 December 2023

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Salaries, bonuses and subsidies	281,897,829	2,649,610,719	2,799,760,356	131,748,192
Welfare	373,857	206,419,679	205,043,354	1,750,182
Social insurance	52,869,677	231,760,892	284,621,460	9,109
– Medical insurance	48,265,729	200,136,938	248,398,064	4,603
– Work-related injury insurance	4,603,349	27,235,178	31,834,622	3,905
– Maternity insurance	599	4,388,776	4,388,774	601
Housing fund	1,200	292,700,002	292,700,002	1,200
Labor union fee and employee education fee	51,687,938	89,071,515	71,797,378	68,962,075
<b>Total</b>	<b>386,830,501</b>	<b>3,469,562,807</b>	<b>3,653,922,550</b>	<b>202,470,758</b>

For the year ended 31 December 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
– 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>Total</b>	<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)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

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

#### (3) Post-employment Benefits – defined contribution plans

For the year ended 31 December 2023

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pension insurance	92,538,695	398,308,651	490,842,412	4,934
Unemployment insurance	2,847,791	12,099,014	14,946,539	266
Supplementary pension scheme	235	119,574,776	119,574,769	242
<b>Total</b>	<b>95,386,721</b>	<b>529,982,441</b>	<b>625,363,720</b>	<b>5,442</b>

For the year ended 31 December 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>Total</b>	<b>1,617,049</b>	<b>642,618,800</b>	<b>548,849,128</b>	<b>95,386,721</b>

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 1.5% 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. As of 31 December 2023, the total amount of the Group's corporate annuity expenses was approximately RMB119,574,776 (31 December 2022: RMB151,839,951), which was recorded as labour costs.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 28. Taxes payable

Item	31 December 2023	31 December 2022
Value-added tax	45,981,152	205,366,278
Corporate income tax	158,285,793	28,331,657
Land use tax	39,958,990	125,109,881
Personal income tax	5,132,059	6,530,536
Water conservancy funds	50,803,673	210,520,533
Environment protection tax	7,063,314	5,702,797
City construction and maintenance tax	461,195	1,712,886
Others	64,707,313	56,574,789
Total	372,393,489	639,849,357

### 29. Other payables

	Note	31 December 2023	31 December 2022
Dividends payables	(1)	6,612,733	15,143,264
Others	(2)	3,062,020,465	3,901,947,069
Total		3,068,633,198	3,917,090,333

#### (1) Dividends payable

Item	31 December 2023	31 December 2022
Dividends paid	6,612,733	15,143,264

As of 31 December 2023, 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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 29. Other payables (Continued)

#### (2) Other payables

(a) Details of others by nature are as follows:

Item	Note	31 December 2023	31 December 2022
Payable for forfeiting		<b>1,727,667,239</b>	2,491,745,076
Special funds	(1)	<b>806,396,264</b>	829,114,284
Payable for construction, maintenance and inspection fees		<b>77,011,504</b>	154,762,316
Others		<b>450,945,458</b>	426,325,393
Total		<b>3,062,020,465</b>	3,901,947,069

Note 1: Special funds include the Renewable Energy Development Fund, Major Water Conservancy Project Construction Fund.

(b) Significant other payables aged over one year were as follows:

As at 31 December 2018, the Group had no significant other payables with ageing of more than one year.

### 30. Non-current liabilities due within one year

Non-current liabilities due within one year is as followed:

Item	Note	31 December 2023	31 December 2022
Long-term loans due within one year	V.32	<b>3,701,790,509</b>	2,043,898,497
Lease liabilities due within one year	V.33	<b>29,588,683</b>	15,514,425
Obligation to repurchase restricted shares due within 1 year	V.34	<b>52,964,036</b>	–
Total		<b>3,784,343,228</b>	2,059,412,922

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 31. Other current liabilities

Item	31 December 2023	31 December 2022
Advances for output tax	521,739,876	648,392,994
Short-term debentures payable	506,463,889	–
<b>Total</b>	<b>1,028,203,765</b>	<b>648,392,994</b>

The movements of short-term debentures payable:

Debenture	Face value	Nominal interest rate	Issuance date	Maturity period	Issuance amount	Balance at the beginning of the year	Issuance during the year	Interest at face value	Amortisation of discounts or premium	Repayment during the year	Balance at the end of the year	Default (Y/N)
Short-term commercial papers payable	100	2.6%	3 July 2023	270 days	500,000,000.	–	500,000,000	6,463,889	–	–	506,463,889	N

### 32. Long-term loans

#### (1) Long-term loans by category

Item	Note	31 December 2023	31 December 2022
Guaranteed loans (Note)		–	22,000,000
Credit loans		10,501,476,741	10,004,289,262
Sub-total		10,501,476,741	10,026,289,262
Less: Long-term loans due within one year	V.30	3,701,790,509	2,043,898,497
<b>Total</b>		<b>6,799,686,232</b>	<b>7,982,390,765</b>

Note: The banks loans were guaranteed by the Holding for free as disclosed in Note XII.5.

As at 31 December 2023, the annual interest rate for credit loans are 1.20% – 3.65% (31 December 2022 : 1.20% – 3.75%).

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 32. Long-term loans (Continued)

#### (1) Long-term loans by category (Continued)

Analysis on the due date of long-term loans is as follows:

	31 December 2023	31 December 2022
Within one year or on demand	3,701,790,509	2,043,898,497
Due in one to two years (inclusive)	4,701,757,314	3,324,812,973
Due in two to three years (inclusive)	2,027,748,918	4,576,377,792
Due in three to five years (inclusive)	56,980,000	68,000,000
Over five years	13,200,000	13,200,000
Total	10,501,476,741	10,026,289,262

### 33. Lease liabilities

Item	Note	2023	2022
Long-term lease liabilities		391,096,573	321,060,819
Less: Lease liabilities due within one year	V.30	29,588,683	15,514,425
Total		361,507,890	305,546,394

### 34. Long-term payable

Item	31 December 2023	31 December 2022
Equity incentive plan repurchase obligations	105,928,072	168,053,940
Less: Long-term loans due within one year	52,964,036	–
Total	52,964,036	168,053,940

Note: For long-term payable in relation to share incentive plan, refer to Note XIII.2.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 35. Long-term payroll and employee benefits payable

#### (1) Long-term employee benefits payable

Item	Note	31 December 2023	31 December 2022
1. Early retirement benefits	(a)	<b>3,158,820</b>	3,940,107
Less : Early retirement benefits due within one year		<b>1,604,634</b>	1,880,085
2. Supplementary retirement benefits	(b)	–	16,681,532
Less : Supplementary retirement benefits due within one year		–	2,318,080
<b>Total</b>		<b>1,554,186</b>	16,423,474

Note(a):

For the year ended 31 December 2023

	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	3,940,107	–	24,427	805,714	3,158,820	1,604,634	1,554,186

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 35. Long-term payroll and employee benefits payable (Continued)

#### (1) Long-term employee benefits payable (Continued)

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 the year, 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 2023, there were no plan assets under the said early retirement plan, and the defined benefits payable amounted to approximately RMB3,158,820 (31 December 2022: RMB3,940,107), accounting for approximately 0.004% of the Group's total assets as of 31 December 2023 only (2022: 0.004%). 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)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 35. Long-term payroll and employee benefits payable (Continued)

#### (1) Long-term employee benefits payable (Continued)

Note(b):

For the year ended 31 December 2023

	Opening balance	Increase during the year	Decrease during the year	Closing balance	Less: Due within one year	Closing balance
Supplementary retirement benefits	16,681,532	939,518	17,621,050	-	-	-

The Group's overseas subsidiary MG-VALDUNES provided employees with other postretirement 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.24, 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, accounting approximately 0.02% of the total assets of the Group only. 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. As described in Note VII.1, the Group has lost the control over MG-VALDUNES on 20 November 2023, MG-VALDUNES is no longer included in the scope of the Group's consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 36. Provision

*For the year ended 31 December 2023*

Item	Note	Opening balance	Increase during the year	Decrease during the year	Closing balance
Pending litigation or arbitration		5,295,705	1,293,994	6,589,699	–
Pending onerous contract	(1)	14,835,610	907,776	15,743,386	–
Others		5,567,961	11,801,882	7,493,876	9,875,967
<b>Total</b>		<b>25,699,276</b>	<b>14,003,652</b>	<b>29,826,961</b>	<b>9,875,967</b>

*For the year ended 31 December 2022*

Item	Note	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	(1)	23,942,730	–	9,107,120	14,835,610
Others		3,642,708	2,757,056	831,803	5,567,961
<b>Total</b>		<b>37,618,128</b>	<b>4,030,034</b>	<b>15,948,886</b>	<b>25,699,276</b>

*Note (1):* 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. As described in Note VII.1, the Group has lost the control over MG-VALDUNES on 20 November 2023, MG-VALDUNES is no longer included in the scope of the Group's consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 37. Deferred revenue

*For the year ended 31 December 2023*

Item	Opening balance	Increase during the year	Decrease during the year	Other changes	Closing balance	Reason for deferral
Government grants	933,916,449	263,570,611	173,959,657	21,439,644	1,002,087,759	Government grants
Total	933,916,449	263,570,611	173,959,657	21,439,644	1,002,087,759	

*For the year ended 31 December 2022*

Item	Opening balance	Increase during the year	Decrease during the year	Other changes	Closing balance	Reason for deferral
Government grants	911,424,466	93,511,079	71,019,096	-	933,916,449	Government grants
Total	911,424,466	93,511,079	71,019,096	-	933,916,449	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 37. Deferred revenue (Continued)

Related to government grants were as follows:

*For the year ended 31 December 2023*

Item	Opening balance	Increase during the year	Included in other income	Other movements	Closing balance	Related to assets/ income
Technological transformation fund for Phase II silicon steel	59,860,902	-	(4,371,178)	-	55,489,724	assets
Subsidy for the hot-rolled 1580 project	26,937,405	-	(1,967,021)	-	24,970,384	assets
New-zone Thermal Power Plant CCPP system engineering	5,265,245	-	(4,205,063)	-	1,060,182	assets
EMU steel wheel production line project	21,778,638	-	(2,194,501)	-	19,584,137	assets
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	9,542,404	-	(566,545)	-	8,975,859	assets
Subsidy for a thin plate project	30,544,051	-	(4,537,338)	-	26,006,713	assets
Environmental funds for desulfurization project of 3rd iron plant's flue gas (BOT)	9,927,044	-	(589,383)	-	9,337,661	assets
Alloy bar production line refinement project of electric furnace plant	25,932,455	-	(1,481,018)	-	24,451,437	assets
Intelligent manufacturing special fund	12,514,468	-	(1,365,213)	-	11,149,255	assets
1#2# shaft furnace flue gas desulfurization project	9,780,041	-	(553,293)	-	9,226,748	assets
Research and innovation of high-quality plates	11,297,798	-	(11,297,798)	-	-	assets
AD201617502 Comprehensive utilization project of steel slag treatment in Magang South District	8,167,163	-	(439,233)	-	7,727,930	assets
Comprehensive utilization of gas for power generation of a thermal power plant	18,155,909	-	(1,088,730)	-	17,067,179	assets
Subsidy for Maanshan railway industry (Maanshan)	17,855,811	-	(2,080,288)	-	15,775,523	assets
Subsidy funds for 4# blast furnace project	141,377,591	-	(8,592,921)	-	132,784,670	assets
Transformation of flue gas desulfurization and denitrification of 3# sintering machine in the southern ironmaking area	4,541,892	-	(219,659)	-	4,322,233	assets
Ironmaking plant 1#2# sintering machine transformation project	20,485,714	-	(676,190)	-	19,809,524	assets
Fixed asset subsidies for galvanizing projects	8,266,144	-	(342,846)	-	7,923,298	assets

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 37. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

For the year ended 31 December 2023 (Continued)

Item	Opening balance	Increase during the year	Included in other income	Other movements	Closing balance	Related to assets/ income
Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant	16,937,729	-	(747,253)	-	16,190,476	assets
Digital high-speed axle manufacturing inspection capabilities upgraded	62,590,000	15,910,000	-	-	78,500,000	assets
Transformation Project of Fugitive Emissions of Ironmaking General Plant (Phase I)	23,930,000	-	(438,278)	-	23,491,722	assets
5 million tons of new area project	3,756,059	-	(3,756,059)	-	-	assets
Plate spray aluminium powder project	820,147	-	(72,365)	-	747,782	assets
Development and application research of efficient and economical building steel	11,031,537	-	(11,031,537)	-	-	assets
Transformation project for coal coking enterprises on unorganised ultra-low emission	-	30,000,000	(109,890)	-	29,890,110	assets
Treatment and transformation project of environmental protection system in steelmaking area of No.4 Steel Rolling Plant	-	24,000,000	-	-	24,000,000	assets
Technology and application of low-carbon metallurgical whole process re-engineering	-	32,000,000	(11,890,000)	-	20,110,000	Income
Development and demonstration application of on-line detection and sensing technology for key parameters of special steel production	-	12,500,000	(1,041,667)	-	11,458,333	Income
Key manufacturing technologies of 400km/h high-speed railway wheels and axles	-	54,010,000	-	-	54,010,000	Income
Ultra low emission organised emission transformation project	-	41,300,000	(2,863,467)	-	38,436,533	assets
Others	372,620,302	53,850,611	(95,440,923)	(21,439,644)	309,590,346	
<b>Total</b>	<b>933,916,449</b>	<b>263,570,611</b>	<b>(173,959,657)</b>	<b>(21,439,644)</b>	<b>1,002,087,759</b>	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 37. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

For the year ended 31 December 2022

Item	Opening balance	Increase during the year	Amounts recognised in non-operating income during the year	Included in other income	Other changes	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 1#2# shaft furnace flue gas desulfurization project	13,879,683	-	-	(1,365,215)	-	12,514,468	assets
Research and innovation of high-quality plates	10,333,646	-	-	(553,605)	-	9,780,041	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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 37. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

For the year ended 31 December 2022 (Continued)

Item	Opening balance	Increase during the year	Amounts recognised in non-operating income during the year	Included in other income	Other changes	Closing balance	Related to assets/income
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
Ironmaking plant 1#2# sintering machine transformation project	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
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	394,761,097	6,991,079	-	(29,131,874)	-	372,620,302	assets
<b>Total</b>	<b>911,424,466</b>	<b>93,511,079</b>	<b>-</b>	<b>(71,019,096)</b>	<b>-</b>	<b>933,916,449</b>	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 38. Share capital

2023

Registered, issued and fully paid	Note	Opening balance		Increase/(decrease) during the year					Closing balance	
		Number of shares	Percentage (%)	Shares issued	Bonus shares	Transfer from reserves	Deregistered	Sub-total	Number of shares	Percentage (%)
1. Shares with selling restrictions										
(1) State-owned shares		-	-	-	-	-	-	-	-	-
(2) State-owned legal person shares		-	-	-	-	-	-	-	-	-
(3) Other domestically owned shares	(1)	75,050,000	1.0	-	-	-	(28,793,200)	(28,793,200)	46,256,800	0.6
Including: Shares owned by domestic natural persons		75,050,000	1.0	-	-	-	(28,793,200)	(28,793,200)	46,256,800	0.6
Sub-total		75,050,000	1.0	-	-	-	(28,793,200)	(28,793,200)	46,256,800	0.6
2. Shares without selling restrictions										
(1) A shares		5,967,751,186	76.7	-	-	-	-	-	5,967,751,186	77.0
(2) H shares		1,732,930,000	22.3	-	-	-	-	-	1,732,930,000	22.4
Sub-total		7,700,681,186	99.0	-	-	-	-	-	7,700,681,186	99.4
		7,775,731,186	100.0	-	-	-	(28,793,200)	(28,793,200)	7,746,937,986	100.0

Note(1): 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 9 May 2022.

The Company has repurchased an aggregate of 28,793,200 shares, together with relevant interest, due to retirement, transfer, death and based on the results of the 2022 performance appraisal. In 2023, relevant deregistration procedures were performed.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 38. Share capital (Continued)

2022

Registered, issued and fully paid :	Note	Opening balance		Increase/(decrease) during the year				Ending balance		
		Number of shares	Percentage (%)	Shares issued	Number of shares	Percentage (%)	Shares issued	Number of shares	Percentage (%)	Shares issued
1. Shares with selling restrictions										
(1) State-owned shares		-	-	-	-	-	-	-	-	-
(2) State-owned legal person shares		-	-	-	-	-	-	-	-	-
(3) Other domestically owned shares	(1)	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
2. Shares without selling restrictions										
(1) A shares		5,967,751,086	77.5	-	-	-	100	100.0	5,967,751,186	76.7
(2) H shares		1,732,930,000	22.5	-	-	-	-	-	1,732,930,000	22.3
Sub-total		7,700,681,086	100.0	-	-	-	100	100.0	7,700,681,186	99.0
3. Total shares		7,700,681,186	100.0	75,050,000	-	-	-	75,050,000	7,775,731,186	100.0

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 39. Capital reserve

**2023**

Item	Note	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	(1)	8,430,655,183	9,290,736	37,143,228	8,402,802,691
Other Capital reserve	(2)	12,102,669	46,698,486	21,680,138	37,121,017
Total		8,442,757,852	55,989,222	58,823,366	8,439,923,708

Note (1): As stated in Note V.38, the capital reserve decreased by RMB37,143,228 due to the treasury shares repurchased and deregistered by the Company.

Note (2): The restricted shares did not meet the Company's performance conditions and therefore, the Company reversed the capital reserve of RMB21,680,138 that had been recognised in prior periods.

Masteel Transportation Material, a subsidiary of the Company, entered into the Capital Increase Agreement on 6 September 2023 with eight strategic investors and four employee shareholding platforms in Maanshan City, Anhui Province. The Company recognised capital reserve of RMB17,343,002 based on the difference on the Company's share of the net assets of Masteel Transportation Material arising from the capital increase.

The capital increase by other shareholders of long-term equity investments accounted for under the equity method during the year resulted in passive dilution of the Company's equity interest and a corresponding increase in capital reserve of RMB22,197,912.

Changes in other equity of associates and joint ventures during the year increased the capital reserve by RMB7,157,572.

**2022**

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share premium	8,333,840,683	96,814,500	–	8,430,655,183
Other Capital reserve	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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 40. Treasury shares

Item	Note	Opening balance	Increase during the year	Decrease during the year	Closing balance
Equity incentive plan	(1)	171,864,500	–	65,936,428	<b>105,928,072</b>

Note (1): As stated in Note V.38, the Company repurchased and deregistered treasury shares during the year, and reduced the balance of treasury shares according to the repurchase price of RMB65,936,428.

### 41. Other comprehensive income

**2023**

Item	Balance at the beginning of the year attributable to shareholders of the Company	Movements during the year						Balance at the end of the year attributable to shareholders of the Company
		Amount before tax in the current year	Less: charged to other comprehensive income before and reclassified to profit or loss in the current year	Less: charged to other comprehensive income before and reclassified to retained earnings in the current year	Less: income tax	Attributable to controlling interests	Attributable to non controlling interests	
Other comprehensive income that may not be reclassified to profit or loss: Including: Change in fair value of other equity instrument investments	140,539,655	(55,069,171)	–	(10,817,182)	9,177,917	(56,708,436)	–	83,831,219
Other comprehensive income that will be reclassified to profit or loss: Including: Other comprehensive income to be reclassified to profit or loss under the equity method	(1,648,553)	1,885,752	–	–	–	1,885,752	–	237,199
Changes in the fair value of other debt investments	(8,778,330)	4,076,476	4,701,854	–	–	8,778,330	–	–
Exchange differences arising from foreign currency translation	(160,119,183)	22,158,809	40,991,629	–	–	63,150,438	–	(96,968,745)
<b>Total</b>	<b>(30,006,411)</b>	<b>(26,948,134)</b>	<b>45,693,483</b>	<b>(10,817,182)</b>	<b>9,177,917</b>	<b>17,106,084</b>	<b>–</b>	<b>(12,900,327)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 41. Other comprehensive income (Continued)

2022

Item	Balance at the beginning of the year attributable to shareholders of the Company	Movements during the year					Balance at the end of the year attributable to shareholders of the Company
		Amount before tax in the current year	Less: charged to other comprehensive income before and reclassified to retained earnings in the current year	Less: income tax	Attributable to controlling interests	Attributable to non controlling interests	
Other comprehensive income that may not be reclassified to profit or loss: Including: Change in fair value of other equity instrument investments	199,986,987	(101,036,829)	(486,621)	42,076,118	(59,447,332)	-	140,539,655
Other comprehensive income that will be reclassified to profit or loss: Including: Other comprehensive income to be reclassified to profit or loss under the equity method	(1,812,178)	163,625	-	-	163,625	-	(1,648,553)
Changes in the fair value of other debt investments	470,700	(9,249,030)	-	-	(9,249,030)	-	(8,778,330)
Exchange differences arising from foreign currency translation	(186,374,140)	26,254,957	-	-	26,254,957	-	(160,119,183)
<b>Total</b>	<b>12,271,369</b>	<b>(83,867,277)</b>	<b>(486,621)</b>	<b>42,076,118</b>	<b>(42,277,780)</b>	<b>-</b>	<b>(30,006,411)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 42. Special reserve

#### 2023

Item	Opening balance	Increase during the year	Decrease during the year	Closing balance
Safety fund	107,567,088	103,277,907	114,039,704	96,805,291
Total	107,567,088	103,277,907	114,039,704	96,805,291

#### 2022

Item	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
Total	45,427,634	144,363,318	82,223,864	107,567,088

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 mining, gas, communication and transportation, metallurgy, manufacturing, and construction services.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 43. Surplus reserve

**2023**

Item	Note	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory reserve	(1)	4,029,911,216	–	–	4,029,911,216
Discretionary surplus reserve	(2)	529,154,989	–	–	529,154,989
Reserve fund	(3)	95,685,328	–	–	95,685,328
Enterprise expansion fund	(3)	65,510,919	–	–	65,510,919
<b>Total</b>		<b>4,720,262,452</b>	<b>–</b>	<b>–</b>	<b>4,720,262,452</b>

**2022**

Item	Note	Opening balance	Increase during the year	Decrease during the year	Closing balance
Statutory reserve	(1)	3,997,663,759	32,247,457	–	4,029,911,216
Discretionary surplus reserve	(2)	529,154,989	–	–	529,154,989
Reserve fund	(3)	95,685,328	–	–	95,685,328
Enterprise expansion fund	(3)	65,510,919	–	–	65,510,919
<b>Total</b>		<b>4,688,014,995</b>	<b>32,247,457</b>	<b>–</b>	<b>4,720,262,452</b>

Note (1): 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. The Statutory surplus reserve may be used to cover losses or to increase share capital, subject to approval.

Note (2): 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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 43. Surplus reserve (Continued)

Note (3): 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.

### 44. General reserve

Item	2023年 12月31日	2022年 12月31日
General reserve	–	271,501,110

According to relevant regulations of the Ministry of Finance, Masteel Finance, a subsidiary of the Company, needs to appropriate general risk reserves from net profit as profit distribution. As stated in Note XII.7, Masteel Finance was disposed of on 30 April 2023, therefore the general risk reserve of RMB271,501,110 has been transferred to retained earnings.

### 45. Retained earnings

Item	Note	2023年 12月31日	2022年 12月31日
Retained earnings at the beginning of the year (before adjustment)		<b>8,083,720,518</b>	11,661,535,210
Total adjustments for opening retained earnings		–	4,233,757
Retained earnings at the beginning of the year (after adjustment)		<b>8,083,720,518</b>	11,665,768,967
Add: Net loss attributable to owners of the parent in year		<b>(1,327,161,500)</b>	(857,615,094)
Less: Transfer to surplus reserve		–	32,198,795
Distribute to shareholders	<b>(1)</b>	<b>155,395,744</b>	2,721,505,915
Reverse from general reserve		<b>(271,501,110)</b>	(28,833,396)
Other comprehensive income carried forward to retained earnings		<b>(10,817,182)</b>	(437,959)
Retained earnings at the end of the year		<b>6,883,481,566</b>	8,083,720,518

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 45. Retained earnings (Continued)

Note (1): Dividends in respect of ordinary shares declared during the year

Pursuant to the shareholders' approval at the shareholders' general meeting on 17 June 2023, a tax inclusive cash dividend of RMB0.02 per share (2022:RMB0.35, tax inclusive), totalling RMB155,395,744 (2022: RMB2,721,505,915), was declared and paid to the Company's all shareholders. As at 31 December 2023, the dividends had been declared and were included in the financial statements.

### 46. Revenue and cost of sales

#### (1) Revenue and cost of sales

Item	Note	2023		2022	
		Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income		<b>96,403,138,119</b>	<b>94,839,339,719</b>	99,020,437,614	96,550,544,372
Other operating income		<b>2,534,831,245</b>	<b>2,468,802,362</b>	3,133,164,761	2,295,923,359
Total		<b>98,937,969,364</b>	<b>97,308,142,081</b>	102,153,602,375	98,846,467,731
Including: Revenue from contracts	<b>V.46(2)</b>	<b>98,830,390,735</b>	<b>97,257,448,336</b>	101,808,238,164	98,676,365,206
Other revenue		<b>107,578,629</b>	<b>50,693,745</b>	345,364,211	170,102,525

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 46. Revenue and cost of sales (Continued)

#### (2) Disaggregation of operating income and operating costs

Type of contract	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
By type of business				
Sale of steel products	<b>93,639,191,078</b>	<b>92,306,969,106</b>	94,706,886,670	92,299,351,126
Sale of other products	<b>5,090,417,003</b>	<b>4,928,743,373</b>	7,003,061,041	6,357,646,906
Processing	<b>19,415,209</b>	<b>8,872,961</b>	24,200,873	11,549,591
Others	<b>81,367,445</b>	<b>12,862,896</b>	74,089,580	7,817,583
Total	<b>98,830,390,735</b>	<b>97,257,448,336</b>	101,808,238,164	98,676,365,206
By timing of revenue recognition				
At a point in time	<b>98,740,477,790</b>	<b>97,241,559,960</b>	101,709,947,710	98,656,998,032
Over time	<b>89,912,945</b>	<b>15,888,376</b>	98,290,454	19,367,174
Total	<b>98,830,390,735</b>	<b>97,257,448,336</b>	101,808,238,164	98,676,365,206

#### (3) Information related to transaction price allocated to the remaining performance obligations

The amount of revenue corresponding to performance obligations entered into but not yet performed or not yet completed at the end of the reporting period amounted to RMB4,013,383,663 (31 December 2022: RMB4,987,638,416), of which RMB4,013,383,663 is expected to be recognised as revenue in less than one year.

### 47. Taxes and surcharges

Item	2023	2022
City construction and maintenance tax	<b>16,053,497</b>	36,889,609
Land usage tax	<b>16,121,840</b>	97,060,125
Education surcharge	<b>10,338,034</b>	26,081,380
Property tax	<b>130,019,549</b>	118,973,063
Environment protection tax	<b>29,699,288</b>	27,458,768
Stamp duty	<b>113,753,901</b>	79,500,745
Other taxes	<b>62,865,539</b>	91,151,108
Total	<b>378,851,648</b>	477,114,798

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 48. Selling expenses

Item	2023	2022
Transportation fees	<b>40,462,820</b>	38,032,808
Employee benefits	<b>164,407,090</b>	155,502,750
Insurance premium	<b>14,071,526</b>	14,873,751
Others	<b>122,299,516</b>	86,720,159
Total	<b>341,240,952</b>	295,129,468

### 49. General and administrative expenses

Item	2023	2022
Employee benefits	<b>301,884,245</b>	408,323,893
Employee termination benefits	<b>17,673,772</b>	370,842,845
Office expenses	<b>170,674,342</b>	156,975,624
Depreciation of fixed assets	<b>127,083,265</b>	85,869,253
Amortisation of intangible assets	<b>56,329,188</b>	49,281,148
Travelling and entertainment expenses	<b>15,692,063</b>	11,503,074
Maintenance expenses	<b>79,160,000</b>	43,236,220
Environmental greening expense	<b>49,109,993</b>	58,773,928
Others	<b>115,771,777</b>	78,965,752
Total	<b>933,378,645</b>	1,263,771,737

### 50. R&D expenses

Item	2023	2022
Material expenses	<b>783,124,651</b>	796,064,350
Depreciation and amortisation	<b>99,495,067</b>	87,789,907
Employee benefits	<b>255,896,593</b>	201,571,536
Testing and processing expenses	<b>40,843,859</b>	31,203,903
Outsourced research expenses	<b>11,933,575</b>	25,541,570
Others	<b>39,755,460</b>	25,126,510
Total	<b>1,231,049,205</b>	1,167,297,776

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 51. Financial expenses

Item	2023	2022
Interest expense	<b>519,190,821</b>	490,486,079
Less: Interest income	<b>61,547,907</b>	46,140,803
Less: Interest capitalised	<b>12,506,298</b>	17,629,987
Exchange gain	<b>6,088,400</b>	76,964,721
Others	<b>15,686,313</b>	15,776,320
Total	<b>466,911,329</b>	519,456,330

The interest rates for the year, at which borrowing costs were capitalised by the Group was 0.99% – 2.73% (for the year ended 31 December 2022: 2.50% – 2.90%).

### 52. Other income

By nature	2023	2022
Government grants	<b>272,278,070</b>	166,337,673
Additional VAT credits	<b>438,263,926</b>	–
Refund of withholding social security and personal income tax commission	<b>3,655,844</b>	6,303,498
Total	<b>714,197,840</b>	172,641,171

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 53. Investment income

#### *Investment income*

Item	2023	2022
Investment income from long-term equity investments under the equity method	<b>182,658,080</b>	423,321,646
Disposal of Investment income from long-term equity investments	<b>89,810,857</b>	207,812,345
Gain from disposal of financial assets held for trading	<b>35,880,113</b>	157,283,307
Investment income from disposal of debt investments	<b>(715,585)</b>	–
Dividend income from investments in other equity instruments	<b>551,607</b>	25,868,404
Including: Dividend income from investments in other equity instruments held at the balance sheet date	<b>551,607</b>	25,868,404
<b>Total</b>	<b>308,185,072</b>	814,285,702

### 54. (Loss)/gain on the changes in fair value

Item	2023	2022
Financial assets held for trading	<b>(34,558,767)</b>	(1,587,628)
Including: Financial assets designated at fair value through profit or loss	–	–
Derivative financial instruments	<b>(40,471,388)</b>	40,471,388
Financial liabilities held for trading	–	31,663,498
Including: Financial liabilities designated at fair value through profit or loss	–	–
<b>Total</b>	<b>(34,558,767)</b>	30,075,870
Including: Total amount recognised in investment income on derecognition	<b>(40,471,388)</b>	31,663,498

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 55. Credit impairment losses

Item	2023	2022
Gains from bad and doubtful debts of receivables	<b>37,981,175</b>	34,403,722
Gains from impairment of debt investments	–	57,365
Provision – loan commitment	<b>(430)</b>	(58,667)
Gains/(losses) from impairment of financial assets purchased under agreement to resell	<b>10,392</b>	(6,789)
Gains/(losses) from impairment of other debt investments	<b>1,238,919</b>	(1,386,965)
Total	<b>39,230,056</b>	33,008,666

### 56. Asset impairment losses

Item	2023	2022
Inventories	<b>993,092,220</b>	1,558,665,706

### 57. Gain from disposal of assets

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 58. Non-operating income and expenses

(1) *Non-operating income:*

Item	2023	2022	For the year ended 31 December Included in 2023 non-recurring gains and losses
Government grants	–	785,148	–
Others	<b>7,799,360</b>	12,460,884	<b>7,799,360</b>
Total	<b>7,799,360</b>	13,246,032	<b>7,799,360</b>

Amount recognized in profit or loss for the current period

Grant item	2023	2022	Related to assets/income
Yangzhou Development Zone Enterprise Development Support Fund	–	785,148	Related to income
Total	–	785,148	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 58. Non-operating income and expenses (Continued)

#### (2) Non-operating expenses

Item	2023	2022	For the year 2023 non-recurring gains and losses
Scrap losses of property, plant and equipment	<b>2,030,156</b>	84,649,452	<b>2,030,156</b>
Penalty expenditure	<b>2,858,893</b>	1,018,345	<b>2,858,893</b>
Charity donation	<b>2,116,769</b>	2,129,727	<b>2,116,769</b>
Others	<b>3,671,701</b>	2,115,722	<b>3,671,701</b>
<b>Total</b>	<b>10,677,519</b>	89,913,246	<b>10,677,519</b>

### 59. Income tax expense

Item	Note	2023	2022
Mainland China current income tax expense*		<b>238,338,772</b>	176,713,711
Hong Kong current income tax expense*		<b>6,385,403</b>	3,857,095
Overseas current income tax expense*		<b>29,917,483</b>	29,551,456
Deferred tax expense	<b>(1)</b>	<b>(231,400,513)</b>	48,502,976
<b>Total</b>	<b>(2)</b>	<b>43,241,145</b>	258,625,238

#### (1) The analysis of changes in deferred income tax is set out below:

Item	2023	2022
Origination and reversal of temporary differences	<b>(231,400,513)</b>	48,502,976
<b>Total</b>	<b>(231,400,513)</b>	48,502,976

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 59. Income tax expense (Continued)

(2) *Reconciliation between income tax expense and accounting profit:*

Item	2023	2022
Loss before tax	<b>(1,596,659,516)</b>	(560,617,244)
Expected income tax expense at tax rate of 25%	<b>(399,164,879)</b>	(140,154,311)
Effect of different tax rates of subsidiaries	<b>217,832,116</b>	396,991,584
Non-deductible expenses	<b>12,320,825</b>	26,909,690
Adjustments in respect of current income tax of previous periods	<b>126,553,448</b>	(5,189,291)
Other tax preference	<b>(213,684,505)</b>	(474,184,519)
Income not subject to tax	<b>(88,496,228)</b>	(15,640,078)
Unrecognised deductible temporary difference and tax losses	<b>409,204,692</b>	503,075,336
Effect of changes in tax rates on the balance of deferred taxes at the beginning of the period	<b>7,177,678</b>	74,112,527
Utilised previous years' tax losses	<b>(1,445,284)</b>	(1,465,288)
Share of profit or loss of joint ventures and associates	<b>(27,056,718)</b>	(105,830,412)
Tax charge	<b>43,241,145</b>	258,625,238

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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 60. Calculation process of basic earnings per share and diluted earnings per share

#### (1) Basic earnings per share

Basic earnings per share shall be calculated by dividing consolidated loss attributable to owners of the Company by the weighted average number of ordinary shares in issue:

	2023	2022
Profit attributable to owners of the Company consolidated loss	<b>(1,327,624,068)</b>	(885,346,314)
Weighted average number of ordinary shares in issue during the period	<b>7,700,681,186</b>	7,700,681,186
Basic earnings per share (per/share)	<b>(17.24)</b>	(11.50)

The calculation of Weighted average of ordinary shares:

	2023	2022
Number of ordinary shares in Issue at the beginning of the year	<b>7,700,681,186</b>	7,700,681,186
Adjusted	–	–
Weighted average of ordinary shares at the end of the year	<b>7,700,681,186</b>	7,700,681,186

#### (2) Diluted earnings per share

Due to net loss in 2023, potential ordinary share is anti-dilutive. Diluted earnings per share equals to basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 61. Supplement to income statement

Expenses are analysed by their nature as follows:

Item	2023	2022
Operating income	<b>98,937,969,364</b>	102,153,602,375
Less: Changes in inventories of finished goods and work in progress	<b>(1,551,744,183)</b>	(103,019,723)
Raw materials and consumables used	<b>88,720,141,934</b>	87,860,712,602
Employee benefits expenses	<b>4,015,473,763</b>	4,824,399,785
Depreciation and amortisation expenses	<b>3,811,884,610</b>	3,280,948,740
Transport and inspection fees	<b>1,675,480,841</b>	1,683,071,047
Repair and maintenance expenses	<b>1,828,181,693</b>	2,029,223,246
Testing and processing expenses	<b>40,843,859</b>	35,370,037
Outsourced research expenses	<b>11,933,575</b>	18,286,920
Office expenses	<b>178,746,423</b>	186,986,527
Taxes and surcharges	<b>378,851,648</b>	477,114,798
Financial expenses	<b>466,911,329</b>	519,456,330
Credit impairment losses	<b>(39,230,056)</b>	(33,008,666)
Asset impairment losses	<b>993,092,220</b>	1,558,665,706
Other expenses	<b>1,082,868,368</b>	1,756,687,531
Add: Other income	<b>714,197,840</b>	172,641,171
Investment income	<b>308,185,072</b>	814,285,702
(Loss)/gain on the changes in fair value	<b>(34,558,767)</b>	30,075,870
Gain from disposal of assets	<b>93,861,158</b>	440,339,732
Operating loss	<b>(1,593,781,357)</b>	(483,950,030)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 62. The statement of cash flows item

#### (1) Cash relating to operating activities

##### a. Cash received relating to other operating activities

Item	2023	2022
Government grants	<b>362,337,197</b>	198,312,110
Decrease in deposits of notes, letters of credit and guarantees	<b>190,220,796</b>	140,348,859
Interest income	<b>61,547,907</b>	45,796,062
Others	<b>32,380,302</b>	14,627,936
Total	<b>646,486,202</b>	399,084,967

##### b. Cash paid relating to other operating activities:

Item	2023	2022
Safety fund	<b>79,213,405</b>	95,314,130
Research and development expenses	<b>41,188,386</b>	65,437,594
Environmental improvement fee	<b>49,109,993</b>	58,773,928
Office expenses	<b>27,942,218</b>	45,818,290
Travel and entertainment expenses	<b>20,151,675</b>	18,663,841
Insurance expenses	<b>14,862,184</b>	14,963,353
Bank charges	<b>15,686,313</b>	13,280,292
Others	<b>227,828,747</b>	206,975,663
Total	<b>475,982,921</b>	519,227,091

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 62. The statement of cash flows item (Continued)

#### (2) Cash relating to investing activities

##### a. Proceeds relating to significant investing activities

Item	2023	2022
Proceeds from disposal of assets of Maanshan Baozhichun Calcium and Magnesium Technology Co., Ltd.	218,606,425	–
Total	218,606,425	–

##### b. Cash received relating to other investing activities

Item	2023	2022
Receive of steel futures deposits	680,259	56,354,452
Total	680,259	56,354,452

#### (3) Cash relating to financing activities

##### a. Cash received relating to other financing activities

Item	2023	2022
Notes discounted	511,120,715	549,341,708
Total	511,120,715	549,341,708

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 62. The statement of cash flows item (Continued)

#### (3) Cash relating to financing activities (Continued)

##### b. Cash paid relating to other financing activities

Item	2023	2022
Lease liability expenditure	<b>26,748,109</b>	30,509,413
Repurchase of treasury shares	<b>62,125,868</b>	3,860,480
<b>Total</b>	<b>88,873,977</b>	34,369,893

##### c. Changes in liabilities arising from financing activities

	Opening balance	Increase		Decrease		Closing balance
		Cash	Non-cash	Cash	Non-cash	
Other payables – forfeiting	2,491,745,076	1,727,667,239	-	2,491,745,076	-	1,727,667,239
Short-term loans	9,198,483,165	6,692,016,967	1,960,000,000	8,422,439,909	-	9,428,060,223
Other current liabilities – short-term debentures payable	-	500,000,000	6,463,889	-	-	506,463,889
Non-current liabilities due within one year	2,059,412,922	-	1,724,930,306	-	-	3,784,343,228
Lease liabilities	305,546,394	-	96,783,862	26,748,109	14,074,257	361,507,890
Long-term payables	168,053,940	-	-	62,125,868	52,964,036	52,964,036
Long-term loans	7,982,390,765	4,746,123,924	-	4,270,936,444	1,657,892,013	6,799,686,232
<b>Total</b>	<b>22,205,632,262</b>	<b>13,665,808,130</b>	<b>3,788,178,057</b>	<b>15,273,995,406</b>	<b>1,724,930,306</b>	<b>22,660,692,737</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 62. The statement of cash flows item (Continued)

#### (4) Explanation for presentation of cash flows on a net basis

Item	Relevant facts and circumstances	Basis for presentation on a net basis	Financial impact
Net decrease in deposits in the central bank	Items related to financial enterprises	Short-term and highly liquid	249,240,601
Net decrease in financial assets purchased under agreements to resell	Items related to financial enterprises	Short-term and highly liquid	2,680,209,514
Net decrease in loans and advances to customers	Items related to financial enterprises	Short-term and highly liquid	1,645,825,963
Net decrease in financial assets sold under repurchase agreements	Items related to financial enterprises	Short-term and highly liquid	(659,635,255)
Net decrease in customer deposits and balances from banks and other financial institutions	Items related to financial enterprises	Short-term and highly liquid	(2,493,266,501)
Deposits for bills, letter of credit and letter of guarantee	Receipt and payment of deposits	Fast turnover	190,220,796
Total	/	/	1,612,595,118

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 63. Supplement to cash flow statement

#### (1) *Supplements to the statement of cash flows*

##### a. Reconciliation of net loss to cash flows from operating activities:

Item	2023	2022
Net loss	<b>(1,639,900,661)</b>	(819,242,482)
Add: (Reversal)/provision of bad debts	<b>(39,230,056)</b>	58,667
Provision for asset impairment losses	<b>993,092,220</b>	1,525,598,373
Depreciation of property, plant and equipment	<b>3,715,329,667</b>	3,195,982,796
Amortisation of right-of-use assets	<b>29,605,484</b>	19,785,773
Amortisation of intangible assets	<b>64,938,195</b>	61,576,486
Amortisation of investment properties	<b>2,011,264</b>	3,603,685
Amortisation of deferred revenue	<b>(173,959,657)</b>	(71,019,096)
Disposal gain on property, plant and equipment, intangible assets and other long-term assets	<b>(93,861,158)</b>	(440,339,732)
(Decrease)/increase in special reserve	<b>(10,761,797)</b>	38,957,237
Financial expenses	<b>525,279,221</b>	408,264,664
Investment income	<b>(308,185,072)</b>	(814,285,702)
Loss/(gain) on fair value changes	<b>34,558,767</b>	(30,075,870)
(Increase)/decrease in deferred tax assets	<b>(228,192,954)</b>	17,980,626
(Decrease)/increase in deferred tax liabilities	<b>(3,207,559)</b>	28,222,313
Decrease in inventories	<b>708,334,909</b>	665,595,302
Increase in receivables from operating activities	<b>(555,108,669)</b>	(211,968,598)
(Decrease)/increase in payables from operating activities	<b>(1,028,942,882)</b>	3,063,007,145
<b>Net cash flows from operating activities</b>	<b>1,991,799,262</b>	6,641,701,587

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 63. Supplement to cash flow statement (Continued)

#### (1) Supplements to the statement of cash flows (Continued)

b. Net changes of cash and cash equivalents:

Item	2023	2022
Ending balance of cash	<b>4,428,594,208</b>	4,360,738,411
Less: Opening balance of cash	<b>4,360,738,411</b>	4,223,061,890
Add: Ending balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase in cash and cash equivalents	<b>67,855,797</b>	137,676,521

#### (2) Information on acquisition or disposal of subsidiaries and other business units during the current year:

Information on disposal of subsidiaries and other business units:

	2023	2022
Cash or cash equivalents paid for disposal subsidiaries and other business units	–	637,294,166
Add: Customer deposits held by subsidiaries	<b>3,625,740,640</b>	–
Less: Cash and cash equivalents held by subsidiaries	<b>2,835,617,764</b>	187,531,030
Net payment for disposal of subsidiaries and other business units	<b>790,122,876</b>	449,763,136
Non-cash assets and liabilities held by the disposal subsidiaries and other business units		
– Current assets	<b>1,412,920,930</b>	513,701,028
– Non-current assets	<b>8,690,037,616</b>	179,139,572
– Current liabilities	<b>10,373,619,507</b>	23,246,856
– Non-current liabilities	<b>1,993,737</b>	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 63. Supplement to cash flow statement (Continued)

#### (3) Cash and cash equivalents

Item	2023	2022
Cash	<b>4,428,594,208</b>	4,360,738,411
Including: Cash on hand	–	2,210
Balances in banks without restrictions	<b>4,428,594,208</b>	4,360,736,201
Other monetary funds available on demand	–	–
Cash equivalents	–	–
Ending balance of cash and cash equivalents	<b>4,428,594,208</b>	4,360,738,411

#### (4) Monetary funds other than cash and cash equivalents

Item	2023	2022	Rationale
Statutory reserves deposited in the central bank	–	<b>807,918,586</b>	Statutory reserve As collateral with restricted usage
Other monetary funds	<b>1,141,203,514</b>	<b>1,366,044,310</b>	
Total	<b>1,141,203,514</b>	<b>2,173,962,896</b>	/

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 64. All assets with restricted rights or use rights

Item	Note	Opening balance	Increase during the year	Decrease during the year	Closing balance	Reason for restriction
Cash and bank balances	(1)	1,366,044,310	1,418,033,404	1,642,874,200	1,141,203,514	用於擔保
Note receivables	(2)	581,980,154	395,413,470	581,980,154	395,413,470	用於質押
Total		1,948,024,464	1,813,446,874	2,224,854,354	1,536,616,984	/

(1) As of 31 December 2023, the Group's restricted cash and bank balances include cash deposits as collateral amounting to RMB1,141,203,514 (31 December 2022: RMB1,366,044,310) pledged as security for trade facilities and performance for bank acceptance notes, letters of credit and guarantees; as of 31 December 2022, in addition to RMB1,366,044,310 as guarantee deposits as mentioned above, RMB807,918,586 was included in the statutory reserve of Masteel Finance deposited with the People's Bank of China.

(2) As of 31 December 2023, the Group pledged the bank acceptance notes of RMB395,413,470 (31 December 2022: RMB581,980,154) to obtain a bank acceptance note.

### 65. Leases

#### (1) As a lessee

The Group has not recognized right-of-use assets and lease liabilities for these short-term leases and low-value assets leases which are accounted for using practical expedient. Details of short-term leases and low-value assets recognised as costs in the current period are as follows:

Item	2023	2022
Short-term lease expenses applied the practical expedient	20,702,704	10,593,179
Expenses relating to leases of low-value assets applied the practical expedient, excluding short-term leases of low-value assets	737,200	643,978
Total cash flow for leases	48,417,282	41,746,570

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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

### 65. Leases (Continued)

#### (2) As a lessor

Operating lease

Item	2023	2022
Rental income	<b>14,549,435</b>	19,278,391
Including: Income relating to variable lease payments not included in lease receipts	—	—

The Group had leased certain of its investment properties under operating lease arrangements ranging from one to ten years. The periodic rental was fixed during the operating lease periods. As of 31 December 2023, the rental income recognised by the Group was RMB14,549,435 (31 December 2022: RMB19,278,391). According to lease contracts, the undiscounted lease receipts to be received after the balance sheet date are as follows:

Item	2023	2022
Remaining lease period		
Within 1 year, inclusive	<b>14,881,959</b>	10,286,562
1 to 2 years, inclusive	<b>13,489,098</b>	10,129,028
2 to 3 years, inclusive	<b>3,327,161</b>	10,057,728
Over 3 years	<b>3,704,761</b>	11,897,927
Total	<b>35,402,979</b>	42,371,245

### 66. Dividends\*

The Board of Directors did not recommend the declaration of any dividend for the year ended 31 December 2023.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VI. R&D EXPENSES

### 1. Presentation by nature

Item	2023	2022
Material and power expenses	<b>3,045,760,341</b>	3,206,010,696
Depreciation of property, plant and equipment	<b>453,378,243</b>	373,040,336
Employee benefits	<b>300,221,586</b>	247,344,676
Testing and processing expenses	<b>96,336,003</b>	87,915,915
Outsourced research expenses	<b>11,933,575</b>	25,541,570
Others	<b>132,255,820</b>	39,896,025
Total	<b>4,039,885,568</b>	3,979,749,218
Including: research and development expenditures that are expensed	<b>4,039,885,568</b>	3,979,749,218
research and development expenditures that are capitalised	—	—

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:

Item	2023	2022
Cost of trial production of new product development	<b>2,808,836,363</b>	2,812,451,442
Including: Material and power expenses	<b>2,262,635,690</b>	2,409,946,346
Depreciation of property, plant and equipment	<b>353,883,176</b>	285,250,429
Employee benefits	<b>44,324,993</b>	45,773,140
Testing and processing expenses	<b>55,492,144</b>	56,712,012
Others	<b>92,500,360</b>	14,769,515

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VII. CHANGE IN THE SCOPE OF CONSOLIDATION

### 1. Disposal of a subsidiary

#### (1) Transactions or events resulting in loss of control over subsidiaries

Entity name	Date of losing control	Consideration on the date of losing control	Shareholding being disposed on the date of losing control (%)	Disposal method on the date of losing control	Basis for determining date of losing control	Difference between consideration received and the related share of net assets in consolidated financial statements	Proportion of remaining shareholding on the date of losing control	Carrying amount of equity interests on the date of losing control	Fair value of equity interests on the date of losing control	Gain or loss from remeasurement of remaining equity interests to fair value	Method and key assumptions for determining the fair value of equity interests	Investment income or loss transferred from other comprehensive income related to previous equity investments in subsidiaries
Magang Finance	30 April 2023	2,671,258,054	91% (all equities)	Equity replacement	All assets, liabilities, operations, contracts and all other rights and obligations are transferred to and assumed by Baowu Finance.	338,961,664	-	-	-	-	-	(4,701,854)
MG-VALDUNES S.A.S ("MG-VALDUNES")	20 November 2023	N/A	100%	Bankruptcy and reorganisation	The investee conducted the bankruptcy and reorganisation	(215,188,107)	-	-	-	-	-	(40,991,629)

The Group recognised a gain of RMB334,259,810 and a loss of RMB256,179,736 on disposal of Magang Finance and MG-VALDUNES resulting in loss of control, which has been included in investment income in the consolidated financial statements.

On 20 November 2023, the judicial administrator was responsible for the subsequent bankruptcy and reorganisation of MG-VALDUNES after MG-VALDUNES commenced the bankruptcy and reorganisation procedures. As at the date of losing control, MG-VALDUNES held cash and cash equivalents equivalent to RMB19,849,741, which are included in the "Payments for other investing activities" under the consolidated cash flow statement.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VII. CHANGE IN THE SCOPE OF CONSOLIDATION (CONTINUED)

### 1. Disposal of a subsidiary (Continued)

#### (1) Transactions or events resulting in loss of control over subsidiaries (Continued)

As stated in Note XII.7, the profit or loss of Magang Finance is as follows:

	Magang Finance	
	From January to April 2023	2022
Revenue	<b>93,262,097</b>	338,840,717
Costs and expenses	<b>32,275,128</b>	(27,294,420)
Profit before income tax	<b>60,986,969</b>	366,135,137
Income tax expenses related to operating activities	<b>16,935,799</b>	93,624,135
Sub-total of profit or loss from operating activities	<b>44,051,170</b>	272,511,002
Disposal gain or loss before taxation	<b>334,259,810</b>	–
Income tax expenses related to disposal	–	–
Net gain or loss of disposal	<b>334,259,810</b>	–
Net profit	<b>378,310,980</b>	272,511,002
Net profit or loss attributable to shareholders of the Company	<b>374,346,375</b>	247,985,012
Net cash flows from operating activities	<b>1,435,044,326</b>	(57,494,909)
Net cash flows from investing activities	<b>5,322,606,874</b>	(536,800,853)
Net cash flows from financing activities	<b>(224,229)</b>	(105,309,315)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interests in subsidiaries

#### (1) Composition of the Group

Name of the subsidiary	Place of operation	Place of registration	Business nature	Paid-in capital	Percentage of equity (%) (or similar equity interest)	
					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	EUR 153,388	100	-
Ma Steel (Australia)	Australia	Australia	Mining	AUD 21,737,900	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	Trading	RMB200,000,000	70	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) Composition of the Group (Continued)

Name of the subsidiary	Place of operation	Place of registration	Business nature	Paid-in capital	Percentage of equity (%) (or similar equity interest)	
					Direct	Indirect
Ma'anshan (Hangzhou) Iron and Steel Sales Co., Ltd. ("Ma Steel Hangzhou Sales")	Zhejiang, PRC	Zhejiang, PRC	Trading	RMB10,000,000	100	-
Maanshan (Nanjing) Iron and Steel Sales Co., Ltd. ("Ma Steel Nanjing Sales")	Jiangsu, PRC	Jiangsu, PRC	Trading	RMB10,000,000	100	-
Maanshan (Shanghai) Iron and Steel Sales Co., Ltd. ("Ma Steel Shanghai Sales")	Shanghai, PRC	Shanghai, PRC	Trading	RMB10,000,000	100	-
Anhui Chang Jiang Iron and Steel Trading Co., Ltd., Hefei ("Chang Jiang Iron and Steel, Hefei")	Anhui, PRC	Anhui, PRC	Trading	RMB30,000,000	-	100
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
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	RMB2,117,237,941	70	-
Mascometal Co., Ltd. ("Mascometal")	Anhui, PRC	Anhui, PRC	Manufacturing	EUR 32,000,000	66	-

Note: The above companies incorporated in China are all limited companies.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) Composition of the Group (Continued)

- (a) Reasons for determining that the enterprise does not control another entity even though it holds more than half of the voting rights of that entity.

Name of the subsidiary	Shareholding percentage	Voting rights	Business nature	Registered capital	Reason for not being included in the consolidation scope
MG-VALDUNES	100%	100%	Manufacturing	EUR150,200,000	The investee conducted bankruptcy and reorganisation

#### (2) Material non-wholly owned subsidiaries

2023

Name of the subsidiary	Proportion of ownership interest held by NCI	Profit or loss allocated to non-controlling interests during the year	Dividend declared to non-controlling shareholders during the year	Balance of non-controlling interests at the end of the year
Anhui Chang Jiang Iron and Steel	45%	(365,311,942)	–	2,143,974,120

2022

Name of the subsidiary	Proportion of ownership interest held by NCI	Profit or loss allocated to non-controlling interests during the year	Dividend declared to non-controlling shareholders during the year	Balance of non-controlling interests at the end of the year
Anhui Chang Jiang Iron and Steel	45%	(101,136,580)	356,400,000	2,506,425,220

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (3) Key financial information about material non-wholly owned subsidiaries

The following table sets out the key financial information of the above subsidiaries without offsetting internal transactions, but with adjustments made for the fair value adjustment at the acquisition date and any differences in accounting policies:

	Anhui Chang jiang Iron and Steel	
	31 December 2023	31 December 2022
Current assets	<b>2,437,141,246</b>	4,385,657,797
Non-current assets	<b>7,212,002,652</b>	6,879,048,405
Total assets	<b>9,649,143,898</b>	11,264,706,202
Current liabilities	<b>(4,676,095,333)</b>	(5,574,460,942)
Non-current liabilities	<b>(208,661,632)</b>	(120,411,438)
Total liabilities	<b>(4,884,756,965)</b>	(5,694,872,380)

	Anhui Chang jiang Iron and Steel	
	31 December 2023	31 December 2022
Revenue	<b>16,207,612,544</b>	17,558,930,264
Net profit	<b>(811,804,315)</b>	(224,747,955)
Total comprehensive income	<b>(811,804,315)</b>	(224,747,955)
Cash flows from operating activities	<b>443,210,035</b>	643,096,890

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates

Item	31 December 2023	31 December 2022
Joint ventures		
– material joint ventures	–	–
– immaterial joint ventures	<b>297,836,841</b>	297,830,424
Associates		
– material associates	<b>5,448,069,644</b>	2,710,787,059
– immaterial associates	<b>1,297,918,146</b>	1,440,804,500
Sub-total	<b>7,043,824,631</b>	4,449,421,983
Less: Provision for impairment	–	–
Total	<b>7,043,824,631</b>	4,449,421,983

#### (1) Material joint ventures or associates:

Name of investee	Place of operation	Place of registration	Business nature	Percentage of equity		Accounting treatment of investments in joint ventures or associates	Registered capital	Strategic to the Group's activities
				Direct	Indirect			
Associates								
JinMa Energy	Henan, PRC	Henan, PRC	Manufacturing	26.89	–	Equity method	RMB 535,421,00	No
Shenglong Chemical	Shandong, PRC	Shandong, PRC	Manufacturing	31.99	–	Equity method	RMB 568,800,000	No
Baowu Water	Shanghai, China	Shanghai, China	Water management	14.98	–	Equity method	RMB 3,210,456,559	No
Baowu Finance	Shanghai, PRC	Shanghai, PRC	Monetary and financial services	22.36	–	Equity method	RMB 4,840,000,000	No

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

#### (2) Key financial information of material associates:

The following table sets out the key financial information of the Group's material associates, adjusted for fair value adjustments at the time of acquisition and any differences in the accounting policies of the Group. The table also reconciles the key financial information to the carrying amount of the Group's investments in the associates under the equity method:

	JinMa Energy		Shenglong Chemical		Baowu Water (Note1)		Baowu Finance (Note2)
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023
	Current assets	<b>3,907,551,172</b>	4,165,441,606	<b>3,569,182,636</b>	3,142,027,473	<b>5,303,433,535</b>	5,250,501,156
Non-current assets	<b>8,674,708,417</b>	7,074,851,254	<b>3,585,519,729</b>	2,907,148,104	<b>4,951,138,543</b>	3,051,418,074	<b>51,436,589,350</b>
Total assets	<b>12,582,259,589</b>	11,240,292,860	<b>7,154,702,365</b>	6,049,175,577	<b>10,254,572,078</b>	8,301,919,230	<b>87,006,729,393</b>
Current liabilities	<b>5,429,823,142</b>	4,175,238,890	<b>1,874,825,932</b>	1,657,193,453	<b>4,299,661,405</b>	4,211,280,559	<b>76,778,884,757</b>
Non-current liabilities	<b>2,342,760,315</b>	2,337,529,045	<b>1,003,249,418</b>	45,937,008	<b>1,234,022,371</b>	414,864,848	<b>60,751,941</b>
Total liabilities	<b>7,772,583,457</b>	6,512,767,935	<b>2,878,075,350</b>	1,703,130,461	<b>5,533,683,776</b>	4,626,145,407	<b>76,839,636,698</b>
Net assets							
Non-controlling interests	<b>1,389,681,567</b>	1,250,887,259	<b>862,200,966</b>	863,488,329	<b>453,422,960</b>	420,636,740	-
Equity attributable to							
owners of the parent	<b>3,419,994,565</b>	3,476,637,666	<b>3,414,426,049</b>	3,482,556,787	<b>4,267,465,342</b>	3,255,137,083	<b>10,167,092,695</b>
Group's share of net assets	<b>919,636,537</b>	934,867,868	<b>1,092,274,893</b>	1,114,069,916	<b>639,138,284</b>	626,451,132	<b>2,273,361,926</b>
Adjustment	-	-	-	-	-	-	-
Add: Goodwill derived from							
acquiring investments	-	-	-	-	<b>27,589,503</b>	35,398,143	<b>496,068,501</b>
Less: Elimination of unrealised							
profit or loss on							
transactions with							
associates	-	-	-	-	-	-	-
Provision for impairment	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Carrying amount of interests							
in associates	<b>919,636,537</b>	934,867,868	<b>1,092,274,893</b>	1,114,069,916	<b>666,727,787</b>	661,849,275	<b>2,769,430,427</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

#### (2) Key financial information of material associates: (Continued)

	JinMa Energy		Shenglong Chemical		Baowu Water (Note1)		Baowu Finance (Note2)
	2023	2022	2023	2022	2023	2022	For the period from 1 May 2023 to 31 December 2023
Revenue	12,165,941,556	12,469,918,112	3,288,660,128	4,318,298,557	679,622,893	6,259,892,044	1,264,478,467
Income tax expense	15,039,891	160,744,316	58,369,036	69,887,698	(1,969,441)	10,240,124	118,771,842
Net profit	(23,160,764)	559,708,953	(55,414,583)	140,576,181	47,720,346	71,156,951	377,743,282
Net profit from discontinued operations	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	11,767,020
Total comprehensive income	(23,160,764)	559,708,953	(55,414,583)	140,576,181	47,720,346	71,156,951	389,510,302
Dividends received from associates during the year	14,400,000	36,000,000	-	-	7,821,348	14,805,691	-

Note1 : As at 31 December 2023, the Group held 14.98% equity interests in 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.

Note2 : As described in Note XII.7, as of 30 April 2023, the Company acquired a 29.68% equity interest in Baowu Finance, which is accounted for under the equity method, and has significant influence over Baowu Finance. The financial information is for the period from 1 May 2023 to 31 December 2023.

As at 31 December 2023, Taigang Finance was consolidated by Baowu Finance by way of absorption and merger, all the original shareholders of Taigang Finance became shareholders of Baowu Finance, and the Company's shareholding was passively diluted to 22.36%.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

#### (3) Summarised financial information of immaterial joint ventures and associates:

	31 December 2023	31 December 2022
Joint ventures:		
Aggregate carrying amount of investments	<b>297,836,841</b>	297,830,424
Associates:		
The carrying value of the Group's investments	<b>1,297,918,146</b>	1,440,804,500
	<b>2023</b>	<b>2022</b>
Total shown as below (calculated according to the respective equity holding percentage)		
– Net profit	<b>89,002,965</b>	276,854,689
– Other comprehensive income	<b>43,035</b>	(71,143)
– Total comprehensive income	<b>89,046,000</b>	276,783,546

Note 1: As of 31 December 2023, 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 2023, the Group held 18.19% equity interest in Baoxin Anhui (Formerly known as Phima Intelligence Technology Co., Ltd.). The directors of the Company are of the opinion that although the Company's shareholding in Baoxin Anhui is less than 20%, according to the Articles of Association of Baoxin Anhui, the Company has assigned one director to Baoxin Anhui, therefore, the Company considers that it can exercise significant influence over Anhui Baoxin, and therefore, the Company has treated Baoxin Anhui as an associate for the purpose of accounting for the Company's equity investment therein.

Note 3: As of 31 December 2023, the Group held 9.17% 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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## IX. GOVERNMENT GRANTS

### 1. Details of government grants

Item	Amount recognised in profit or loss for the current period	Presentation item
Technological transformation fund for Phase II silicon steel	4,371,178	Deferred revenue
Subsidy for the hot-rolled 1580 project	1,967,021	Deferred revenue
New-zone Thermal Power Plant CCPP system engineering	4,205,063	Deferred revenue
EMU steel wheel production line project	2,194,501	Deferred revenue
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	566,545	Deferred revenue
Subsidy for a thin plate project	4,537,338	Deferred revenue
Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT)	589,383	Deferred revenue
Alloy bar production line refinement project of electric furnace plant	1,481,018	Deferred revenue
Intelligent manufacturing special fund	1,365,213	Deferred revenue
1#2# shaft furnace flue gas desulfurization project	553,293	Deferred revenue
Research and innovation of high-quality plates	11,297,798	Deferred revenue
AD201617502 Comprehensive utilization project of steel slag treatment in Magang South District	439,233	Deferred revenue
Comprehensive utilization of gas for power generation of a thermal power plant	1,088,730	Deferred revenue
Subsidy for Maanshan railway industry (Maanshan)	2,080,288	Deferred revenue
Subsidy funds for 4# blast furnace project	8,592,921	Deferred revenue
Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area	219,659	Deferred revenue
Ironmaking plant 1#2# sintering machine transformation project	676,190	Deferred revenue
Fixed asset subsidies for galvanizing projects	342,846	Deferred revenue
Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant	747,253	Deferred revenue
Transformation Project of Fugitive Emissions of Ironmaking General Plant (Phase I)	438,278	Deferred revenue
5 million tons of new area project	3,756,059	Deferred revenue
Plate spray aluminium powder project	72,365	Deferred revenue
Development and application research of efficient and economical building steel	11,031,537	Deferred revenue

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## IX. GOVERNMENT GRANTS (CONTINUED)

### 1. Details of government grants (Continued)

Item	Amount recognised in profit or loss for the current period	Presentation item
Unorganised ultra-low emission transformation project of coal coking company of the coal coking company	109,890	Deferred revenue
Ultra low emission organised emission transformation project	2,863,467	Deferred revenue
Other grants related to assets	92,160,395	Deferred revenue
Ultra low emission organised emission transformation project	11,890,000	Deferred revenue
Development and demonstration application of on-line detection and sensing technology for key parameters of special steel production	1,041,667	Deferred revenue
Other grants related to income	3,280,528	Deferred revenue
Subsidies for specialized and sophisticated enterprises	3,585,000	Other income
Industry support policy incentives to promote Manufacturing upgrades	5,473,000	Other income
Subsidies for industrial internet	1,870,000	Other income
Industry foundation strengthening	24,420,000	Other income
Government incentive fund	4,784,563	Other income
Rewards for outstanding tax contributions	1,100,000	Other income
Other government grants	57,085,850	Other income
Total	272,278,070	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## IX. GOVERNMENT GRANTS (CONTINUED)

### 2. Government grants recognised in profit or loss for the current period

Type	2023	2022
Government grants amortised during the year included in deferred income	<b>173,959,657</b>	71,019,096
Government grants included in non-operating income	–	785,148
Government grants included in other income	<b>98,318,413</b>	95,318,576

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group faced several kinds of financial instrument risks in its daily operation, mainly including:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, and their changes during the year, as well as the Group's objectives, policies and processes for measuring and managing risks, and their changes during the year.

The Group aims to achieve an appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on these objectives, the Group's risk management policies have been established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and accounts receivable. Exposure to these credit risks is monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. Except for the financial guarantees given by the Group as set out in Note XII, the Group do not provide any other guarantees which would expose the Group to credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country/region in which the customers operate. Therefore, significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at the balance sheet date, 33% (31 December 2022: 37%) of total accounts receivable were due from the Group's five largest customers.

For details of accounts receivable and other receivables, refer to Notes V.4 and 7.

The Group's other financial assets include debt investments, amounts of financial assets purchased under resale agreements, loans and advances issued in relation to Masteel Finance, which are subject to credit risk arising from default of the counterparties, with the maximum exposure equal to the carrying amount of these instruments. As stated in Note XII.7, Masteel Finance was disposed of An huion 30 April 2023.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 2. Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in meeting obligations that are settled by delivering cash or another financial asset. The Company and its individual subsidiaries are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 December) and the earliest date the Group can be required to pay:

Item	Contractual undiscounted cash flow as of 31 December 2023					Total	Carrying amount at balance sheet date
	Within 1 year or on demand (inclusive)	1-2 years (inclusive)	2-3 years (inclusive)	3-5 years (inclusive)	Over 5 years		
Short-term loans	9,507,513,271	-	-	-	-	9,507,513,271	9,428,060,223
Notes payable	8,631,701,173	-	-	-	-	8,631,701,173	8,631,701,173
Trade payables	13,513,640,486	-	-	-	-	13,513,640,486	13,513,640,486
Other payables	3,068,633,198	-	-	-	-	3,068,633,198	3,068,633,198
Non-current liabilities due within one year	509,750,000	-	-	-	-	509,750,000	506,463,889
Long-term loans	3,860,822,815	-	-	-	-	3,860,822,815	3,784,343,228
Lease liabilities	-	4,791,218,938	2,066,758,542	58,104,580	13,200,000	6,929,282,060	6,799,686,232
Long-term payables	-	39,556,394	39,296,852	66,966,868	330,727,236	476,547,350	361,507,890
Total	-	52,964,036	-	-	-	52,964,036	52,964,036
<b>Short-term loans</b>	<b>39,092,060,943</b>	<b>4,883,739,368</b>	<b>2,106,055,394</b>	<b>125,071,448</b>	<b>343,927,236</b>	<b>46,550,854,389</b>	<b>46,147,000,355</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 2. Liquidity risk (Continued)

Item	Contractual undiscounted cash flow as of 31 December 2022						Carrying amount at balance sheet date
	Within 1 year or on demand (inclusive)	1-2 years (inclusive)	2-3 years (inclusive)	3-5 years (inclusive)	Over 5 years	Total	
Customer deposits	9,082,110,579	-	-	-	-	9,082,110,579	9,082,110,579
Repurchase agreements	659,635,255	-	-	-	-	659,635,255	659,635,255
Short-term loans	9,232,688,683	-	-	-	-	9,232,688,683	9,198,483,165
Notes payable	5,220,978,025	-	-	-	-	5,220,978,025	5,220,978,025
Trade payables	17,224,018,731	-	-	-	-	17,224,018,731	17,224,018,731
Other payables	3,893,196,937	-	-	-	-	3,893,196,937	3,917,090,333
Non-current liabilities due within one year	2,114,184,605	-	-	-	-	2,114,184,605	2,059,412,922
Long-term loans	224,078,711	3,504,397,534	4,666,494,879	69,728,333	13,200,000	8,477,899,457	7,982,390,765
Lease liabilities	-	29,257,744	28,818,005	57,636,009	313,435,068	429,146,826	305,546,394
Long-term payables	-	55,457,800	55,457,800	57,138,340	-	168,053,940	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>	<b>55,817,720,109</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings for fixed and floating rate interest-bearing instruments based on current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(1) As at 31 December, the Group held the following interest-bearing financial instruments:

Fixed rate instruments:

Item	31 December 2023		31 December 2022	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
– Cash and bank balances	0.20%–3.79%	5,569,797,722	0.35%–3.40%	6,534,701,307
Financial liabilities				
– Short-term loans	1.25%–2.50%	9,158,060,223	0.77%–3.50%	8,938,512,720
– Non-current liabilities due within one year	2.40%–4.95%	202,920,603	2.50%–4.95%	590,204,058
– Long-term loans	1.00%–2.80%	357,913,379	1.20%–3.75%	565,331,920
– Lease liabilities	4.20%–4.95%	361,507,890	4.70%–4.95%	305,546,394
Total		(4,510,604,373)		(3,864,893,785)

Variable rate instruments:

Item	31 December 2023		31 December 2022	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
– Cash and bank balances	–	–	–	–
Financial liabilities				
– Short-term loans	2.50%–2.60%	270,000,000	2.50%–2.60%	259,970,445
– Non-current liabilities due within one year	2.30%–3.20%	3,581,422,625	2.85%–3.00%	1,469,208,864
– Long-term loans	2.30%–2.60%	6,441,772,853	2.50%–2.60%	7,417,058,845
Total		(10,293,195,478)		(9,146,238,154)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 3. Interest rate risk (Continued)

#### (2) Sensitivity analysis

As at 31 December 2023, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's equity by RMB65,195,422 (31 December 2022: RMB15,138,324), the net loss was increased by RMB65,195,422 (For the year ended 31 December 2022: the net profit was decreased by RMB5,768,852).

The sensitivity analysis above indicates the instantaneous change in net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on net profit and equity of such a change in interest rates is estimated as an annualised impact on interest expense or income. The analysis is performed on the same basis for the previous year.

### 4. Exchange rate risk

In respect of cash at bank and on hand, accounts receivable and payable, and short-term loans denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Exchange rate risk (Continued)

- (1) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of foreign currency financial statements are excluded.

	31 December 2023		31 December 2022	
	Balance at foreign currency	Balance at RMB equivalent	Balance at foreign currency	Balance at RMB equivalent
Cash and bank balances				
– USD	<b>78,068,800</b>	<b>552,937,889</b>	109,874,673	765,233,148
– EUR	<b>15,717,316</b>	<b>123,525,527</b>	16,332,623	121,235,427
– AUD	<b>33,151,556</b>	<b>160,732,005</b>	34,642,652	163,298,533
– HKD	<b>12,276,365</b>	<b>11,124,842</b>	3,908,842	3,491,769
– CAD	–	–	313,880	1,612,872
– ZAR	–	–	19,383,300	7,972,351
– Pound	–	–	177	1,486
Trade receivables				
– EUR	<b>29,340,571</b>	<b>230,593,418</b>	57,989,771	430,452,269
– USD	<b>19,450,389</b>	<b>137,761,267</b>	24,218,592	168,672,803
– AUD	–	–	1,372,000	6,467,334
– HKD	<b>559,444,991</b>	<b>506,980,240</b>	396,019,399	353,764,174
Other accounts receivable				
– EUR	<b>21,602</b>	<b>169,775</b>	1,002,197	7,439,211
– AUD	<b>4,134</b>	<b>20,043</b>	4,155	19,588
– HKD	<b>181,443</b>	<b>164,427</b>	19,148,216	17,105,101
Short-term loans				
– USD	–	–	81,054,703	564,513,585
Trade payables				
– EUR	<b>225,700</b>	<b>1,773,821</b>	54,505,390	404,588,057
– USD	–	–	2,298,938	16,011,184
– JPY	<b>3,700,000</b>	<b>185,788</b>	22,411,805	1,173,437
– HKD	<b>328,911,716</b>	<b>296,086,327</b>	700,161	625,433
Other payables				
– HKD	<b>4,029,613</b>	<b>3,651,716</b>	4,029,613	3,599,532
– EUR	<b>10,309,705</b>	<b>81,026,033</b>	380,729	2,826,111
– USD	<b>1,276,928</b>	<b>9,044,095</b>	–	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Exchange rate risk (Continued)

- (2) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

	Average rate		Balance sheet date mid-spot rate	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
USD	<b>7.0454</b>	6.7261	<b>7.0827</b>	6.9646
EUR	<b>7.6425</b>	7.0721	<b>7.8592</b>	7.4229
HKD	<b>0.9002</b>	0.8589	<b>0.9062</b>	0.8933
AUD	<b>4.6919</b>	4.6668	<b>4.8484</b>	4.7138
JPY	<b>0.0050</b>	0.0052	<b>0.0050</b>	0.0052
CAD	<b>5.2384</b>	5.1412	<b>5.3673</b>	5.1385
ZAR	<b>2.6152</b>	2.4323	<b>2.6183</b>	2.4312
AED	<b>0.5203</b>	1.8323	<b>0.5175</b>	1.8966

- (3) Sensitivity analysis

Assuming all other risk variables remained constant, a 1% strengthening of the Renminbi against the US dollar, Euro, Hong Kong dollar, Australian dollar and Japanese yen at 31 December would have increased/(decrease) the Group's equity and net loss by the amounts shown below. The amounts are presented in Renminbi and translated using the spot rate at the balance sheet date:

	Equity	Net loss
31 December 2023		
USD	<b>(39,448,486)</b>	<b>(39,448,486)</b>
EUR	<b>(17,026,368)</b>	<b>(17,026,368)</b>
HKD	<b>(614,156)</b>	<b>(614,156)</b>
AUD	—	—
JPY	<b>(18,579)</b>	<b>(18,579)</b>
Total	<b>(57,107,589)</b>	<b>(57,107,589)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 4. Exchange rate risk (Continued)

#### (2) Sensitivity analysis (Continued)

	Equity	Net loss
31 December 2022		
USD	(3,723,822)	(3,723,822)
EUR	(3,857,216)	(2,005,852)
HKD	(5,499,887)	2,574
AUD	(2,015,647)	–
JPY	154,291	154,291
CAD	(3,139)	(3,139)
ZAR	(192,904)	(192,904)
<b>Total</b>	<b>(15,138,324)</b>	<b>(5,768,852)</b>

A 1% weakening of the Renminbi against the US dollar, Euro, Hong Kong dollar, Australian dollar and Japanese yen at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of foreign currency financial statements. The analysis is performed on the same basis for the previous year.

### 5. Transfer of financial assets

#### (1) By manner of transfer

Manner of transfer	Nature of financial assets transferred	Amount of financial assets transferred	Derecognition	Basis for derecognition
Endorsement of bills	Bank acceptance bills	8,457,887,767	Partial derecognition	Bank credit rating
Discounted bills	Bank acceptance bills	5,016,923,399	Partial derecognition	Bank credit rating
<b>Total</b>	/	<b>13,474,811,166</b>	/	/

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

### 5. Transfer of financial assets (Continued)

#### (2) Financial assets derecognised due to transfer

Item	Manner of transfer	Amount derecognised	Gains or losses relating to derecognition
Endorsement of bills	Endorsement of bills	8,199,447,598	–
Discounted bills	Discounted bills	4,028,695,081	18,912,711
Total	/	12,228,142,679	/

#### (3) Transferred financial assets with continuing involvement

As at 31 December 2023, the total amount not derecognised of the Group's endorsed and discounted bills was RMB1,246,668,487.

## XI. DISCLOSURE OF FAIR VALUE

The following table presents the fair value information and fair value hierarchy, at the end of the current reporting period, of the Group's assets and liabilities which are measured at fair value at each balance sheet date on a recurring or non-recurring basis. The level at which fair value measurement is categorised is determined by the lowest level input in the fair value hierarchy that is significant to the entire fair value measurement. The levels of inputs are defined as follows:

Level 1 inputs: unadjusted quoted prices in active markets that are observable at the measurement date for identical assets or liabilities;

Level 2 inputs: inputs other than Level 1 inputs that are either directly or indirectly observable for underlying assets or liabilities;

Level 3 inputs: inputs that are unobservable for underlying assets or liabilities.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 1. Fair value of assets and liabilities measured at fair value at the end of the year

Item	Note	31 December 2023			Total
		Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement					
Financing receivables	V.5	–	<b>1,801,284,684</b>	–	<b>1,801,284,684</b>
Other equity instrument investments	V.14	–	<b>387,077,667</b>	<b>4,916,121</b>	<b>391,993,788</b>

Item	Note	31 December 2022			Total
		Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement					
Financial assets held for trading	V.2	40,471,388	585,525,750	–	625,997,138
Financing receivables	V.5	–	2,659,676,438	–	2,659,676,438
Other debt instrument investments	V.11	8,883,816,241	–	–	8,883,816,241
Other equity instrument investments	V.14	–	447,058,919	94,347,591	541,406,510

### 2. Basis of determining the market price for recurring and non-recurring fair value measurements categorised within Level 1

The Group's level 1 fair value measurement items mainly include forward foreign exchange contracts. The fair value of forward foreign exchange contracts was determined by the forward foreign exchange rate on the last trading day of December 2023.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 3. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 2

The Group's level 2 fair value measurement items mainly include unlisted equity investment 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 2023 and the information of the comparable listed companies in the same industry. Financing receivables measured at fair value through other comprehensive income were discounted by the market interest rate.

### 4. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3

The Group's level 3 fair value measurement items mainly include unlisted equity investment. Equity interests in unlisted companies are usually assessed at fair value using valuation techniques such as market comparison approach, taking into account factors such as liquidity discounts, 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 Group has a specific team headed by the finance manager performing valuations of assets and liabilities of recurring and non-recurring Level 3 fair value measurements. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual balance sheet date, and is reviewed and approved by the chief financial officer. Discussion of the valuation process and results with the chief financial officer and the audit committee is held at interim and annual period ends.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

4. Valuation techniques used and the qualitative and quantitative information of key parameters for recurring and non-recurring fair value measurements categorised within Level 3 (Continued)

Quantitative information about Level 3 fair value measurements is as follows:

	Fair value at 31 December 2023	Valuation technique	Unobservable inputs	Scope/Weighted Average
Other equity instrument investments	4,916,121	Comparison method of listed companies	Liquidity discount	23%

	Fair value at 31 December 2022	Valuation technique	Unobservable inputs	Scope/Weighted Average
Other equity instrument investments	94,347,591	Comparison method of listed companies	Liquidity discount	23%

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 5. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements

(1) *Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements:*

31 December 2023	Opening balance	Transfer into level 3	Transfer out of level 3	Total gains or losses for the year		Purchase, issuance, sale and settlement				Closing balance	Unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year
				Gains or losses included in the income statement	Gains or losses included in other comprehensive income	Purchase	Issuance	Sale	Settle		
Asset	-	-	-	-	-	-	-	-	-	-	-
Other equity instrument investments	94,347,591	-	-	-	3,348,595	-	-	(92,780,065)	-	4,916,121	-
<b>Total</b>	<b>94,347,591</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,348,595</b>	<b>-</b>	<b>-</b>	<b>(92,780,065)</b>	<b>-</b>	<b>4,916,121</b>	<b>-</b>

31 December 2022	Opening balance	Transfer into level 3	Transfer out of level 3	Total gains or losses for the year		Purchase, issuance, sale and settlement				Closing balance	Unrealised gains or losses for the year included in profit or loss for assets and liabilities held at the end of the year
				Gains or losses included in the income statement	Gains or losses included in other comprehensive income	Purchase	Issuance	Sale	Settle		
Assets	-	-	-	-	-	-	-	-	-	-	-
financial assets held for trading											
Including: 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	-
<b>Total</b>	<b>1,099,359,274</b>	<b>-</b>	<b>-</b>	<b>9,693,246</b>	<b>2,568,664</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,017,273,593)</b>	<b>94,347,591</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 5. Reconciliation from the opening balances to the closing balances, and sensitivity analysis on unobservable inputs for items measured at recurring Level 3 fair value measurements (Continued)

#### (1) Reconciliation between carrying amount at the beginning of the year and that at the end of the year for items measured at recurring Level 3 fair value measurements: (Continued)

Note: The above gains or losses for the year included in profit or loss, or other comprehensive income, by the Group are as follows:

Item	31 December 2023	31 December 2022
Realised gains or losses included in profit or loss for the year		
– Investment income	–	9,693,246
Unrealised gains or losses included in profit or loss for the year	–	–
<b>Total</b>	<b>–</b>	<b>9,693,246</b>
Gains or losses included in other comprehensive income		
– Changes in fair value of other debt investments	–	–
– Credit losses of other debt investments	–	–
– Changes in fair value of investments in other equity instruments	<b>3,348,595</b>	2,568,664
– Changes in fair value of entity's own credit risk	–	–
<b>Total</b>	<b>3,348,595</b>	<b>2,568,664</b>

### 6. Reasons for transfers between different levels, and the policy about the timing of those transfers for recurring fair value measurements

For the year ended 31 December 2023, there were no transfers between different levels of the Group's above assets and liabilities which are measured at fair value on a recurring basis. The Group recognises transfers between different levels at the end of the current reporting period during which such transfers are made.

### 7. Current changes in valuation techniques and the reasons

For the year ended 31 December 2023, there were no changes in valuation techniques for the recurring and non-recurring fair value measurements.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

### 8. Fair values of financial assets and liabilities not measured at fair value

All financial instruments are carried at amounts not materially different from their fair value as at balance sheet date except as follows:

	31 December 2023		Fair value measurements as at 31 December 2023 categorised into		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term loans	6,799,686,232	6,711,922,832	–	6,711,922,832	–
Total	6,799,686,232	6,711,922,832	–	6,711,922,832	–

	31 December 2022		Fair value measurements as at 31 December 2022 categorised into		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term loans	7,982,390,765	7,733,776,453	–	7,733,776,453	–
Total	7,982,390,765	7,733,776,453	–	7,733,776,453	–

Management had assessed the fair value of cash and bank balances, trade receivables, other receivables, notes payable, trade payables, other payables, 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 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 2023, the default risk for the long-term loans was evaluated as not significant.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Information about the parent of the Company

Name of parent	Place of registration	Business nature	Registered capital	Shareholding percentage (%)	Percentage of voting rights (%)	The Company is ultimately controlled
The Holding	Anhui, PRC	Manufacturing	6,666,280,396	47.31	47.31	China Baowu

### 2. Information about the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VIII.1.

### 3. Information about joint ventures and associates of the Company

For information about the joint ventures and associates of the Company, refer to Note VIII.2.

Joint ventures and associates that have related party transactions with the Group during the year and the previous year are as follows:

	Relationship with the Company
Maanshan BOC-Ma Steel Gases Company Limited ("BOC-Ma Steel")	Joint venture of the Group
Henan JinMa Energy Co., Ltd. ("Henan JinMa Energy")	Associate of the Group
Shenglong Chemical Co., Ltd. ("Shenglong Chemical")	Associate of the Group
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. ("Xinchuang Environmental Protection")	Associate of the Group
Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy")	Associate of the Group
Anhui Baoxin Software Co., Ltd. ("Anhui Baoxin Software") (Formerly known as Phima Intelligence Technology Co., Ltd.)	Associate of the Group
OBEI Co., Ltd. ("OBEI")	Associate of the Group
Baowu Water Technology Co., Ltd. ("Baowu Water")	Associate of the Group
Anhui Masteel Gas Technology Co., Ltd. (Masteel Gases)	Associate of the Group
Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial")	Associate of the Group
Baowu Group Finance Co., Ltd. ("Baowu Finance") (Note 1)	Associate of the Group

Note 1: As described in Note XII.7, Baowu Finance became an associate of the Group after 30 April 2023.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties

Name of other related parties	Related party relationship
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
Baowu Heavy Industry Co., Ltd.	Controlled by the Holding
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
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
Shanghai Baochangran Energy Development Co., Ltd.	Controlled by the Holding
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	Controlled by the Holding

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties (Continued)

Name of other related parties	Related party relationship
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
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
Anhui Magang Engineering Technology Group Co., Ltd.	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
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. ("Masteel Lihua")	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
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
Guizhou Xinchuan Environmental Protections Co., Ltd.	Controlled by the Holding

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties (Continued)

Name of other related parties	Related party relationship
Ma Steel (Guangzhou) Processing and Distribution Co., Ltd	Controlled by the Holding
Ma Steel (Jinhua) Processing and Distribution Co., Ltd.	Controlled by the Holding
China Baowu Steel Group Co., Ltd.	Ultimate controlling party
Ouyeel Blockchain Finance	Controlled by the ultimate controlling party
Masteel K. Wah	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Fuyang) Renewable Resources Co., Ltd	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Guangxi) Renewable Resources Co., Ltd	Controlled by the ultimate controlling party
Ouyeel (Jingjiang) Blockchain Finance and Metal Recycling Resources Co., Ltd.	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Pingxiang) Renewable Resources Co., Ltd	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Shaoguan) Renewable Resources Co., Ltd	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Sichuan) Renewable Resources Co., Ltd	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Tangshan) Renewable Resources Co., Ltd	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Yunnan) Renewable Resources Co., Ltd	Controlled by the ultimate controlling party
Ouyeel Chain Gold (Zhanjiang) Renewable Resources Co., Ltd	Controlled by the ultimate controlling party
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.	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
Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	Controlled by the ultimate controlling party
Anhui Xiangdun Information Technology Co., Ltd.	Controlled by the ultimate controlling party

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties (Continued)

Name of other related parties	Related party relationship
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
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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties (Continued)

Name of other related parties	Related party relationship
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
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
Baowu Huanke Nanjing Resources Utilization 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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties (Continued)

Name of other related parties	Related party relationship
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
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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties (Continued)

Name of other related parties	Related party relationship
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
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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties (Continued)

Name of other related parties	Related party relationship
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
Sinosteel Equipment Technology Co., Ltd.	Controlled by the ultimate controlling party
Sinosteel Zhengzhou Metal Products Research Institute Co. Ltd.	Controlled by the ultimate controlling party
Sinosteel Xingtai Mechanical Rolling Co. Ltd.	Controlled by the ultimate controlling party
Changchun Baoyou Jiefang Steel Processing & Distribution Co. Ltd.	Controlled by the ultimate controlling party
Maanshan Baozhichun Calcium & Magnesium Technology Co. Ltd.	Controlled by the ultimate controlling party
BAOSTEEL RESOURCES SINGAPORE COMPANY PTE.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
Anhui BRC & Masteel Weldmesh Co., Ltd.	Associate of the Holding
Anhui Baochang United Roll 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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties (Continued)

Name of other related parties	Related party relationship
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
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
Taichang 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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4. Information on other related parties (Continued)

Name of other related parties	Related party relationship
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

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties

The transactions below with related parties were conducted under normal commercial terms or agreements.

#### (1) Purchase of products/receiving of services (excluding remuneration of key management personnel)

The Group

Related parties	Nature of transaction	2023	2022
BAOSTEEL RESOURCES SINGAPORE COMPANY PTE.LTD.*	Purchases of ore	161,314,346	–
Shanghai Baochangran Energy Development Co., Ltd.*	Purchases of ore	3,859,292	–
Taicang Wugang Wharf Co., Ltd.*	Purchases of ore	2,742,724	–
Anhui Wanbao Mining Limited Co., Ltd.*	Purchases of ore	2,705,688	2,597,008
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.*	Purchases of ore	33,875,761	–
Anhui Masteel Zhang Zhuang Mining Co., Ltd.*	Purchases of ore	–	30,209,912
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.*	Purchases of ore	–	146,749,379
Anhui Masteel Mining Resources Group Co., Ltd.*	Purchases of ore	4,576,785,683	2,763,732,887
Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.*	Purchases of ore	19,727,930	84,232,266
Baoshan Iron & Steel Co., Ltd.*	Purchases of ore	13,134,630	119,468,545
Baowu Raw Material Supply Co., Ltd.*	Purchases of ore	3,086,467,316	3,504,763,551
BAOSTEEL RESOURCES INTERNATIONAL COMPANY*	Purchases of ore	1,217,422,785	3,293,206,380
Baosteel Resources Holdings (Shanghai) Co., Ltd.*	Purchases of ore	2,780,068,531	2,812,105,013
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group*	Purchases of ore	586,715,241	1,109,714,933
Ma Steel International Trade and Economic Co., Ltd.*	Purchases of ore	1,045,468,449	373,943,469

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

Related parties	Nature of transaction	2023	2022
Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited *	Purchases of ore	<b>906,650,992</b>	–
Maanshan Shenma Metallurgical Co., Ltd	Purchases of ore	<b>2,450,112</b>	–
Ouyeel Blockchain Finance *	Procurement agency services	<b>2,689,725</b>	603,333
Ma Steel International Trade and Economic Co., Ltd.*	Procurement agency services	<b>9,517,392</b>	67,772,200
Shanghai Baosight Software Co.,Ltd.*	Fees paid for labour, logistics and other services	<b>65,158,087</b>	75,836,664
Shanghai Baosteel Trading Co., Ltd.*	Fees paid for labour, logistics and other services	<b>5,690,619</b>	–
Shanghai Ouyeel Material Technology Co., Ltd.*	Fees paid for labour, logistics and other services	<b>13,322,499</b>	–
Shanghai Steel Home Information Technology Co., Ltd	Fees paid for labour, logistics and other services	<b>7,826,934</b>	–
Sinosteel Xingtai Mechanical Rolling Co. Ltd.*	Fees paid for labour, logistics and other services	<b>17,820,102</b>	–
Anhui Zhonglian Shipping Co., Ltd.*	Fees paid for labour, logistics and other services	<b>78,791,712</b>	154,992,927
Ma Steel Gongchang United Roller Co., Ltd.*	Fees paid for labour, logistics and other services	<b>8,131,713</b>	18,793,065
Xinchuang Environmental Protection *	Fees paid for labour, logistics and other services	<b>831,586,951</b>	535,688,810

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

Related parties	Nature of transaction	2023	2022
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd. *	Fees paid for labour, logistics and other services	<b>353,592,089</b>	384,324,070
Anhui Magang Chemicals & Energy Technology Co., Ltd.*	Fees paid for labour, logistics and other services	–	12,540,635
Anhui Masteel Holly Industrial Co., Ltd. *	Fees paid for labour, logistics and other services	<b>500,764,892</b>	–
Masteel Automobile Transportation Service Co., Ltd.*	Fees paid for labour, logistics and other services	–	231,238,191
Anhui Masteel Equipment Maintenance Co, Ltd.*	Fees paid for labour, logistics and other services	<b>532,251,433</b>	617,892,064
Masteel Heavy Machinery Manufacturing Co., Ltd.*	Fees paid for labour, logistics and other services	<b>467,350,540</b>	526,147,235
Anhui Baoxin Software Co., Ltd. *	Fees paid for labour, logistics and other services	<b>166,138,589</b>	126,804,779
Baowu Water Technology Co., Ltd.*	Fees paid for labour, logistics and other services	<b>596,738,296</b>	416,705,494
Baowu Equipment Intelligent Technology Co., Ltd.*	Fees paid for labour, logistics and other services	<b>22,636,365</b>	38,442,407
Baowu Heavy Industry Co., Ltd.*	Fees paid for labour, logistics and other services	<b>104,732,517</b>	78,521,237
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd. *	Fees paid for labour, logistics and other services	–	261,111,350

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

Related parties	Nature of transaction	2023	2022
Shanghai Baosteel Engineering & Technology Co., Ltd.*	Fees paid for labour, logistics and other services	51,640,788	–
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd.*	Fees paid for labour, logistics and other services	149,862,396	–
Ruitai Masteel New Material Technology Co., Ltd.*	Fees paid for labour, logistics and other services	39,973,234	26,982,437
Magang (Group) Holding Company Limited *	Fees paid for labour, logistics and other services	93,992,736	20,823,041
Magang (Group) Logistics Co., Ltd. *	Fees paid for labour, logistics and other services	1,360,043,966	612,845,232
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.*	Fees paid for labour, logistics and other services	43,096,689	46,681,826
Others	Fees paid for labour, logistics and other services	667,208,265	717,568,830
Shanghai Baosteel Steel Products Trading Co., Ltd. *	Purchases of products from related parties	1,415,914	–
Shanghai Ouye Purchasing Information Technology Co., Ltd. *	Purchases of products from related parties	3,622,595	–
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.*	Purchases of products from related parties	39,114,515	–
Anhui Magang Chemicals & Energy Technology Co., Ltd. *	Purchases of products from related parties	1,521,597	722,953,591
Anhui Masteel Holly Industrial Co., Ltd. *	Purchases of products from related parties	5,234,472	–
Anhui Masteel Gas Technology Co., Ltd. *	Purchases of products from related parties	872,524,080	739,238,703

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

Related parties	Nature of transaction	2023	2022
Shanxi Taigang Stainless Steel Co., Ltd*	Purchases of products from related parties	<b>67,832,358</b>	642,372,479
OBEI Co., Ltd. *	Purchases of products from related parties	<b>4,604,768,756</b>	4,440,879,320
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd. *	Purchases of products from related parties	<b>7,194,427,036</b>	8,317,695,577
Qinghai Kaiyuan Metal Material Co., Ltd. *	Purchases of products from related parties	<b>32,846,216</b>	–
Ma Steel (Guangzhou) Processing and Distribution Co., Ltd.*	Purchases of products from related parties	<b>263,447</b>	–
Maanshan BOC-Ma Steel Gases Company Limited	Purchases of products from related parties	<b>515,132,110</b>	–
Guangdong Building Materials Co., Ltd.*	Purchases of products from related parties	<b>502,454,367</b>	–
Henan Zhongping Energy Supply Chain Management Co., Ltd.	Purchases of products from related parties	<b>51,608,998</b>	–
Henan JinMa Energy Co., Ltd.	Purchases of products from related parties	<b>15,033,419</b>	–
Shenglong Chemical Co., Ltd.	Purchases of products from related parties	<b>8,780,580</b>	–
Shanghai Baosight Software Co.,Ltd.*	Purchases of fixed assets and construction services	<b>398,211,202</b>	581,164,096
Shanghai Baosteel Engineering Consulting Co., Ltd.*	Purchases of fixed assets and construction services	<b>14,104,751</b>	–
MCC South Engineering Technology Co., Ltd.*	Purchases of fixed assets and construction services	<b>176,512,800</b>	–
MCC South Continuous Casting Technology Engineering Co., Ltd *	Purchases of fixed assets and construction services	<b>184,402,716</b>	–
Sinosteel Luonai Materials Technology Co., Ltd.*	Purchases of fixed assets and construction services	<b>3,071,500</b>	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

Related parties	Nature of transaction	2023	2022
Sinosteel Engineering Design & Research Institute Co., Ltd.*	Purchases of fixed assets and construction services	<b>46,796,662</b>	–
Sinosteel Luoyang Institute of Refractories Research Co., Ltd.*	Purchases of fixed assets and construction services	<b>2,872,105</b>	–
Sinosteel Xi'an Machinery Co., Ltd.*	Purchases of fixed assets and construction services	<b>4,456,610</b>	–
Sinosteel Anshan Research Institute of Thermo-energy Co., Ltd.*	Purchases of fixed assets and construction services	<b>4,170,000</b>	–
Sinosteel Maanshan General Institute of Mining Research Co., Ltd.*	Purchases of fixed assets and construction services	<b>24,192,790</b>	–
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.*	Purchases of fixed assets and construction services	<b>21,043,147</b>	100,171,354
Anhui Magang Limin Construction and Installation Co., Ltd. *	Purchases of fixed assets and construction services	<b>5,601,026</b>	9,321,037
Anhui Masteel Equipment Maintenance Co, Ltd.*	Purchases of fixed assets and construction services	<b>97,876,645</b>	76,684,279
Anhui Baoxin Software Co., Ltd.*	Purchases of fixed assets and construction services	<b>117,591,544</b>	153,153,291
Baowu Water Technology Co., Ltd. *	Purchases of fixed assets and construction services	<b>5,780,000</b>	67,441,193
Baowu Heavy Industry Co., Ltd.**	Purchases of fixed assets and construction services	<b>353,720,590</b>	185,994,523

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

Related parties	Nature of transaction	2023	2022
Shanghai Baosteel Engineering & Technology Co., Ltd.*	Purchases of fixed assets and construction services	<b>158,878,681</b>	107,160,308
Baosteel Special Metals Co., Ltd.*	Purchases of fixed assets and construction services	–	171,962,264
Wuhan Guide Electric Co., Ltd.*	Purchases of fixed assets and construction services	<b>40,194,898</b>	–
Masteel Group Design and Research Institute Co., Ltd.*	Purchases of fixed assets and construction services	<b>838,680,901</b>	848,876,660
Blasting Engineering Co., Ltd., Maanshan Mine Institute*	Purchases of fixed assets and construction services	<b>8,481,530</b>	–
Maanshan Iron Construction Group Co., Ltd.*	Purchases of fixed assets and construction services	<b>18,727,191</b>	36,107,174
Maanshan Jiahua Commodity Concrete Co., Ltd.*	Purchases of fixed assets and construction services	<b>6,116,174</b>	2,203,939
Beijing Bestpower Bluesky Engineering Co., Ltd.*	Purchases of fixed assets and construction services	<b>25,299,587</b>	–
Xingtai MILL Roll Wochuan Equipment Manufacturing Co., Ltd.*	Purchases of fixed assets and construction services	<b>31,776,326</b>	–
Others	Purchases of fixed assets and construction services	<b>112,150,206</b>	83,630,419
Magang (Group) Holding Co., Limited*	Interest paid on customer deposits	<b>14,598,357</b>	23,606,398
Anhui Masteel Mining Resources Group Co., Ltd.*	Interest paid on customer deposits	<b>1,570,345</b>	22,282,992

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

(1) *Purchase of products/receiving of services (excluding remuneration of key management personnel) (Continued)*

Related parties	Nature of transaction	2023	2022
Anhui Magang Chemicals & Energy Technology Co., Ltd.*	Interest paid on customer deposits	<b>131,249</b>	8,350,245
Anhui Masteel Luo He Mining Co., Ltd.*	Interest paid on customer deposits	<b>1,615,415</b>	7,000,986
Ouyeel Blockchain Finance *	Interest paid on customer deposits	–	6,611,974
Anhui Masteel Zhang Zhuang Mining Co., Ltd.*	Interest paid on customer deposits	<b>1,630,019</b>	6,101,618
Baowu Heavy Industry Co., Ltd*	Interest paid on customer deposits	<b>676,717</b>	3,943,290
Magang (Group) Logistics Co., Ltd.*	Interest paid on customer deposits	<b>739,714</b>	2,647,143
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.*	Interest paid on customer deposits	<b>30,716</b>	2,608,989
Masteel Group Kang Tai Land Development Co., Ltd.*	Interest paid on customer deposits	<b>2,318,924</b>	2,435,259
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd.*	Interest paid on customer deposits	–	2,236,414
Masteel K. Wah *	Interest paid on customer deposits	–	2,060,915
Masteel Heavy Machinery Manufacturing Co., Ltd. *	Interest paid on customer deposits	<b>360,655</b>	1,855,987
Ma Steel International Trade and Economic Co., Ltd.*	Interest paid on customer deposits	<b>394,334</b>	1,103,418
Masteel Automobile Transportation Service Co., Ltd.*	Interest paid on customer deposits	–	987,884
Ruitai Masteel New Material Technology Co., Ltd. *	Interest paid on customer deposits	–	37,621
Others	Interest paid on customer deposits	<b>12,324,130</b>	16,012,167
Baowu Group Finance Co., Ltd. *	Interest expenses and fees	<b>39,223,507</b>	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (2) Sale of products/rendering of services

The Group

Related parties	Nature of transaction	2023	2022
Ma Steel (Guangzhou) Processing and Distribution Co., Ltd.*	Sales of steel products	1,550,079,557	–
Ma Steel (Jinhua) Processing and Distribution Co., Ltd.*	Sales of steel products	1,041,425,268	–
Shanghai Ouyeel Material Technology Co., Ltd.*	Sales of steel products	967,701,042	1,017,820,835
Yuxi Xinxing Steel Co., Ltd.*	Sales of steel products	534,466,645	–
Baowu Heavy Industry Co., Ltd.*	Sales of steel products	288,865,900	699,170,994
Masteel Heavy Machinery Manufacturing Co., Ltd.*	Sales of steel products	139,213,770	–
Anhui Masteel Holly Industrial Co., Ltd. *	Sales of steel products	82,109,504	–
Shanghai Baosteel Trading Co., Ltd.*	Sales of steel products	60,010,035	102,660,082
Magang (Group) Logistics Co., Ltd.*	Sales of steel products	57,157,544	10,303,168
Anhui Masteel Logistics Container Intermodal Transport Co., Ltd. *	Sales of steel products	46,973,656	57,872,489
OBEI Co., Ltd.*	Sales of steel products	45,035,787	31,927,515
Changchun Baoyou Jiefang Steel Processing & Distribution Co., Ltd.*	Sales of steel products	34,988,852	–
Sinosteel Zhengzhou Metal Products Research Institute Co., Ltd.*	Sales of steel products	31,856,323	–
Anhui BRC & Masteel Weldmesh Co., Ltd.	Sales of steel products	18,752,039	–
Baoshan Iron & Steel Co., Ltd.*	Sales of steel products	8,408,363	112,131,068
Baoshan Iron & Steel Co., Ltd.*	Sales of steel products	6,663,286	–
Masteel Group Kang Tai Land Development Co., Ltd.*	Sales of steel products	5,770,229	–
Baosteel Special Metals Co., Ltd. *	Sales of steel products	4,364,442	–
Shenyang Baosteel Northeast Trading Co., Ltd.*	Sales of steel products	–	42,835,339

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (2) Sale of products/rendering of services (Continued)

Related parties	Nature of transaction	2023	2022
Beijing Baosteel Northern Trading Co., Ltd.*	Sales of steel products	–	21,293,688
Maanshan Iron Construction Group Co., Ltd. *	Sales of steel products	–	518,192
Others	Sales of steel products	<b>60,009,745</b>	52,208,058
Anhui Magang Chemicals & Energy Technology Co., Ltd.*	Sales of goods	<b>1,292,927,551</b>	1,576,511,159
Baowu Huanke Maanshan Resource Utilization Co., Ltd. *	Sales of goods	<b>657,934,858</b>	326,897,851
Anhui Masteel Gas Technology Co., Ltd. *	Sales of goods	<b>451,451,578</b>	663,366,090
Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited *	Sales of goods	<b>246,190,479</b>	–
Ouyeel Blockchain Finance *	Sales of goods	<b>57,810,967</b>	2,008,840
Anhui Masteel K.Wah New Building Materials Co., Ltd.*	Sales of goods	<b>35,100,823</b>	357,260,884
Baowu Teye (Maanshan) Gaojin Technology Co., Ltd. *	Sales of goods	<b>21,572,130</b>	–
OBEI Co., Ltd. *	Sales of goods	<b>6,898,366</b>	1,150,016
Sinosteel Equipment Technology Co., Ltd.*	Sales of goods	<b>2,873,588</b>	–
Shanghai Ouye Purchasing Information Technology Co., Ltd.*	Sales of goods	<b>2,184,764</b>	–
Others *	Sales of goods	<b>17,127,310</b>	15,931,608
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. *	Supply of utilities, services, disposal of intangible assets and sale other goods	<b>521,779,235</b>	461,023,767
Baowu Water Technology Co., Ltd. *	Supply of utilities, services, disposal of intangible assets and sale other goods	<b>218,567,411</b>	191,686,608

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (2) Sale of products/rendering of services (Continued)

Related parties	Nature of transaction	2023	2022
Masteel Heavy Machinery Manufacturing Co., Ltd. *	Supply of utilities, services, disposal of intangible assets and sale other goods	51,672,870	49,013,241
Ma Steel Powder Metallurgy Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	38,141,274	100,887,362
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	36,165,464	52,802,488
Baowu Huanke Ma'anshan Resource Utilization Co., Ltd. *	Supply of utilities, services, disposal of intangible assets and sale other goods	34,278,625	–
Ma-Steel OCI Chemical Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	27,572,027	24,127,592
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	16,555,224	18,000,032
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	12,314,252	–
Magang (Guangzhou) Steels Processing Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	4,116,868	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (2) Sale of products/rendering of services (Continued)

Related parties	Nature of transaction	2023	2022
Anhui Baoxin Software Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	3,801,749	4,069,856
Ma Steel (Jinhua) Processing and Distribution Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	2,480,854	–
Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited *	Supply of utilities, services, disposal of intangible assets and sale other goods	1,579,430	–
Shenglong Chemical Co., Ltd.	Supply of utilities, services, disposal of intangible assets and sale other goods	1,244,717	–
Ruitai Masteel New Material Technology Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	154,541	5,322,365
Ma Steel Gongchang United Roller Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	1,065	3,564
Baosteel Resources Holdings (Shanghai) Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	–	91,204,373
Baosteel Zhanjiang Iron and Steel Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	–	320,510,295

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (2) Sale of products/rendering of services (Continued)

Related parties	Nature of transaction	2023	2022
Others*	Supply of utilities, services, disposal of intangible assets and sale other goods	<b>37,073,474</b>	33,132,726
Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited	Sale of fixed assets	<b>218,606,425</b>	–
Ma Steel (Jinhua) Processing and Distribution Co., Ltd.	Sale of fixed assets	<b>365,700</b>	–
Magang (Group) Holding Company Limited *	Financial service	<b>2,550,000</b>	9,808,176
Anhui Masteel Mining Resources Group Co., Ltd.*	Financial service	<b>1,472,500</b>	17,326,750
Masteel Lihua*	Financial service	<b>933,736</b>	4,759,350
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd.*	Financial service	<b>1,733,403</b>	24,179,431
Yichang Yimei Urban Mineral Resources Recycling Co., Ltd.*	Financial service	<b>450,333</b>	–
Ma Steel Powder Metallurgy Co., Ltd.*	Financial service	–	221,174
Anhui BRC & Masteel Weldmesh Co., Ltd.*	Financial service	<b>84,375</b>	328,020
Masteel Chengxing Metal Resources Co. Ltd.*	Financial service	–	9,193,371
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.*	Financial service	–	131,330
Baowu Heavy Industry Co., Ltd.*	Financial service	–	95,552
Anhui Masteel K.Wah New Building Materials Co., Ltd.*	Financial service	–	5,387
Baowu Group Finance Co., Ltd.*	Financial service	<b>27,004,792</b>	–
Ouyeel (Jingjiang) Blockchain Finance and Metal Recycling Resources Co., Ltd.*	Financial service	–	3,393,180

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (2) Sale of products/rendering of services (Continued)

Related parties	Nature of transaction	2023	2022
Ouyelian Jinwubao (Anhui) Renewable Resources Co., Ltd. *	Financial service	–	2,604,479
Masteel Zhixin Resources Technology Co., Ltd.*	Financial service	–	1,138,526
Others*	Financial service	<b>2,906,430</b>	9,102,497
Maanshan Gangchen Steel Supply Chain Co., Ltd	Sales of goods or services	<b>1,117,884,449</b>	13,341,646
Maanshan Gangchen Industrial Co., Ltd	Sales of goods or services	<b>871,553,210</b>	1,443,235,425
Maanshan BOC-Ma Steel Gases Company Limited	Sales of goods or services	<b>284,608,520</b>	260,044,110
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd.*	Sales of goods or services	<b>54,024,294</b>	–
Maanshan Steel Chen Special Steel Supply Chain Co., Ltd.	Sales of goods or services	<b>53,279,819</b>	85,433,940
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	Sales of goods or services	<b>31,072,339</b>	7,574,618
Anhui Keda Intelligent Energy Technology Co., Ltd.	Sales of goods or services	<b>28,167,941</b>	52,109,564
Maanshan Gangchen Hydrogen Industry Co., Ltd	Sales of goods or services	<b>2,137,539</b>	7,877,156
Henan JinMa Energy Co., Ltd.	Sales of goods or services	<b>353,682</b>	1,053,737
CRM East China Co., Ltd.*	Sales of goods or services	<b>250,496</b>	221,476
Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.	Sales of goods or services	<b>188</b>	5,805
Shanghai Baosteel Engineering Consulting Co., Ltd.*	Sales of goods or services	–	1,800
Wuhan Iron and Steel Group Xingda Economic Development Co., Ltd. *	Sales of goods or services	–	429,989,473

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (3) Provision of leasing services to related parties

##### (a) As the lessor

The Group

Name of lessee	Type of assets leased	Lease income recognized for 2023	Lease income recognized for 2022
Anhui Masteel Gas Technology Co., Ltd. *	Property lease	8,352,752	8,352,752
Anhui Masteel Surface Engineering Technology Co., Ltd.*	Property lease	617,457	617,457
Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited *	Property lease	608,342	–
Masteel Group Kang Tai Land Development Co., Ltd.**	Property lease	298,073	–
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. *	Property lease	99,083	–
Anhui Baoxin Software Co., Ltd. *	Property lease	98,440	480,672
Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.*	Property lease	65,413	49,060
Anhui Magang Chemicals & Energy Technology Co.,Ltd. *	Equipment lease	–	6,448,338
Maanshan BOC-Ma Steel Gases Company Limited	Land lease	1,250,000	1,250,000
Maanshan Jiahua Commodity Concrete Co., Ltd.*	Land lease	358,624	–
Magang (Group) Logistics Co., Ltd.*	Land lease	95,596	–
Maanshan Gangchen Hydrogen Industry Co., Ltd	Land lease	54,156	–
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd. *	Property lease/Land lease	790,752	–
<b>Total</b>		<b>12,688,688</b>	<b>17,198,279</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (3) Provision of leasing services to related parties

##### (b) As the lessee

The Group

Name of lessor	Type of assets leased	Rental payments		Assumed interest expenses from lease liabilities		Increased right-of-use assets	
		2023	2022	2023	2022	2023	2022
The Holding	Plant and buildings	26,404,323	27,454,540	15,839,442	14,516,951	95,137,927	–
Magang (Group) Holding Company Limited Assets Management Company	Plant and buildings	185,252	138,939	–	–	–	–
Total		26,589,575	27,593,479	15,839,442	14,516,951	95,137,927	–

#### (4) Guarantee provided by a related party

The Group and the Company as the guarantor

31 December 2023

The Group has not provided guarantees for related parties in 2023. The Company provided guarantee for the trade financing credit of Ma Steel (Hong Kong) Co., Ltd., a subsidiary of the Company, with the maximum limit up to RMB3 billion.

31 December 2022

The Group has not provided guarantees for related parties in 2022.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (4) Guarantee provided by a related party (Continued)

The Group and the Company as the guarantor

31 December 2023

The Company accepted a loan guarantee from group companies in October 2015 for the Company's long-term loans from China Development Bank. The Company has repaid all the loans under this guarantee in October 2023 and terminated the loan and guarantee contract with China Development Bank. Therefore, the Company had no guarantees as a guaranteed party as at 31 December 2023.

31 December 2022

Name of guarantor	Guarantee amount	Start date	End date	Has guarantee expired or not
The Group	RMB22 million	2015.10	2025.10	Not yet

- (5) According to the financial service agreement signed by Masteel Finance and the Holding on 29 September 2021, Masteel Finance provided financial services 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 2023, the highest daily deposit balance was RMB7.346 billion (2022: RMB10.349 billion); the highest average daily deposit balance on a monthly basis was RMB6.267 billion (2022: RMB9.512 billion); the highest daily loan balance was RMB2.197 billion (2022: RMB4.303 billion); and the highest average daily loan balance on a monthly basis was RMB1.297 billion (2022: RMB3.905 billion). Masteel Finance was disposed on 30 April 2023.

According to the financial service agreement signed on 15 November 2022, Masteel Finance provided financing services and deposit transactions to the Group, and from 15 November 2022 to 31 December 2024, the highest daily deposit balance should be no more than RMB0.19 billion, the highest daily outstanding loan should be no more than RMB10 billion, and other financial service charge should be no more than RMB0.21 billion. As of 31 December 2023, the balance of the Group's deposits with Baowu Finance was RMB2,983,155,506.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (6) Remuneration of key management personnel

The Group

Item	2023	2022
Remuneration of key management personnel (Note)	<b>2,668,168</b>	5,264,907

Note: The amount excluded the remuneration paid to independent directors and independent supervisors.

#### (7) Directors' and supervisors' emoluments\*

	2023	2022
Fees	<b>700,000</b>	468,422
Other emoluments:		
Salaries, allowances and benefits in kind	<b>834,494</b>	968,246
Performance-related bonuses	<b>559,540</b>	1,231,568
Pension scheme contributions	<b>146,026</b>	144,258

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (7) 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:

	2023	2022
<b>Independent directors</b>		
Ms. Zhang Chunxia (Note 1)	137,500	104,167
Ms. Zhu Shaofang (Note 1)	137,500	104,167
Mr. Wang Xianzhu	–	91,667
Mr. Guan Bingchun	150,000	12,500
Mr. He Anrui	150,000	12,500
Mr. Liao Weiquan (Note 2)	12,500	–
Mr. Qiu Shengtao (Note 2)	12,500	–
Sub-total	575,000	325,001
<b>Independent supervisors</b>		
Mr. Hong Gongxiang	100,000	8,333
Ms. Yang Yada	–	67,544
Mr. Qin Tongzhou	–	67,544
Sub-total	100,000	143,421
Total	675,000	468,422

Note 1: On 30 November 2023, Ms. Zhang Chunxia and Ms. Zhu Shaofang were no longer independent directors of the Company. The decision was approved by the fourth extraordinary General Meeting of the Company in 2023. The above remuneration of Ms. Zhang Chunxia and Ms. Zhu Shaofang is the remuneration as the role of independent directors.

Note 2: On 30 November 2023, Mr. Liao Weiquan and Mr. Qiu Shengtao were appointed to be independent directors of the Company by the fourth extraordinary General Meeting of the Company in 2023. The above remuneration of Mr. Liao Weiquan and Mr. Qiu Shengtao is the remuneration as the role of independent directors.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (7) Directors' and supervisors' emoluments\* (Continued)

##### (ii) Non-independent directors and non-independent supervisors

2023	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions	Total
<b>Executive directors</b>					
Mr. Ding Yi (Note 1)	-	-	-	-	-
Mr. Mao Zhanhong (Note 1)	-	-	-	-	-
Mr. Ren Tianbao	-	656,750	423,500	83,902	1,164,152
Total	-	656,750	423,500	83,902	1,164,152
<b>Supervisors</b>					
Mr. Ma Daoju (Note 1)	-	-	-	-	-
Ms. Geng Jingyan	-	177,744	136,040	62,124	375,908
Total	-	177,744	136,040	62,124	375,908

Note 1: In 2023, the remuneration of Mr. Ding Yi, Mr. Mao Zhanhong and Mr. Ma Daoju were paid by group companies rather than the Company.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (7) Directors' and supervisors' emoluments\* (Continued)

##### (ii) Non-independent directors and non-independent supervisors (Continued)

2022	Fees	Salaries, allowances and benefits in kind	Performance- related bonuses	Pension scheme contributions	Total
<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
Total	-	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
Mr. Zhang Qianchun (Note 1)	-	-	-	-	-
Ms. Geng Jingyan	-	68,536	157,872	43,465	269,873
Total	-	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 group companies rather than the Company.

*Note 2:* As at 31 December 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)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with related parties (Continued)

#### (8) Five highest paid individuals\*

One of the highest paid employees during the year were directors or supervisors (2022: two), details of whose remuneration are stated in Note X. 5(7) above. Details of the remuneration of the other three highest paid employee (non-director, non-supervisor) in 2023 are as follows (2022: three):

	2023	2022
The Group		
Salaries, allowances and benefits in kind	<b>1,279,944</b>	1,272,615
Performance-related bonuses	<b>1,084,204</b>	1,420,704
Pension scheme contributions	<b>253,385</b>	227,516
<b>Total</b>	<b>2,617,533</b>	2,920,835

#### (9) Other related-party transactions

Name of related party	Nature of transaction	2023	2022
Baowu Group Finance Co., Ltd.	Discounted bills	<b>260,429,702</b>	–
Anhui Masteel Mining Resources Group Co., Ltd.	Provision of discounted bills	<b>58,500,000</b>	288,906,149
Ouye Lianjin Renewable Resources Co., Ltd.	Provision of discounted bills	<b>22,000,000</b>	229,502,711
Other related parties	Provision of discounted bills	<b>29,542,811</b>	536,954,561
<b>Total</b>		<b>370,472,513</b>	1,055,363,421

#### (10) Other description

An “\*” indicates a continuing connected transaction as defined under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties

#### (1) Receivables from related parties

The Group

Item	Related parties	31 December 2023		31 December 2022	
		Carrying amount	Provision	Carrying amount	Provision
Trade receivables	Xinchuang Environmental Protection	175,832,379	1,758,324	216,344,542	2,163,445
	Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	<b>50,601,913</b>	<b>46,826,477</b>	53,828,607	538,286
	Baowu Huanke Maanshan Resource Utilization Co., Ltd.	<b>13,292,342</b>	<b>132,923</b>	1,131,344	11,313
	Ma Steel Powder Metallurgy Co., Ltd.	<b>18,819,535</b>	<b>188,195</b>	17,020,690	170,207
	OBEI	<b>12,571,935</b>	<b>127,246</b>	16,910,431	169,104
	Masteel Heavy Machinery Manufacturing Co., Ltd.	<b>15,903,272</b>	<b>162,906</b>	18,762,746	187,627
	Baowu Water Technology Co., Ltd.	<b>49,951,875</b>	<b>499,519</b>	42,633,130	426,331
	Shanghai Baosteel Trading Co., Ltd.	<b>24,631,011</b>	<b>246,310</b>	9,032,839	90,328
	Ma-Steel OCI Chemical Co., Ltd.	<b>2,744,889</b>	<b>27,449</b>	2,662,227	26,622
	Anhui Keda Intelligent Energy Technology Co., Ltd.	<b>3,071,663</b>	<b>30,717</b>	3,017,585	30,176
	Maanshan Iron & Steel (Hefei) Industrial Water Supply Co., Ltd.	<b>2,477,174</b>	<b>24,772</b>	256,608	2,566
	Shanghai Baosteel Engineering & Technology Co., Ltd.	<b>1,852,232</b>	<b>18,522</b>	3,075,543	30,755
	Anhui Masteel K.Wah New Building Materials Co., Ltd.	<b>1,356,102</b>	<b>13,561</b>	1,894,044	18,940
	Anhui Masteel Surface Technology Co., Ltd.	-	-	686,506	6,865
	Ouyeel Blockchain Finance	<b>663,582</b>	<b>89,953</b>	694,289	6,943
	Anhui Masteel Equipment Maintenance Co., Ltd.	-	-	154,933	1,549
	Bsteel Online Co., Ltd.	<b>29,074</b>	<b>29,074</b>	29,526	295

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (1) Receivables from related parties (Continued)

Item	Related parties	31 December 2023		31 December 2022	
		Carrying amount	Provision	Carrying amount	Provision
	Magang (Group) Holding Co., Limited	34,076	341	27,540	275
	CRM East China Co., Ltd.	-	-	975,855	9,759
	Magang (Group) Logistics Co., Ltd.	-	-	6,294,946	62,949
	Anhui Magang Chemicals & Energy Technology Co., Ltd.	-	-	13,732,863	137,329
	Anhui Masteel Gas Technology Co., Ltd.	-	-	4,472,713	44,727
	Anhui Baochang United Roll Co., Ltd.	1,435,378	14,354	609,667	6,097
	Maanshan Zhongye Huaxin Water Environment Control Co., Ltd.	-	-	191	2
	Maanshan Gangchen Industrial Co., Ltd.	-	-	289,356	2,894
	Sinosteel Zhengzhou Metal Products Research Institute Co. Ltd.	17,991,112	179,911	-	-
	Shanghai Ouye Purchasing Information Technology Co., Ltd.	5,592,603	55,926	-	-
	Maanshan Baozhichun Calcium & Magnesium Technology Co. Ltd.	104,360,062	1,043,601	-	-
	Baowu Teye (Maanshan) Gaojin Technology Co., Ltd.	16,643,909	166,439	-	-
	Changchun Baoyou Jiefang Steel Processing & Distribution Co. Ltd.	3,345,372	33,454	-	-
	Anhui Baoxin Software Co., Ltd. ("Baoxin Anhui")	2,221,822	1,066,189	-	-
	Baosteel Special Steel Long Products Co., Ltd.	1,247,072	12,471	-	-
	Baosteel Metals Co., Ltd.	318,764	3,188	-	-
	Maanshan Limin Metallurgical Solid Waste Comprehensive Utilization Technology Co., Ltd.	311,320	3,113	-	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (1) Receivables from related parties (Continued)

Item	Related parties	31 December 2023		31 December 2022	
		Carrying amount	Provision	Carrying amount	Provision
	Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	303,368	3,034	-	-
	Maanshan Bo Li Construction Supervising Co., Ltd.	181,260	11,480	-	-
	Sinosteel Zhengzhou Metal Products Research Institute Co., Ltd. Maanshan Branch	175,733	1,757	-	-
	Anhui Masteel K.Wah New Building Materials Co., Ltd.	132,719	1,327	-	-
	Others	10,006,629	100,146	5,657,925	56,579
	Sub-total	538,100,177	52,872,679	420,196,646	4,201,963
Prepayments	Shanghai Baosight Software Co., Ltd.	6,353	-	49,960,538	-
	Bsteel Online Co., Ltd.	670,713	-	-	-
	Shanghai MA Steel International Trade Company Limited	9,450,650	-	-	-
	Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	1,783,387	-	-	-
	Shanghai Baosteel Steel Products Trading Co., Ltd.	-	-	1,599,983	-
	Shanghai Ouyeel Material Technology Co., Ltd.	990,766	-	-	-
	Masteel Group Design and Research Institute Co., Ltd.	-	-	7,508,367	-
	Magang (Group) Logistics Co., Ltd.	4,392,978	-	492,744	-
	Shanxi Taigang Stainless Steel Co., Ltd.	23,174,586	-	18,277,977	-
	Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	-	-	3,322,238	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (1) Receivables from related parties (Continued)

Item	Related parties	31 December 2023		31 December 2022	
		Carrying amount	Provision	Carrying amount	Provision
	Wuhan Baozhang Automotive Steel Parts Co., Ltd.	35,143	-	-	-
	Anhui Masteel Holly Industrial Co., Ltd.	-	-	869,205	-
	Masteel Group Kang Tai Land Development Co., Ltd.	923,926	-	-	-
	Others entities controlled by the Holding	19,849	-	2,187,148	-
	Others companies controlled by the ultimate controlling party	1,869,136	-	1,119,559	-
	Sub-total	43,317,487	-	85,337,759	-
Other receivables	Baowu Heavy Industry Co., Ltd.	1,775,993	122,710	2,597,177	25,972
	Masteel Group Kang Cheng Building and Installing Co., Ltd.	2,035,509	223,906	2,035,509	20,355
	Ma Steel (Jinhua) Processing and Distribution Co., Ltd.	-	-	826,482	8,265
	Magang (Group) Holding Company Limited	120,000	120,000	120,000	1,200
	Masteel Group Design and Research Institute Co., Ltd.	76,557	766	9,731	97
	Anhui Magang Limin Construction and Installation Co., Ltd.	-	-	1,600	16
	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
	Shanghai Ouyeel Material Technology Co., Ltd.	8,341	83	8,341	83

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (1) Receivables from related parties (Continued)

Item	Related parties	31 December 2023		31 December 2022	
		Carrying amount	Provision	Carrying amount	Provision
	Shanghai Baodi Yangpu Real Estate Development Co., Ltd.	5,219	574	5,219	52
	Taiyuan Iron & Steel (Group) Co., Ltd.	2000	220	2,000	20
	Wuhan Wugang Jiangbei Group Co., Ltd.	700	77	700	7
	Ouyeel Cloud Commerce Co., Ltd.	-	-	400	4
	Anhui Masteel Equipment Maintenance Co., Ltd.	566,808	5,668	-	-
	Magang (Group) Logistics Co., Ltd.	6,700,109	67,001	-	-
	Shanghai Meishan Iron & Steel Co., Ltd.	515,280	5,153	-	-
	Sinosteel Engineering Design & Research Institute Co., Ltd.	1,428,036	14,280	-	-
	Others	55,050	550	49,789	498
	<b>Sub-total</b>	<b>13,289,602</b>	<b>560,988</b>	<b>6,046,409</b>	<b>60,463</b>
Notes receivable	Anhui Masteel Mining Resources Group Co., Ltd.	-	-	613,049,646	-
	Masteel Chengxing Metal Resources Co., Ltd.	-	-	26,632,369	-
	Magang (Group) Logistics Co., Ltd.	37,382,236	-	-	-
	Maanshan Steel Chen Special Steel Supply Chain Co., Ltd.	346,497	-	-	-
	OBEI	-	-	56,591,751	-
	Maanshan Gangchen Industrial Co., Ltd.	-	-	5,397,645	-
	Baowu Heavy Industry Co., Ltd.	-	-	35,448,120	-
	Wugang (Guangzhou) Steels Processing Co., Ltd.	1,177,638	-	11,761,940	-
	Ma Steel (Jinhua) Processing and Distribution Co., Ltd.	-	-	1,205,846	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (1) Receivables from related parties (Continued)

Item	Related parties	31 December 2023		31 December 2022	
		Carrying amount	Provision	Carrying amount	Provision
	Anhui Masteel Heavy Machinery Manufacturing Co., Ltd., Steel Structural Engineering Branch	29,530,000	-	-	-
	Sub-total	68,436,371	-	750,087,317	-
Financing receivables	Ma Steel (Guangzhou) Processing and Distribution Co., Ltd.	27,205,106	-	43,102,126	-
	Ma Steel (Jinhua) Processing and Distribution Co., Ltd.	34,220,731	-	18,152,032	-
	Baowu Heavy Industry Co., Ltd.	-	-	16,393,880	-
	Magang (Group) Logistics Co., Ltd.	-	-	500,000	-
	Anhui Masteel Logistics Container Intermodal Transport Co., Ltd.	-	-	326,899	-
	Shanghai Ouyeel Material Technology Co., Ltd.	-	-	338,659,931	-
	Bsteel Online Co., Ltd.	5,170,929	-	4,918,794	-
	Shanghai Baosteel Trading Co., Ltd.	-	-	768,492	-
	Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd.	-	-	76,400,000	-
	Anhui BRC & Masteel Weldmesh Co., Ltd.	500,000	-	4,200,000	-
	Maanshan Gangchen Industrial Co., Ltd.	-	-	8,150,743	-
	Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	1,900,000	-	191,336	-
	Sub-total	68,996,766	-	511,764,233	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (2) Payables to related parties

The Group

Item	Related parties	31 December 2023	31 December 2022
Trade payables	OBEI	<b>1,903,593,084</b>	1,569,889,195
	Anhui Zhonglian Shipping Co., Ltd.	<b>720,938,738</b>	981,659,249
	Anhui Masteel Mining Resources Group Co.Ltd.	<b>786,738,228</b>	336,800,323
	Masteel Chengxing Metal Resources Co., Ltd.	<b>417,494,794</b>	625,321,283
	Dongfang Futong Information Technology Co., Ltd.	<b>760,000</b>	–
	Masteel Group Design and Research Institute Co., Ltd.	<b>352,784,703</b>	452,059,451
	Ma Steel International Trade and Economic Co., Ltd.	<b>323,555,931</b>	206,399,033
	Shanghai Baosight Software Co., Ltd.	<b>151,205,098</b>	151,930,565
	Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd.	–	123,304,783
	Magang (Group) Logistics Co., Ltd.	<b>76,745,394</b>	68,798,282
	MCC South Engineering Technology Co., Ltd.	<b>25,087,111</b>	95,768,366
	MCC South Continuous Casting Technology Engineering Co., Ltd.	<b>34,656,769</b>	44,547,907
	Baowu Heavy Industry Co., Ltd.	<b>247,880,154</b>	132,001,161
	Masteel Lihua Metal Resources Co., Ltd.	<b>160,420,908</b>	176,164,266
	Masteel Heavy Machinery Manufacturing Co., Ltd.	<b>54,384,404</b>	90,108,315
	Phima Intelligence (Baoxin Software (Anhui) Co., Ltd.)	<b>69,748,985</b>	95,541,867
	Anhui Masteel Equipment Maintenance Co.,Ltd.	<b>57,409,590</b>	135,498,962
	Anhui Masteel Surface Technology Co., Ltd.	<b>52,958,322</b>	56,852,549
	Baoshan Iron & Steel Co., Ltd.	<b>64,916,974</b>	35,408,448
	Anhui Masteel Gas Technology Co., Ltd.	<b>26,645</b>	–
	Anhui Masteel Holly Industrial Co., Ltd.	<b>31,845,481</b>	4,290,866
	Baoshan Iron & Steel Co., Ltd.	<b>13,639,354</b>	25,947,241

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (2) Payables to related parties (Continued)

Item	Related parties	31 December 2023	31 December 2022
Trade payables	Maanshan BOC-Ma Steel Gases Company Limited	<b>15,317,359</b>	17,225,952
(Continued)	Baowu Equipment Intelligent Technology Co., Ltd.	<b>31,109,511</b>	24,193,993
	Masteel Transportation Equipment Manufacturing Co., Ltd.	<b>7,392,438</b>	26,334,080
	Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	<b>14,463,688</b>	805,451
	Ruitai Masteel New Material Technology Co., Ltd.	<b>12,649,844</b>	–
	Maanshan Shenma Metallurgical Co., Ltd.	<b>18,301,188</b>	10,121,777
	Wuhan Guide Electric Co., Ltd.	<b>1,821,200</b>	–
	Maanshan Iron Construction Group Co., Ltd.	<b>13,112,182</b>	–
	Anhui Zhonglian Shipping Co., Ltd.	<b>12,028,045</b>	18,520,136
	Baowu Water Technology Co., Ltd.	<b>17,555,425</b>	42,947,306
	Shanghai Baosteel Engineering Consulting Co., Ltd.	<b>3,204,042</b>	7,093,061
	Xinchuang Environmental Protection	–	34,814,085
	Henan JinMa Energy	<b>9,654</b>	8,386
	Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	<b>1,703,429</b>	–
	Maanshan Steel Chen Special Steel Supply Chain Co., Ltd.	<b>2,304,214</b>	–
	Shanghai Baoneng Information Technology Co., Ltd.	<b>2,154,744</b>	8,962,844
	BAOSTEEL RESOURCES INTERNATIONAL COMPANY LIMITED	–	21,443,659
	Magang (Group) Holding Company Limited Magang Press	<b>30,000</b>	279,779
	Changzhou Baoling Heavy Industry Machinery Co., Ltd.	<b>26,668</b>	13,334
	Anhui Qingyang Baohon MINING&RESOURCE Co., Ltd.	–	3,544,839
	Maanshan Gangchen Industrial Co., Ltd	<b>187,800</b>	190,370

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (2) Payables to related parties (Continued)

Item	Related parties	31 December 2023	31 December 2022
Trade payables	Masteel Automobile Transportation Service Co., Ltd.	150,704	10,906,319
(Continued)	Jiangsu Gongchang Roll Joint Stock Co., Ltd.	3,397	367,190
	Taicang Wugang Wharf Co., Ltd.	3,211,803	1,165
	Shenglong Chemical Co., Ltd.	8,781,054	474
	Wuhan Baozhang Automotive Steel Parts Co., Ltd	–	1,624
	Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd	–	4,346,374
	Baowu Raw Material Supply Co., Ltd.	99,670,050	11,980,999
	Shanghai Baosteel Engineering & Technology Co., Ltd., Anhui Branch	51,836,500	–
	Guangdong Shaogang Construction Company	7,077,915	–
	Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	79,311,373	–
	Zhejiang Houshan Wugang Terminal Co., Limited	16,753,730	–
	Beijing Bestpower Bluesky Engineering Co., Ltd.	9,556,851	–
	Henan Zhongping Energy Supply Chain Management Co., Ltd.	20,744,504	–
	Jiangsu Menglida Technology Development Co., Ltd.	55,095,590	–
	Sinosteel Maanshan General Institute of Mining Research Co., Ltd.	12,858,280	–
	Sinosteel Xingtai Mechanical Rolling Co. Ltd.	7,479,280	–
	Sinosteel Xi'an Machinery Co., Ltd.	6,846,006	–
	Other entities controlled by the ultimate controlling party	63,688,751	56,392,795
	Other entities controlled by the Holding	49,035,715	66,919,998
	Other associates of the Holding	4,958,740	6,343,429
	Sub-total	6,197,222,341	5,782,051,531

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (2) Payables to related parties (Continued)

Item	Related parties	31 December 2023	31 December 2022
Other payables	Magang (Group) Logistics Co., Ltd.	<b>30,084,792</b>	500,000
	Anhui Masteel Equipment Maintenance Co., Ltd.	<b>500,000</b>	500,000
	Baowu Heavy Industry Co., Ltd.	–	440,000
	Ma Steel International Trade and Economic Co., Ltd.	<b>500,000</b>	–
	Shanghai Ouyeel Material Technology Co., Ltd.	<b>100,000</b>	100,000
	Shanghai Baosteel Engineering & Technology Co., Ltd.	<b>20,000</b>	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.	<b>2,000</b>	2,000
	Maanshan Iron Construction Group Co., Ltd.	<b>21,750</b>	–
	Anhui Masteel Holly Industrial Co., Ltd.	–	8,000
	Maanshan Shenma Metallurgical Co., Ltd.	–	100,000
	MCC South (Wuhan) Thermal Engineering Co., Ltd.	–	500
	Qinghai Kaiyuan Metal Material Co., Ltd.	<b>200,000</b>	200,000
	Anhui Qingyang Baohon MINING&RESOURCE Co., Ltd.	–	100,000
	Changzhou Baoling Heavy Industry Machinery Co., Ltd.	–	1,750
	Others	<b>980,674</b>	727,000
Sub-total		<b>32,409,216</b>	2,759,250

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (2) Payables to related parties (Continued)

Item	Related parties	31 December 2023	31 December 2022
Contract liabilities	Ma Steel (Jinhua) Processing and Distribution Co., Ltd.	120,004,777	137,624,459
	Magang (Guangzhou) Steels Processing Co., Ltd.	41,414,662	70,234,904
	Baowu Heavy Industry Co., Ltd.	–	58,619,922
	Shanghai Ouyeel Material Technology Co., Ltd.	61,344,328	153,347,835
	Bsteel Online Co., Ltd.	28,354,757	140,676,295
	Maanshan Gangchen Industrial Co., Ltd.	118,623	27,840,809
	Shanghai Iron & Steel Exchange Co., Ltd.	8,110,128	43,069,782
	Anhui Masteel Holly Industrial Co., Ltd.	5,993,494	5,270,522
	Anhui Magang Chemicals & Energy Technology Co., Ltd.	10,030,912	–
	Anhui Masteel Zhang Zhuang Mining Co., Ltd.	1,934,261	1,934,261
	Magang (Group) Logistics Co., Ltd.	7,650,136	3,991,488
	Masteel Group Kang Tai Land Development Co., Ltd.	1,418,688	3,052,552
	Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd.	11,104	47,716,814
	Anhui Tiankai Road and Bridge Co., Ltd.	144,943	144,943
	Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd.	102,642	605,813
	Anhui Baosteel Steel Distribution Co., Ltd.	–	20,079
	Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	402,146	117,027
	Maanshan Shenma Metallurgical Co., Ltd.	3,626	3,626
	Changzhou Baoling Heavy Industry Machinery Co., Ltd.	2,091	2,091
	Suzhou Suma Industry Development Co., Ltd.	702	702

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (2) Payables to related parties (Continued)

Item	Related parties	31 December 2023	31 December 2022
Contract liabilities	Masteel Group Kang Cheng Building and Installing Co., Ltd.	<b>683,313</b>	683,313
(Continued)	Shanghai Baosteel Trading Co., Ltd.	–	2,859,564
	Beijing Baosteel North Trade Co., Ltd.	–	238,938
	Masteel Group Mapping Co., Ltd.	–	8,850
	CIMC Baochuang (Wuxi) Steel Processing Co., Ltd.	<b>362,985</b>	799,068
	Yuxi Xinxing Steel Co., Ltd.	–	85,280
	Masteel Transportation Equipment Manufacturing Co., Ltd.	<b>8,978,133</b>	–
	Anhui Masteel Heavy Machinery Manufacturing Co., Ltd., Steel Structural Engineering Branch	<b>45,218,797</b>	–
	Baowu Heavy Industry Co., Ltd. Steel Structure Engineering Branch	<b>57,882,995</b>	–
	Maanshan Gangchen Steel Supply Chain Co., Ltd.	<b>4,849,191</b>	–
	Maanshan Iron Construction Group Co., Ltd.	<b>5,023,139</b>	–
	Maanshan Gangchen Industrial Co., Ltd., Steel Branch	<b>21,978,228</b>	–
	Others	<b>7,232,620</b>	2,758,953
	Sub-total	<b>439,251,421</b>	701,707,890

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (2) Payables to related parties (Continued)

Item	Related parties	31 December 2023	31 December 2022
Notes payable	Shanghai Baosight Software Co., Ltd.	<b>7,682,012</b>	16,833,540
	Shanghai Baosteel Engineering Consulting Co., Ltd.	<b>550,564</b>	–
	Shanghai Jinyi Inspection Technology Co., Ltd.	–	421,880
	MCC South (Wuhan) Thermal Engineering Co., Ltd.	–	414,170
	MCC South Engineering Technology Co., Ltd.	<b>891,300</b>	1,395,600
	Sinosteel Xingtai Mechanical Rolling Co., Ltd.	<b>3,011,483</b>	–
	Anhui Masteel Holly Industrial Co., Ltd.	<b>4,047,837</b>	4,207,696
	Anhui Masteel Mining Resources Group Co., Ltd.	<b>693,020,112</b>	–
	Anhui Masteel Surface Technology Co., Ltd.	<b>10,613,357</b>	64,354
	Anhui Masteel Equipment Maintenance Co., Ltd.	<b>2,963,734</b>	1,208,430
	Anhui Baoxin Software Co., Ltd.	–	68,136
	Baowu Raw Material Supply Co., Ltd.	<b>771,466,955</b>	1,375,467,238
	Shanghai Baosteel Engineering & Technology Co., Ltd.	<b>2,798,000</b>	–
	Baosteel Resources Holdings (Shanghai) Co., Ltd.	<b>73,000,000</b>	40,647,091
	Shanxi Taigang Stainless Steel Co., Ltd.	<b>15,960,000</b>	–
	Changzhou Baoling Heavy Industry Machinery Co., Ltd.	<b>240,012</b>	–
	OBEI	<b>601,029,562</b>	–
Ouye Lianjin Renewable Resources Co., Ltd., East China Branch	<b>163,913,064</b>	–	
Ezhou Pelletizing Co., Ltd. of WISC Resources Group	<b>19,426,038</b>	76,078,235	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (2) Payables to related parties (Continued)

Item	Related parties	31 December 2023	31 December 2022
Notes payable (Continued)	Jiangsu Gongchang Roll Joint Stock Co., Ltd.	<b>1,558,722</b>	234,588
	Jiangsu Menglida Technology Development Co., Ltd.	<b>114,000,000</b>	–
	Henan Zhongping Energy Supply Chain Management Co., Ltd.	<b>18,287,468</b>	–
	Yangtze River Delta (Hefei) Digital Technology Co., Ltd.	<b>572,400</b>	636,000
	Ma Steel International Trade and Economic Co., Ltd.	<b>595,593,258</b>	340,818,750
	Masteel Chengxing Metal Resources Co., Ltd.	<b>366,125,583</b>	–
	Masteel Group Design and Research Institute Co., Ltd.	<b>61,447,466</b>	11,813,432
	Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited	<b>313,290,380</b>	–
	Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	<b>81,360</b>	–
	Maanshan Masteel Electric Repair Co., Ltd.	<b>56,384</b>	174,924
	Sub-total		<b>3,841,627,051</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (3) Other unsettled items

The Group

Item	Related parties	31 December 2023	31 December 2022
Reconstruction of intelligent storage area of intermediate warehouse in cold rolling south area	Shanghai Baosight Software Co., Ltd.	<b>20,180,000</b>	20,180,000
Rectification of dust removal system and monitoring and evaluation problems of coke unloading line in south area of ironmaking plant	Sinosteel Maanshan General Institute of Mining Research Co., Ltd.	<b>7,498,808</b>	18,797,848
Public Auxiliary Reclaimed Water Reuse Project for Advanced Wastewater Treatment in North Area of Maanshan Iron and Steel Co., Ltd.	Masteel Group Design & Research Institute Co., Ltd.	<b>4,160,050</b>	4,160,050
Masteel Solid Waste Resources Comprehensive Utilisation Industrial Park Project	Masteel Group Design & Research Institute Co., Ltd.	<b>10,655,250</b>	27,075,250
Site and sporadic demolition works of new special steel project	Blasting Engineering Co., Ltd., Maanshan Mine Institute	<b>3,379,942</b>	2,282,574
Centralised control transformation of 1# leveling line of No.4 Steel Rolling Plant	Masteel Group Design & Research Institute Co., Ltd.	<b>11,320,000</b>	11,320,000
Steel Scrap Preheating and Baking System Project of the headquarters of No.4 Steel Rolling Plant	Guangdong Shaogang Construction Company	<b>8,197,995</b>	2,033,465

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (3) Other unsettled items (Continued)

Item	Related parties	31 December 2023	31 December 2022
Adaptability Improvement of Large H-beam Rolling Line of Long Products Division	Masteel Group Design & Research Institute Co., Ltd.	<b>20,800,000</b>	20,800,000
Self recycling scrap processing base (phase II) project	Maanshan IRON&STEEL Construction Group Co., Ltd.	<b>1,906,101</b>	8,894,522
Steelmaking and refining of the new special steel project (commencement of the plan)	WISDRI Engineering and Research Incorporation Limited	<b>234,595,819</b>	503,828,872
Fine Desulfurisation Transformation Project of 1# Blast Furnace Gas in the Ironmaking General Plant	Baowu Water Technology Co., Ltd.	<b>59,893,100</b>	–
Public and auxiliary auxiliary works of the filling and leveling project in Masteel North Area	Shanghai Baosteel Engineering & Technology Co., Ltd.	<b>64,683,498</b>	–
Coke oven overhaul and transformation project of Masteel Coking Plant	Masteel Group Design & Research Institute Co., Ltd.	<b>69,928,235</b>	–
Environmental protection upgrading and intelligent transformation of Masteel raw material yard engineering	Baowu Heavy Industry Co., Ltd.	<b>127,015,206</b>	–
Steelmaking and refining of the new special steel project	Shanghai Baosteel Engineering & Technology Co., Ltd.	<b>92,600,424</b>	–
Intelligent Control Center Project of Special Steel Company	Shanghai Baosight Software Co., Ltd.	<b>66,100,000</b>	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6. Unsettled items, including receivables from and payables to related parties (Continued)

#### (3) Other unsettled items (Continued)

Item	Related parties	31 December 2023	31 December 2022
Section steel and long material intelligent control phase II project of long material business department	Shanghai Baosight Software Co., Ltd.	92,900,000	–
Others	Others	547,254,408	405,899,094
Sub-total		1,443,068,836	1,025,271,675

### 7. Equity transactions with related parties

Masteel Finance is a limited liability company established in accordance with the laws of the People's Republic of China, with a registered capital of RMB2 billion, of which RMB1.82 billion was contributed by Masteel, accounting for 91% of the total registered capital, and RMB180 million was contributed by Masteel Holding, accounting for 9% of the total registered capital.

In November 2022, Magang Stock entered into the Merger Agreement between Baowu Group Finance Co., Ltd. and Magang Group Finance Co., Ltd. with Baowu Finance, Masteel Finance, the Holding, Baowu Group, Baoshan Iron & Steel Co., Ltd. and Wuhan Iron and Steel Co., Ltd. The Company transferred 91% equity interest in Masteel Finance directly held by the Company to Baowu Finance at a consideration of RMB2,671 million in exchange for 29.68% equity interest in Baowu Finance, and the settlement date of the merger is 30 April 2023. Upon completion of the merger, Baowu Finance, as the absorbing party and the surviving party of the merger, shall succeed to and assume all the assets, liabilities, business, contracts and all other rights and obligations of Masteel Finance and shall apply for the relevant change of registration formalities. Masteel Finance, as the absorbed party and the non-surviving party of the merger, shall be inherited and assumed by Baowu Finance, and also, Masteel Finance shall go through the formalities for the cancellation of the registration.

Upon completion of the merger, the Group will no longer include Masteel Finance in its scope of consolidation. Also, the Group directly holds 29.68% equity interest in Baowu Finance and has appointed two directors to serve on the Special Committee of the Board of Directors, thus Baowu Finance is included in the Group's associates and accounted for under the equity method.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIII. SHARE BASED PAYMENT

### 1. Equity instruments

Type of grantees	Granted during the year		Exercised during the year		Unlocked during the year		Forfeited during the year	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Employees	-	-	-	-	-	-	28,793,200	65,936,428
Total	-	-	-	-	-	-	28,793,200	65,936,428

### 2. Equity-settled share-based payments

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.

On 29 March 2023, the second extraordinary general meeting of 2023 of the Company resolved the Proposal on the Repurchase and Cancellation of Certain Restricted Shares. The 4,080,000 restricted shares held by 13 individuals who retired, transferred or deceased will no longer be released from restricted sale and will be repurchased by the Company at the sum of the grant price of RMB2.29 per share plus interest on time deposits for the same period at the bank.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIII. SHARE BASED PAYMENT (CONTINUED)

### 2. Equity-settled share-based payments (Continued)

As of 31 December 2023, the Company had accrued the repurchase amount of 5,944,000 shares for the 19 individuals mentioned above due to retirement, transfer and decease and offset the long-term payables. The Company has fulfilled the relevant cancellation procedures.

Pursuant to the Company's 2021 A-Share Restricted Stock Incentive Plan (the "Incentive Plan"), if the performance appraisal target for the release period in any appraisal year of the Incentive Plan is not satisfied, the Company will repurchase all of the restricted shares corresponding to the appraisal year at the lower value of the grant price and the market price. As the stipulated performance appraisal target for 2022 was not achieved, the Company was required to repurchase all the restricted shares corresponding to the appraisal year of 2022 at the lower of the grant price and the market price, involving 242 individuals, with 22,849,200 shares repurchased at a repurchase amount of RMB52,324,668. As of 31 December 2023, the Company has fulfilled the relevant cancellation procedures.

Method for determining the fair value of equity instruments at the grant date	Market value
Key parameters for the fair value of equity instruments at the grant date	N/A
Basis for determining the number of equity instruments expected to vest	The best estimation is made according to the latest information, such as the number of employees who are granted options
Reasons for material differences between estimates for the current period and previous period	Performance conditions were not met
Cumulative amount of equity-settled share-based payments recognised in capital reserves	11,146,732

### 3. Expenses recognised during the year arising from share-based payments

Type of grantees	Equity-settled share-based payments	Cash-settled share-based payments
Employees	(21,680,138)	–
Total	(21,680,138)	–

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIV. 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 year ended 31 December 2023, 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:

Gearing ratio was as follows:

	31 December 2023	31 December 2022
Current liabilities		
Customer deposits	–	9,082,110,579
Repurchase agreements	–	659,635,255
Short-term loans	<b>9,428,060,223</b>	9,198,483,165
Notes payable	<b>8,631,701,173</b>	5,220,978,025
Trade payables	<b>13,513,640,486</b>	17,224,018,731
Payroll and employee benefits payable	<b>204,380,835</b>	488,255,914
Other payables	<b>3,068,633,198</b>	3,917,090,333
Other current liabilities	<b>1,028,203,765</b>	648,392,994
Non-current liabilities due within one year	<b>3,784,343,228</b>	2,059,412,922
Non-current liabilities		
Long-term loans	<b>6,799,686,232</b>	7,982,390,765
Lease liabilities	<b>361,507,890</b>	305,546,394
Long-term employee benefits payable	<b>1,554,186</b>	16,423,474
Less: Cash and bank balances	<b>5,569,797,722</b>	6,534,701,307
Net liabilities	<b>41,251,913,494</b>	50,268,037,244
Capital attributable to owners of the parent	<b>27,768,582,604</b>	29,199,669,295
Capital and net liabilities	<b>69,020,496,098</b>	79,467,706,539
Gearing ratio	<b>60%</b>	63%

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XV. COMMITMENTS AND CONTINGENCIES

### 1. Significant commitments

#### (1) Capital commitments

Item	31 December 2023	31 December 2022
Contracted, but not provided for Capital commitments	<b>3,774,425,630</b>	3,230,499,705
Total	<b>3,774,425,630</b>	3,230,499,705

### 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.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVI. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Material non-adjusting post balance sheet date events

Until the approval date of 2023 annual report, there is no significant event after the reporting period need to be disclosed by the Group or the Company.

## XVII. OTHER SIGNIFICANT EVENTS

### 1. Operating segment information

The Group has identified the Company and its subsidiaries other than Masteel Finance as one reportable segment on the basis of its internal organisational structure, management requirements and internal reporting system. The Group focuses on the business of production and sales of iron and steel products and their by-products, and Masteel Finance mainly provides financial services within the Group. The Group has not identified financial services as a separate reportable segment. On 30 April 2023, the Company transferred 91% equity interest in Masteel Finance directly held by the Company to Baowu Finance by way of equity replacement. Accordingly, there is no need to present more detailed operating segment information.

#### (1) Geographical information

The following table sets out information about the geographical location of the Group's operating income from external customers and the Group's non-current assets (excluding financial instruments, independent account assets, deferred tax assets). The geographical information is based on the location of customers receiving services or goods. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets; the location of the operation to which they are allocated, in the case of intangible assets and goodwill; and the location of operations, in the case of interests in associates and joint ventures.

Country or region	External operating income		Non-current assets	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
China				
Including: Mainland China	<b>95,381,877,669</b>	94,515,743,414	<b>61,659,991,612</b>	56,696,562,410
Overseas and Hong Kong	<b>3,556,091,695</b>	4,504,694,200	<b>104,308,368</b>	177,217,873
Total	<b>98,937,969,364</b>	99,020,437,614	<b>61,764,299,980</b>	56,873,780,283

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVII. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 1. Operating segment information (Continued)

#### (2) Other financial information \*

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Current assets	<b>22,041,620,102</b>	39,317,078,246	<b>16,108,550,934</b>	18,721,108,107
Less: Current liabilities	<b>44,016,616,027</b>	54,151,564,967	<b>41,083,827,327</b>	38,784,663,002
Net current liabilities	<b>(21,974,995,925)</b>	(14,834,486,721)	<b>(24,975,276,393)</b>	(20,063,554,895)

	Group		Company	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Total assets	<b>84,514,252,935</b>	96,892,289,376	<b>72,952,019,435</b>	72,908,579,465
Less: Current liabilities	<b>44,016,616,027</b>	54,151,564,967	<b>41,083,827,327</b>	38,784,663,002
Total assets less current liabilities	<b>40,497,636,908</b>	42,740,724,409	<b>31,868,192,108</b>	34,123,916,463

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS

### 1. Notes receivable

#### (1) Classification of notes receivable

Item	31 December 2023	31 December 2022
Bank acceptance notes	1,271,492,301	2,028,976,500
Commercial acceptance bills	–	–
Sub-total	1,271,492,301	2,028,976,500
Less: Provisions for bad debts	–	–
Total	1,271,492,301	2,028,976,500

All of the above notes are due within one year.

#### (2) The pledged notes receivable of the Company at the end of the year:

Item	Pledged amount at the end of the year
Bank acceptance notes	395,413,470
Commercial acceptance bills	–
Total	395,413,470

#### (3) Outstanding endorsed or discounted notes that have not matured at the end of the year:

Item	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptance notes	11,494,386,976	823,655,269
Commercial acceptance bills	–	–
Total	11,494,386,976	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Trade receivables

(1) Trade receivables by customer type:

Customer type	31 December 2023	31 December 2022
Related parties	<b>1,451,721,861</b>	1,521,815,499
Third party	<b>285,809,912</b>	94,058,612
Sub-total	<b>1,737,531,773</b>	1,615,874,111
Less: Provisions for bad debts	<b>64,444,154</b>	61,074,999
Total	<b>1,673,087,619</b>	1,554,799,112

(2) The age of trade receivables is analysed below:

Age	31 December 2023	31 December 2022
Within one year (inclusive)	<b>1,640,750,330</b>	1,437,303,570
One to two years (inclusive)	<b>18,743,823</b>	122,718,207
Two to three years (inclusive)	<b>23,070,337</b>	7,489,131
Over three years	<b>54,967,283</b>	48,363,203
Sub-total	<b>1,737,531,773</b>	1,615,874,111
Less: Provisions for bad debts	<b>64,444,154</b>	61,074,999
Total	<b>1,673,087,619</b>	1,554,799,112

The ageing is counted starting from the date when trade receivables are recognised.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Trade receivables

#### (3) Trade receivables by provisioning method

類別	31 December 2023					31 December 2022				
	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	949,840,461	55	-	-	949,840,461	1,111,413,475	69	-	-	1,111,413,475
- Receivables from intra-group subsidiaries	949,840,461	55	-	-	949,840,461	1,111,413,475	69	-	-	1,111,413,475
Assessed bad debt										
provision in portfolios	787,691,312	45	(64,444,154)	8	723,247,158	504,460,636	31	(61,074,999)	12	443,385,637
- Assessed bad debt										
provision in portfolios based on credit risk characteristics	787,691,312	45	(64,444,154)	8	723,247,158	504,460,636	31	(61,074,999)	12	443,385,637
<b>Total</b>	<b>1,737,531,773</b>	<b>100</b>	<b>(64,444,154)</b>		<b>1,673,087,619</b>	<b>1,615,874,111</b>	<b>100</b>	<b>(61,074,999)</b>		<b>1,554,799,112</b>

Assessment of ECLs on trade receivables:

At all times the Company measures the impairment loss for accounts receivable at an amount equal to lifetime ECLs, and the ECLs are based on the number of ageing and the expected loss rate. According to the historical experience of the Company, there are no significant differences in the losses of different customer groups. Therefore, different customer groups are not further distinguished when calculating impairment loss based on the overdue information.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Trade receivables (Continued)

#### (3) Trade receivables by provisioning method (Continued)

31 December 2023

	Expected credit loss ratio	Carrying amount	Impairment loss at the end of the year
Within one year	1%	725,830,842	7,376,289
One to two years	17%	4,313,352	733,270
Two to three years	53%	2,579,835	1,367,312
Over three years	100%	54,967,283	54,967,283
Total		787,691,312	64,444,154

31 December 2022

	Expected credit loss ratio	Carrying amount	Impairment loss at the end of the year
Within one year	1%	405,775,825	4,057,758
One to two years	16%	43,011,998	6,881,920
Two to three years	45%	10,068,170	4,530,677
Over three years	100%	45,604,643	45,604,644
Total		504,460,636	61,074,999

The loss given default is measured based on the actual credit loss experience in the past, and is adjusted taking into consideration the differences among the economic conditions during the historical data collection period, the current economic conditions and the economic conditions during the expected lifetime.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Trade receivables (Continued)

(4) The movements of the provision for bad debts were as follows:

	31 December 2023	31 December 2022
Opening balance	61,074,999	44,605,266
Increase	3,369,155	16,469,733
Closing balance	64,444,154	61,074,999

(5) The top five trade receivables classified by debtor were as follows:

31 December 2023	Relationship with the Company	Ending balance	Age	Percentage of Trade receivables	Ending balance of provision
Company 1	Subsidiary	201,856,669	Within one year	12%	-
Company 2	Related party	175,832,379	Within one year	10%	(1,758,324)
Company 3	Subsidiary	184,287,006	Within three years	11%	-
Company 4	Subsidiary	184,172,744	Within one year	11%	-
Company 5	Subsidiary	129,122,510	Within one year	7%	-
Total	/	875,271,308	/	51%	(1,758,324)

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 year2	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%	-
Total	/	1,309,449,504	/	81%	(2,163,445)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 3. Financial receivables

Item	Opening balance	Changes in fair value during the year	Ending balance	Accumulated impairment losses recognised in other comprehensive income
Notes receivable	2,090,411,894	-	1,450,677,653	-
Total	2,090,411,894	-	1,450,677,653	-

### 4. Other receivables

	Note	31 December 2023	31 December 2022
Dividends receivable	(1)	5,049,555	-
Other receivables	(2)	153,146,633	150,558,816
Total		158,196,188	150,558,816

#### (1) Dividends receivable

(a) Dividends receivable by category:

Investee	31 December 2023	31 December 2022
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.	5,049,555	-
Total	5,049,555	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 4. Other receivables (Continued)

#### (2) Other receivables

##### (a) By customer type:

Customer type	31 December 2023	31 December 2022
Related parties	10,196,676	58,527
Third party	201,881,341	212,996,212
Sub-total	212,078,017	213,054,739
Less: Provisions for bad debts	58,931,384	62,495,923
Total	153,146,633	150,558,816

##### (b) An age analysis of the other receivables is as follows:

Age	31 December 2023	31 December 2022
Within one year (inclusive)	120,492,531	146,676,603
One to two years (inclusive)	33,631,218	4,417,763
Two to three years (inclusive)	201,850	711,678
Over three years	57,752,418	61,248,695
Sub-total	212,078,017	213,054,739
Less: Provisions for bad debts	58,931,384	62,495,923
Total	153,146,633	150,558,816

The ageing is counted starting from the date when other receivables are recognised.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 4. Other receivables (Continued)

#### (2) Other receivables (Continued)

(c) The movements of the provision for bad debts were as follows

	31 December 2023				31 December 2022			
	Stage I	Stage II	Stage III	Total	Stage I	Stage II	Stage III	Total
Provision for bad debts	credit losses	credit losses	credit losses		credit losses	credit losses	credit losses	
1. Provision for bad debts								
Balance at the beginning of the year	633,140	10,260,036	51,602,747	62,495,923	299,819	8,799,222	50,635,384	59,734,425
Changes due to the opening balance	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Reverse to stage 2	-	-	-	-	-	-	-	-
Reverse to stage 1	10,260,036	(10,260,036)	-	-	-	-	-	-
Provided	-	-	389,210	389,210	333,321	1,460,814	967,363	2,761,498
Reversal	(3,953,749)	-	-	(3,953,749)	-	-	-	-
Write-off	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Other changes	-	-	-	-	-	-	-	-
Balance at the end of the year	6,939,427	-	51,991,957	58,931,384	633,140	10,260,036	51,602,747	62,495,923
2. Balance of other receivables at the end of the year	96,424,519	63,661,541	51,991,957	212,078,017	145,250,011	16,201,981	51,602,747	213,054,739
3. Provision percentage	7%	0%	100%		0%	63%	100%	

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 4. Other receivables (Continued)

#### (2) Other receivables (Continued)

##### (d) Provisions for bad and doubtful debts

Category	Opening balance	Provided	Movements during the year			Closing balance
			Recoveries or reversals	Transfers or write-offs	Other changes	
The group of pledges and deposits	-	-	-	-	-	-
The group of receivables due from other parties	62,495,923	389,210	(3,953,749)	-	-	58,931,384
<b>Total</b>	<b>62,495,923</b>	<b>389,210</b>	<b>(3,953,749)</b>	<b>-</b>	<b>-</b>	<b>58,931,384</b>

##### (e) Analysed by nature

Nature of other receivables	31 December 2023	31 December 2022
Due from trading companies	<b>114,855,699</b>	81,625,203
Guarantee for steel futures	<b>81,255,708</b>	81,935,967
Prepayments of custom duties and VAT	-	30,020,000
Others	<b>15,966,610</b>	19,473,569
<b>Sub-total</b>	<b>212,078,017</b>	213,054,739
<b>Less: Provision for bad debts</b>	<b>58,931,384</b>	62,495,923
<b>Total</b>	<b>153,146,633</b>	150,558,816

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 4. Other receivables (Continued)

#### (2) Other receivables (Continued)

(f) The top five other receivables classified by debtor were as follows

31 December 2023

Debtor	Nature	Balance	Age	Ratio to total other receivables (%)	Balance of bad debts
Company 1	Due from trading companies	49,891,137	Within 1 year	24	(294,358)
Company 2	Due from trading companies	45,390,133	More than 3 years	21	(45,390,133)
Company 3	Guarantee for steel futures	43,326,088	Within 2 years	20	(223,351)
Company 4	Guarantee for steel futures	37,927,619	Within 2 years	18	(223,672)
Company 5	Due from trading companies	6,700,109	Within 1 year	3	(39,531)
Total		183,235,086		86	(46,171,045)

31 December 2022

Debtor	Nature	Balance	Age	Ratio to total other receivables (%)	Balance of bad debts
Company 1	Due from trading companies	45,390,133	More than 3 years	21	(45,390,133)
Company 2	Guarantee for steel futures	44,388,394	Within 1 year	21	-
Company 3	Guarantee for steel futures	37,545,573	Within 1 year	18	-
Company 4	Guarantee	29,950,000	Within 1 year	14	(299,500)
Company 5	Others	2,821,477	Within 1 year	1	(28,215)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 5. Long-term equity investments

(1) Long-term equity investments by category:

Item	31 December 2023			31 December 2022		
	Carrying amount	Provision for bad debts	Book value	Carrying amount	Provision for bad debts	Book value
Investments in subsidiaries	7,019,960,738	(1,196,606,986)	5,823,353,752	8,863,133,346	(969,575,662)	7,893,557,684
Investments in joint ventures and associates	6,702,712,352	–	6,702,712,352	4,100,947,917	–	4,100,947,917
<b>Total</b>	<b>13,722,673,090</b>	<b>(1,196,606,986)</b>	<b>12,526,066,104</b>	<b>12,964,081,263</b>	<b>(969,575,662)</b>	<b>11,994,505,601</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

#### (2) Investments in subsidiaries

Subsidiary	Opening balance	Increase	Decrease	Ending balance	Provision for impairment	Impairment at the end of the period
Ma Steel (Wuhu)	8,225,885	-	-	8,225,885	-	-
Ma Steel (Cihu)	48,465,709	-	-	48,465,709	-	-
Ma Steel (HK)	52,586,550	-	-	52,586,550	-	-
MG Trading	1,573,766	-	-	1,573,766	-	-
Ma Steel (Australia)	126,312,415	-	-	126,312,415	-	-
Ma Steel (Hefei)	1,775,000,000	-	-	1,775,000,000	-	-
Ma Steel (Hefei) Processing	85,596,489	-	-	85,596,489	-	-
Ma Steel (Yangzhou) Processing	116,462,300	-	-	116,462,300	-	-
Wuhu Technique	106,500,000	-	-	106,500,000	-	-
Chongqing Material	175,000,000	-	-	175,000,000	-	-
Anhui Chang Jiang Iron and Steel	1,234,444,444	-	-	1,234,444,444	-	-
Masteel Finance	1,843,172,609	-	(1,843,172,609)	-	-	-
Hefei Materials	140,000,000	-	-	140,000,000	-	-
MG-VALDUNES (Note 1)	227,031,323	-	(227,031,323)	-	(227,031,323)	(1,196,606,986)
Ma Steel Hangzhou Sales	10,000,000	-	-	10,000,000	-	-
Ma Steel Wuxi Sales	10,000,000	-	(10,000,000)	-	-	-
Ma Steel Nanjing Sales	10,000,000	10,000,000	-	20,000,000	-	-
Ma Steel Shanghai Sales	10,000,000	-	-	10,000,000	-	-
Ma Steel Rail Transportation	1,522,317,563	-	-	1,522,317,563	-	-
Mascomental	127,368,631	-	-	127,368,631	-	-
Ma Steel Hongfei	51,000,000	-	-	51,000,000	-	-
Wuhan Material	212,500,000	-	-	212,500,000	-	-
<b>Total</b>	<b>7,893,557,684</b>	<b>10,000,000</b>	<b>(2,080,203,932)</b>	<b>5,823,353,752</b>	<b>(227,031,323)</b>	<b>(1,196,606,986)</b>

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

#### (2) Investments in subsidiaries (Continued)

*Note 1:* The Company estimated that the recoverable amount of the long-term equity investments in MG-VALDUNES is less than its carrying amount, such investments cannot be recovered subsequently through the collection of dividends, disposal, etc., and there will be no inflow of economic benefits, a provision for impairment of long-term equity investments of RMB227,031,323 was made during the year.

*Note 2:* For information about the subsidiaries of the Company, refer to Note VIII.

#### (3) Investments in joint ventures and associates:

2023

Name of investee	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 or profit distribution	Provision for impairment	Others		
Joint venture											
Maanshan BOC-Ma Steel Gases Company Limited	297,830,424	-	-	55,006,417	-	-	(55,000,000)	-	-	297,836,841	-
Sub-total	297,830,424	-	-	55,006,417	-	-	(55,000,000)	-	-	297,836,841	-
Associates											
Henan JinMa Energy	934,867,868	-	-	8,783,723	(1,575,282)	(8,039,772)	(14,400,000)	-	-	919,636,537	-
Shenglong Chemical	1,114,069,916	-	-	(20,790,895)	-	(1,004,128)	-	-	-	1,092,274,893	-
Xinchuang Environmental Protection	75,989,051	-	-	148,767	-	1,086,248	(5,049,555)	-	-	72,174,511	-
Ouyeel Factoring	163,524,728	-	(165,138,626)	1,613,898	-	-	-	-	-	-	-
Magang Chemicals & Energy	259,319,074	-	-	1,355,212	-	694,867	-	-	-	261,369,153	-
OBEI	425,551,735	-	-	8,015,394	43,035	20,405,966	-	-	-	454,016,130	-
Baowu Water Technology Co., Ltd.	661,849,275	-	-	8,925,032	-	3,774,828	(7,821,348)	-	-	666,727,787	-
Masteel Gases	167,945,846	-	-	15,378,440	-	296,119	(14,374,332)	-	-	169,246,073	-
Baowu Finance	-	2,671,258,054	-	96,737,255	3,417,999	(1,982,881)	-	-	-	2,769,430,427	-
Sub-total	3,803,117,493	2,671,258,054	(165,138,626)	120,166,826	1,885,752	15,231,247	(41,645,235)	-	-	6,404,875,511	-
Total	4,100,947,917	2,671,258,054	(165,138,626)	175,173,243	1,885,752	15,231,247	(96,645,235)	-	-	6,702,712,352	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

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

#### (3) Investments in joint ventures and associates: (Continued)

2022

Name of investee	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 or profit distribution	Provision for impairment	Others		
Joint venture											
Maanshan BOC-Ma Steel											
Gases Company Limited	307,367,524	-	-	83,462,900	-	-	(93,000,000)	-	-	297,830,424	-
Sub-total	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	-
Sub-total	4,624,595,194	-	(961,069,289)	317,007,388	163,625	(8,156,241)	(205,539,191)	-	36,116,007	3,803,117,493	-
Total	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	-

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 6. Other payables

	2023	2022
Dividends payables	<b>6,612,733</b>	6,612,733
Other payables	<b>7,010,229,150</b>	3,965,799,658
Total	<b>7,016,841,883</b>	3,972,412,391

#### (1) Dividends payables

Item	31 December 2023	31 December 2022
Dividends paid	<b>6,612,733</b>	6,612,733

#### (2) Other payables

Item	31 December 2023	31 December 2022
Payable for forfeiting	<b>1,727,667,239</b>	2,491,745,076
Special funds	<b>773,239,747</b>	748,676,379
Payable for construction, maintenance and inspection fees	<b>77,011,504</b>	73,764,105
Service fees payable	<b>21,730</b>	21,730
Funds payable under centralised management	<b>3,973,718,192</b>	–
Others	<b>458,570,738</b>	651,592,368
Total	<b>7,010,229,150</b>	3,965,799,658

In 2023, the Group established a centralised cash management platform (hereinafter referred to as the “Cash Platform”) by entrusting the corporate internet banking system of Baowu Group Finance Co., Ltd., with the Company joining the Cash Platform as the Group’s controlling party and a member unit. In accordance with the management requirements of the Cash Platform, the daily surplus funds of the member units are pooled into the main account of the Cash Platform on a daily basis, so as to maximise the efficiency of the utilisation of funds of the Company and its subsidiaries. Member units’ funds on deposit with the Cash Platform may receive returns on their funds at a rate agreed between the controlling party and the Cash Platform.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 7. Revenue and cost of sales

#### (1) Revenue and cost of sales

Item	Note	2023		2022	
		Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income		77,448,603,005	76,730,387,317	81,558,413,276	80,573,242,518
Other operating income		2,668,906,786	2,652,766,160	3,125,848,922	2,469,449,242
Total		80,117,509,791	79,383,153,477	84,684,262,198	83,042,691,760
Including: Sales of products	十八、7(2)	80,100,504,978	79,381,119,415	84,663,422,706	83,039,088,074
Other		17,004,813	2,034,062	20,839,492	3,603,686

#### (2) Disaggregation of operating income and operating costs

Type of contract	2023		2022	
	Revenue	Cost of sales	Revenue	Cost of sales
By type of business				
Sales of steel products	75,196,686,883	74,555,258,904	78,684,046,025	77,453,576,574
Sales of other products	4,820,338,357	4,812,050,084	5,922,699,688	5,577,148,605
Sales of services	72,610,029	7,962,946	56,676,993	8,362,895
Other	10,869,709	5,847,481	-	-
Total	80,100,504,978	79,381,119,415	84,663,422,706	83,039,088,074
By timing of transfer of goods or services				
Recognise at a point in time	80,027,894,949	79,373,156,469	84,606,745,713	83,030,725,179
Recognise over time	72,610,029	7,962,946	56,676,993	8,362,895
Total	80,100,504,978	79,381,119,415	84,663,422,706	83,039,088,074

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 8. R&D expenses

Item	2023	2022
Material and power expenses	<b>538,435,810</b>	571,978,109
Depreciation of property, plant and equipment	<b>42,654,448</b>	45,277,070
Employee benefits	<b>200,861,816</b>	151,924,371
Testing and processing expenses	<b>28,883,681</b>	17,389,970
Outsourced research expenses	<b>11,933,575</b>	17,355,481
Others	<b>15,448,146</b>	22,847,429
Total	<b>838,217,476</b>	826,772,430

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:

Item	2023	2022
Cost of trial production of new product development	<b>2,169,982,189</b>	2,327,254,129
Including: Material and power expenses	<b>1,816,808,333</b>	2,023,973,969
Depreciation of property, plant and equipment	<b>281,145,667</b>	231,798,633
Testing and processing expenses	<b>55,492,144</b>	56,712,012
Others	<b>16,536,045</b>	14,769,515

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 9. Investment income

Item	2023	2022
Investment income from long-term investments under the cost method	<b>259,151,643</b>	1,880,335,749
Investment income from long-term investments under the equity method	<b>175,173,243</b>	400,470,289
Gain from disposal of subsidiaries	<b>834,480,315</b>	428,460,641
Gain from disposal of associates	<b>5,372,301</b>	2,282,405
Loss from disposal of financial assets held for trading	<b>32,990,579</b>	(20,965,443)
Including: Financial assets designated at fair value through profit or loss	–	–
Investment income from other equity instrument investments	–	21,847,770
Including: Dividend income from investments in other equity instruments derecognised during the year	–	–
Dividend income from investments in other equity instruments held at the balance sheet date	–	21,847,770
<b>Total</b>	<b>1,307,168,081</b>	2,712,431,411

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XIX. BREAKDOWN OF NON-RECURRING GAINS OR LOSSES FOR THE YEAR END 31 DECEMBER 2023

Item	Amount
(1) Loss from disposal of non-current assets Government grants recognised in current period profit or loss (except for those which are closely related to the Company's normal operations, which the Company is entitled to under established standards in accordance with government policies and which have a continuing impact on the profits and losses of the Company)	94,007,628
(2) Exchange of non-monetary assets Except for the effective hedging business related to the ordinary business of the Company, gains and losses arising from changes in the fair value of financial assets and financial liabilities held by the company, and those arising from the disposal of financial assets and financial liabilities	205,878,311
(3) Other items qualified as extraordinary gain and loss (Note 1)	334,259,810
(4) Net non-operating income or expenses other than the above items	2,139,084
(5)	(250,447,259)
(6)	(3,024,628)
Sub-total	382,812,946
(7) Income tax effect	877,431
(8) Non-controlling interests effect (net of tax)	8,626,997
Total	392,317,374

*Note 1:* Other items that qualify as extraordinary gains and losses mainly include losses arising from the lost of control over MG-VALDUNES of RMB256,179,736, see Note VII.1 for details.

*Note 2:* Extraordinary gain and loss items (1) to (8) listed above are presented in the amount before taxation.

In accordance with Interpretive Pronouncement on the Preparation of Information Disclosures of Companies Issuing Public Shares No.1 – Extraordinary Gains and Losses (Revised in 2023), an amount of RMB71,019,096 in the government grants presented by the Group as extraordinary gains and losses in 2022 should be redefined as ordinary gains and losses, resulting in a decrease of RMB71,019,096 in the subtotal of extraordinary gains and losses in 2022, and a decrease of RMB57,327,665 in the Group's total extraordinary gains and losses in 2022 after deducting the effects on tax and non-controlling interests.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XX. RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with “Regulation on the Preparation of Information Disclosures by Companies Issuing Securities No.9 – Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC and relevant accounting standards, the Group’s return on net assets and earnings per share are calculated as follows:

2023

Profit for the reporting period	Return on weighted average net assets (%)	Basic earnings per share (cent/share)	Diluted earnings per share (cent/share)
Net loss attributable to owners of the parent	(4.67)	(17.24)	(17.24)
Net loss attributable to owners of the parent excluding non-recurring gains or losses	(6.05)	(22.33)	(22.33)

2022

Profit for the reporting period	Return on weighted average net assets (%)	Basic earnings per share (cent/share)	Diluted earnings per share (cent/share)
Net profit attributable to owners of the parent	(2.76)	(11.50)	(11.50)
Net profit attributable to owners of the parent excluding non-recurring gains or losses	(3.54)	(14.78)	(14.78)

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XX. RETURN ON NET ASSETS AND EARNINGS PER SHARE (CONTINUED)

### 1. Calculation of earnings per share

#### (1) *The basic earnings per share*

For calculation of the basic earnings per share, refer to Note V 60.

#### (2) *Basic earnings per share excluding extraordinary gain and loss*

Basic earnings per share excluding extraordinary gain and loss is calculated as dividing consolidated net loss excluding extraordinary gain and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2023	2022
Consolidated net loss attributable to owners of the parent	<b>(1,327,624,068)</b>	(885,346,314)
Extraordinary gains and losses attributable to ordinary shareholders of the Company	<b>392,317,374</b>	252,854,035
Consolidated net loss attributable to owners of the parent excluding non-recurring gains or losses	<b>(1,719,941,442)</b>	(1,138,200,349)
Weighted average number of ordinary shares in issue during the period	<b>7,700,681,186</b>	7,700,681,186
Basic earnings per share excluding extraordinary gain and loss (cent/share)	<b>(22.33)</b>	(14.78)

#### (3) *The diluted earnings per share*

A net loss was incurred during the year, and the potential common shares are anti-dilutive, therefore diluted earnings per share is the same as basic earnings per share.

#### (4) *Diluted earnings per share excluding extraordinary gain and loss*

A net loss was incurred during the year, and the potential common shares are anti-dilutive, therefore diluted earnings per share is the same as basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

## XX. RETURN ON NET ASSETS AND EARNINGS PER SHARE (CONTINUED)

### 2. Calculation of weighted average return on net assets

#### (1) *Weighted average return on net assets*

Weighted average return on net assets is calculated as dividing consolidated net loss attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets

	2023	2022
Consolidated net loss attributable to owners of the parent	<b>(1,327,624,068)</b>	(885,346,314)
Weighted average amount of consolidated net assets	<b>28,447,962,339</b>	32,130,568,378
Weighted average return on net assets	<b>(4.67)</b>	(2.76)

Calculation of weighted average amount of consolidated net assets is as follows:

	2023	2022
Consolidated net assets at the beginning of the year	<b>29,199,669,295</b>	32,757,092,691
Effect of consolidated net loss attributable to ordinary shareholders of the Company	<b>(1,327,624,068)</b>	(885,346,314)
Weighted average amount of consolidated net assets at the end of the year	<b>28,447,962,339</b>	32,130,568,378

#### (2) *Weighted average return on net assets excluding extraordinary gain and loss*

Weighted average return on net assets excluding extraordinary gain and loss is calculated as dividing consolidated net loss excluding extraordinary gain and loss attributable to ordinary shareholders of the Company by the weighted average amount of consolidated net assets:

	2023	2022
Consolidated net loss excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	<b>(1,719,941,442)</b>	(1,138,200,349)
Weighted average amount of consolidated net assets	<b>28,447,962,339</b>	32,130,568,378
Weighted average return on net assets excluding extraordinary gain and loss	<b>(6.05)</b>	(3.54)



馬鞍山鋼鐵股份有限公司  
Maanshan Iron & Steel Company Limited