

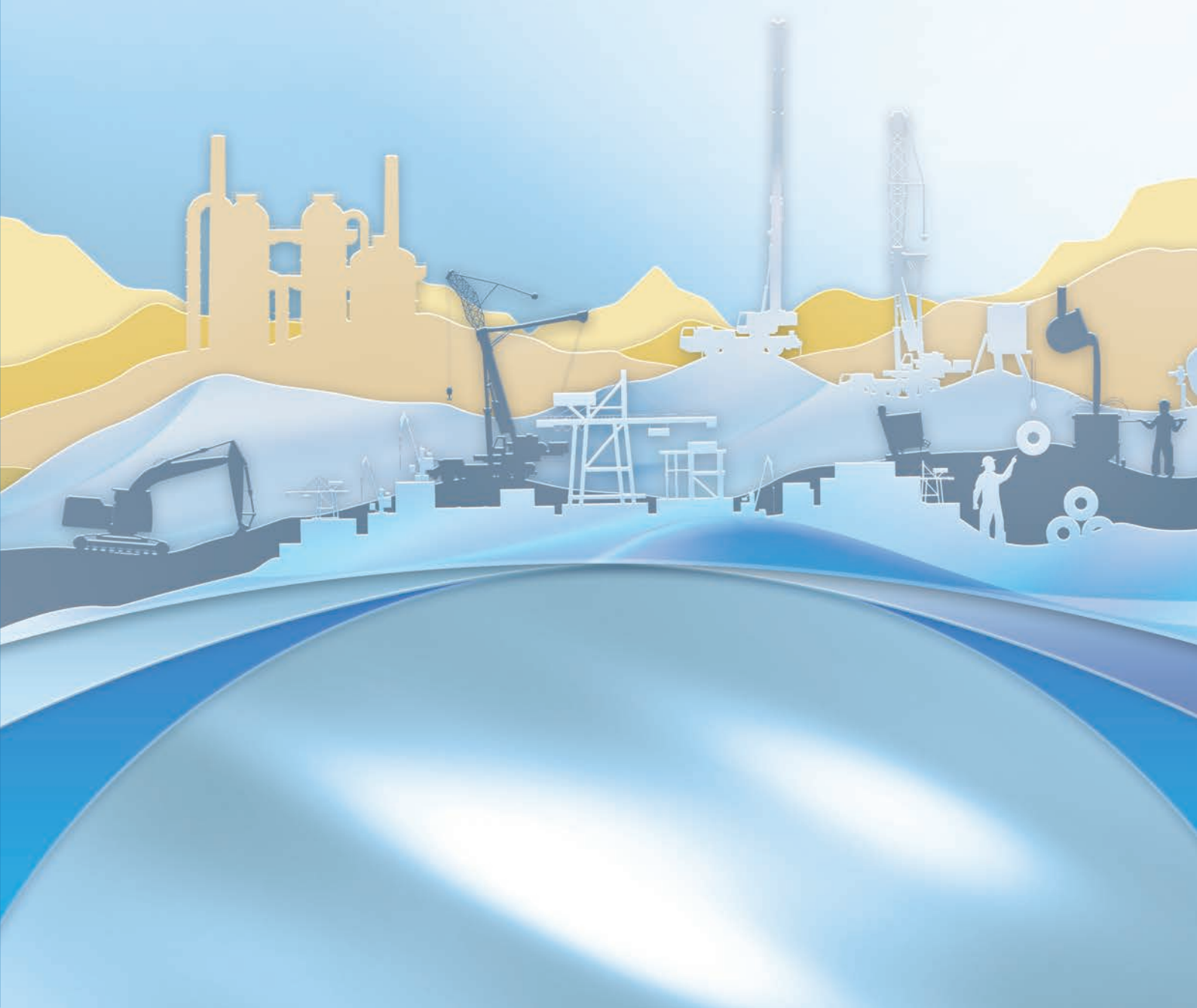


MAANSHAN IRON & STEEL COMPANY LIMITED

H Share Code: 323

A Share Code: 600808

2024 Interim Report



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DOCUMENT AVAILABLE FOR INSPECTION	<p>A copy of the interim report signed by the chairman of the Board.</p> <p>Financial statements signed and sealed by the Company's legal representative, chief accountant and head of Accounting Department.</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 during the Reporting Period.</p> <p>Interim report announced on the website of the Hong Kong Stock Exchange.</p> <p>The Articles of Association of the Company.</p> <p>Other Related 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 interim report; and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information contained in this interim report.
- II. All directors of the Company attended the Board meeting.
- III. This interim report has not been audited.
- IV. Mr. Jiang Yuxiang, representative of the Company, Mr. Zhang Wenyang, person overseeing the accounting operations, and Mr. Xu Jikang, head of Accounting Department, make representations in respect of the truthfulness, accuracy and completeness of the financial statements contained in the interim report.
- V. Profit distribution plan or plan for the capitalisation of capital reserve during the Reporting Period approved by the Board: Nil
- VI. Risk relating to forward-looking statements
The report analyses major risks faced by the Company. Please refer to "(I) Potential risks" of "V. Other Disclosures" in Section III "Management Discussion and Analysis" of the report for details. Future plans and other forward-looking statements contained in this report do not constitute any substantive commitments to investors by the Company. Investors should be fully aware of the risks.
- VII. Whether there was any appropriation of fund on a non-operating basis by the controlling shareholder or other related parties: Nil
- VIII. Whether there was any violation of regulations, decisions or procedures in relation to provisions of external guarantees: Nil
- IX. Whether there was any situation that more than half of the directors cannot guarantee the authenticity, accuracy and completeness of the interim report disclosed by the Company: Nil
- X. Significant risk warning
The Company has no significant risk that needs to draw special attention of investors.
- XI. Others

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.

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
Shareholders' 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
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

I Definitions (Continued)

Definitions of Common Terms (CONTINUED)

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
4 directions of development	means	the development path of high-end orientation, intelligentization, greenization and high efficiency
4-with	means	the operation principle focusing on accounting operation: production with orders, revenue with profits, production volume with margins, and profits with cash
Inventories and receivables	means	Utilization of funds on inventories and accounts receivable
Auditor, KPMG Huazhen	means	KPMG Huazhen LLP
Reporting Period	means	From 1 January 2024 to 30 June 2024

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	Jiang Yuxiang

2. CONTACT PERSON AND METHODS

	Secretary of the Board of Directors, Joint Company Secretary	Joint Company Secretary
Name	He Hongyun	Rebecca Chiu
Contact address	No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC	Room 1204-06, 12/F, The Hong Kong Chinese Bank Building, 61 Des Voeux Road Central, Hong Kong, the PRC
Telephone	86-555-2888158/2875252	(852)21552649
Fax	86-555-2887284	(852)21559568
Email	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 CHANGES IN LOCATION FOR INSPECTION

Name of newspaper designated for information disclosure	Shanghai Securities News; www.cnstock.com
Internet website for interim report publication	www.sse.com.cn; www.hkex.com.hk
Location for inspection of interim report of the Company	The secretariat office of the Board

II Company Introduction and Major Financial Indicators (Continued)

5. 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	Maanshan Iron & Steel	00323

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

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

6. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(1) Major accounting data

Unit: RMB

Major accounting data	Reporting Period (January to June)	Corresponding period of the previous year	Increase/decrease at the Reporting Period compared to the same period of the previous year (%)
Revenue	43,007,478,790	48,980,452,872	-12.19
Net profit attributable to owners of the parent	-1,144,779,937	-2,235,498,496	N/A
Net profit excluding non-recurring gains or losses attributable to owners of the parent	-1,236,755,384	-2,628,980,022	N/A
Net cash flows from operating activities	1,227,796,059	1,910,429,612	-35.73

	As at the end of the Reporting Period	As at the end of previous year	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%)
Net assets attributable to owners of the parent	26,607,694,236	27,768,582,604	-4.18
Total assets	83,527,981,602	84,552,252,935	-1.21
Total share capital	7,746,937,986	7,746,937,986	-

II Company Introduction and Major Financial Indicators (Continued)

6. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS (CONTINUED)

(2) Major financial indicators

Major Financial Indicators	Reporting Period (January to June)	Corresponding period of the previous year	Increase/decrease at the Reporting Period compared to the same period of the previous year (%)
Basic earnings per share (<i>RMB/share</i>)	-0.148	-0.289	N/A
Diluted earnings per share (<i>RMB/share</i>)	-0.148	-0.289	N/A
Basic earnings per share excluding non-recurring gains or losses (<i>RMB/share</i>)	-0.160	-0.340	N/A
Return on net assets (weighted average) (%)	-4.21	-7.95	Increased by 3.74 percentage points
Return on net assets excluding non-recurring gains or losses (weighted average) (%)	-4.55	-9.35	Increased by 4.80 percentage points

7. NON-RECURRING GAINS OR LOSSES ITEMS AND AMOUNTS

Unit: RMB

Non-recurring gains or losses items	Amount
Gains or losses from disposal of non-current assets (including the part offset with the provision for impairment of assets)	73,529,933
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)	26,491,075
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	4,498,725
Reversal of the provision for impairment of receivables which are tested individually for impairment	19,679,292
Investment income from disposal of an associate	3,669,805
Non-operating income or expenses other than the above items	-8,779,406
Less: Income tax effect	-17,438,377
Non-controlling interests effect (after tax)	-9,675,600
Total	91,975,447

II Company Introduction and Major Financial Indicators (Continued)

7. NON-RECURRING GAINS OR LOSSES ITEMS AND AMOUNTS (CONTINUED)

Explanations for the Company's non-recurring gains or losses items with significant amounts as not illustrated in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains or Losses, and the non-recurring gains or losses items as illustrated in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains or Losses which has been defined as its recurring gain or loss items.

Applicable Not applicable

III Management Discussion and Analysis

1. INTRODUCTION OF THE COMPANY'S INDUSTRY PERFORMANCE AND MAJOR BUSINESSES DURING THE REPORTING PERIOD

(1) Main business and operation model

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

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

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.

III Management Discussion and Analysis (Continued)

1. INTRODUCTION OF THE COMPANY'S INDUSTRY PERFORMANCE AND MAJOR BUSINESSES DURING THE REPORTING PERIOD (CONTINUED)

(1) Main business and operation model (Continued)

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

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

(2) Steel industry during the Reporting Period

During the Reporting Period, China's economy continued to recover and grow steadily with a GDP growth of 5.0% in the first half of the year. China produced 436 million tonnes of pig iron and 531 million tonnes of crude steel, representing a year-on-year decrease of 3.6% and 1.1%, respectively, and 701 million tonnes of steel, representing a year-on-year increase of 2.8%. Affected by weakening demand of steel, prominent contradiction between supply and demand, persistently low steel prices coupled with the fact that raw material prices are expected to rise but hardly fall, industry profits declined year-on-year, and the industry operation showed a pattern of "three highs and three lows", namely, "high production, high cost, high exports, low demand, low price and low efficiency".

In the first half of the year, the average level of steel prices decreased year-on-year, while iron ore prices increased year-on-year. The average value of the steel price index for the Chinese domestic market was 108.19 points, representing a year-on-year decline of 4.89%. In particular, the average value of price index for long products recorded a year-on-year decrease of 6.36%; and the average value of price index for plates recorded a year-on-year decrease of 6.35%. The average import price of iron ore was USD118.5 per tonne, representing a year-on-year increase of 3.8%. Although procurement cost for fuels decreased, the cost side faced greater pressure due to the increase in the price of imported ore. (Data source: CISA)

III Management Discussion and Analysis (Continued)

2. 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 exploring development potential and improving operational processes by all-round benchmarking and difference finding. 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.

(2) Location advantage

The Company's location in Ma'anshan is the bridgehead of Anhui Province integrating into the national strategy of Yangtze River Delta integration development, which offers significant geographical advantages and unique positioning, and provides the Company with a broad market space and market opportunities for growth. Ma'anshan is close to the riverside with excellent transportation. The Company can fully utilize various transportation modes, including waterways, highways and railways, to achieve efficient logistics operations and cost-effective transportation. The Company will fully leverage the advantages of the location by strengthening cooperation and communication with surrounding areas, continuously expanding its market presence, enhancing the brand influence, and achieving sustained and steady development.

(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". Each of the 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 machinery and construction. The diversification of the product enables the Company to adjust product strategies promptly in response to market demand changes. At the same time, the Company enlarges the percentage of high value-added products, and continuously enhances the technical content and added value of its products, so as to improve the profitability.

III Management Discussion and Analysis (Continued)

2. THE COMPANY'S CORE COMPETITIVENESS ANALYSIS DURING THE REPORTING PERIOD (CONTINUED)

(4) Variety matching advantage

The three major iron and steel production bases of the headquarters, Changjiang Steel and Ma Steel (Hefei) have completed 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, enabling the Company to better meet diverse customer demands and provide one-stop solutions.

(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 2,341 valid patents, 20 foreign invention patents and 5,550 technical know-hows (non-patented technologies); and owned 118, 94 and 97 independent intellectual property rights and core technologies for three series of products, including high-speed wheel, H-section steel and cold heading steel. These products have vast market prospects, providing robust technical support for the Company's sustained development. The technical advantage lays a solid foundation for the Company's future growth.

3. DISCUSSION AND ANALYSIS ON OPERATION

(1) Management Discussion and Analysis

In the first half of 2024, the Company adhered to the development direction of "high-end orientation, intelligentization, greenization and high efficiency" and the operating principles of "4-with" (production with orders, production volume with marginal contributions, sales revenue with profits and profits with cash flow), focused on improving quality and efficiency, strengthened the linkage between production and sales, aiming to create the maximum value through practicing accounting operation and pursuing the ultimate efficiency through strengthening lean operations, the Company strived to eliminate ideas and concepts and mindsets that are not compatible with the requirements of high-quality development and the new situation. The Company has made great efforts to promote the continuous improvement of its operating performance by focusing on the budget, identifying the objectives, analysing the problems, reviewing the situation in a timely manner, and finding the crux of the problem by benchmarking. However, due to the influence of the external environment and its own internal factors, the Company's production and operation were still under great pressure, and the overall business performance was not as expected.

III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Management Discussion and Analysis (Continued)

During the Reporting Period, the Group produced a total of 8.83 million tons of pig iron, produced 9.65 million tons of crude steel and produced 8.92 million tons of steel, representing a year-on-year decrease of 6%, 6.25% and 11.88%, respectively (of which the Company produced 7.55 million tons of pig iron and 8.13 million tons of crude steel, representing a year-on-year increase of 0.74% and 2.53%, respectively, and produced 7.31 million tons of steel, representing a year-on-year decrease of 5.91%). The Group's revenue for the Reporting Period amounted to RMB43,007 million, representing a year-on-year decrease of 12.19%; net loss attributable to shareholders of the listed company amounted to RMB1,145 million, representing a year-on-year decrease of 48.79% in loss. As at the end of the Reporting Period, the Group's total assets amounted to RMB83,528 million, representing a year-on-year decrease of 1.21%; net assets attributable to shareholders of the listed company amounted to RMB26,608 million, representing a year-on-year decrease of 4.18%.

1. *Main tasks and results*

- (1) **Further promoting benchmarking.** Firstly, the Company continuously improved the benchmarking system, systematically formulated and comprehensively implemented the work programme of benchmarking, and further clarified the mechanism, objectives, principles and paths. Secondly, the Company strengthened cost reduction of manufacturing processes, and actively promoted incremental efficiency, with production lines have broken the monthly production record 11 times and the daily production record 64 times in total. The Company vigorously promoted the improvement of indicators, with the improvement in the coal ratio from 143kg/t in 2023 to 150kg/t, the deduction in the consumption of iron and steel materials from 1,067.7kg/t in 2023 to 1,062.9kg/t, and the downturn in the incidence of waste reduction from 5.32% in 2023 to 4.55%. Thirdly, the Company strengthened procurement to reduce costs, actively carried out high-frequency market research and judgment, and dynamically adjusted and optimized the procurement strategy. In the first half of the year, the procurement cost of imported ore ranked 10th in the industry, two places higher than that in 2023. By increasing the linkage of ore blending, coal blending and alloy substitution varieties, the substitution of economic materials such as spot ore, coking coal and alloy has been significantly increased, and the proportion of economic scrap steel has broken through a record high. In the first half of the year, the procurement cost of key varieties of raw materials and fuels outperformed the industry market by RMB178 million. Fourthly, the Company strengthened the control of "two funds". At the end of June 2024, the capital occupied by inventory was RMB9,744 million, representing a decrease of RMB568 million compared with the end of last year.

III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Management Discussion and Analysis (Continued)

1. Main tasks and results (Continued)

- (2) **Accelerating the cultivation of new quality productivity.** The Company actively promoted the localization of high-speed train wheels and has made significant progress, and the G364 Fuxing long marshalling EMU equipped with high-speed train wheels of Maanshan Iron and Steel has successfully run with passengers. The Company strengthened the development of high-end products, and two products, “hot-rolled H beam for high-temperature tank support structure” and “GL wheels for cold area locomotives”, have been launched in China. The Company accelerated the development of strategic products and successfully developed more than 30 new special steel products with high added value, such as wind power bearings, wind power gears, tools and dies, and cold heading steel. The Company continued to improve manufacturing capacity and successfully rolled high value-added European standard thin-walled light H beam products, filling the gap of thin-walled light H beam specifications of the foreign standard.
- (3) **Strengthening the adjustment of variety structure.** The Company continued to increase the coordination of production, marketing and research, and deeply cultivated customer channels in accordance with the principle of increasing the sales of vicinity, direct supply and export, seized advantageous orders, resulting in the sales of key products buck the trend. In the first half of the year, the order volume of key products was 2.28 million tons, achieving the target progress of 55%; the sales volume of galvanized automobile sheet was 431,000 tons, representing a year-on-year increase of 27%; the export of steel was 736,500 tons, representing a year-on-year increase of 51.96%. Among them, the export of axle products was 64,100 tons, accounting for 46.62% of the total sales volume of axle, representing a year-on-year increase of 13.69%.
- (4) **Continuing to promote the development of special steel varieties.** Centering on the development of key products, the Company set up 12 key research teams to carry out 98 technical research projects such as process capability improvement; developed 71 new products, 12 of which passed the certification, and approached 78 new customers. The \varnothing 380mm 18CrNiMo7-6 gear steel round billet has passed the customer certification and has been supplied in batches; the \varnothing 1000 mm super-large section P92 has been launched in the world, the market share of ultra-supercritical high-temperature and high-pressure boiler tubes P91/P92 has increased by more than 200%, and the proportion of high-alloy steel products has been increasing. The synergistic effect of special steel products has gradually emerged, and the loss has been reduced month by month.

III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Management Discussion and Analysis (Continued)

1. Main tasks and results (Continued)

- (5) **Paying close attention to safety work.** The Company deeply promoted the “1231” key special action, carried out the renovation of gas blind valve, cable, anti-collision frame logistics transportation and other professional fields, strengthened the listing management of hot work, maintenance and self-supporting project, actively organized safety online training for all staff, safety sympathy training for cooperative personnel, and the overall risk of safety production was under control.
- (6) **Steadily promoting green development.** Taking “energy efficiency benchmarking” as the starting point, the Company pursued the ultimate energy efficiency and improved the utilization efficiency of secondary energy. During the Reporting Period, the power generation was 2.864 billion kWh, and the temperature drop of molten iron was reduced from 117℃ in 2023 to 105.5℃. The special steel electric furnace won the title of “Champion Furnace” in the national energy-saving and consumption reduction competition for key large-scale energy-consuming steel production equipment of China Iron and Steel Association. The Company continuously promoted the construction of “Zero Waste Enterprise”, the utilization rate of solid waste returned to production reached 28.35%, representing a year-on-year increase of 1.8 percentage points. The Company strengthened environmental protection management and control, and successfully passed the supervision of ecological environmental protection in Anhui Province. The Company accelerated the promotion of full EPD coverage of product categories, and issued four EPD statements for special steel billets, steel bars, cold-rolled pickling sheets and axle products; the carbon reduction effect of the low-carbon hot-rolled H beam and low-carbon automobile plate products produced by the Company exceeded 30% compared with those the Company issued on the EPD platform.

III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Management Discussion and Analysis (Continued)

3. *Cash flow*

During the Reporting Period, the net increase in cash and cash equivalents of the Group was RMB0.852 billion, compared with RMB0.857 billion in the previous year. Among them, the net cash inflow from operating activities was RMB1.228 billion, compared with RMB1.910 billion in the previous year, with a year-on-year decrease of RMB0.682 billion, mainly due to the decrease in cash received from the sale of goods and the provision of labor services. The net cash outflow from investing activities was RMB0.704 billion, compared with net inflow of RMB3.104 billion in the previous year, with a year-on-year decrease of RMB3.808 billion, mainly due to the fact that the statements of Magang Finance were no longer be consolidated in the period, and the cash received from the recovery of investments decreased year on year. The net cash inflow from financing activities was RMB0.330 billion, compared with the net outflow of RMB4.186 billion in the previous year, mainly due to the increase of cash received by the Company for obtaining borrowings in the period.

4. *Financial position and exchange risks*

At the end of the Reporting Period, the total loans of the Group were denominated in RMB with an aggregate amount of RMB21.657 billion, including short-term loans of RMB11.411 billion and long-term loans of RMB10.246 billion (including RMB2.820 billion of long-term loans due within one year). Loans amounting to RMB11.627 billion carried fixed interest rates and loans amounting to RMB10.030 billion carried floating interest rates. At the end of the Reporting Period, the Group's asset liability ratio was 62.95%, representing an increase of 1.14 percentage points as compared with the end of 2023.

The amount of all loans of the Group changed with the scale of production, operation 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 RMB80.417 billion, of which the unutilised facilities amounted to approximately RMB46.092 billion.

The Group's imports of raw materials are mainly settled in US dollars, and export products are mainly settled in US dollars. US dollars paid for imported raw materials were settled by handling forward foreign exchange as necessary while locking the purchase exchange rate of U.S.

III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(1) Management Discussion and Analysis (Continued)

5. *Internal control and risk management*

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

The Audit Committee reviewed the 2023 internal audit work report of the Company on 7 February 2024, agreeing to the internal audit work arrangements for 2024 and submitted it to the Board for consideration. The Board reviewed the 2023 anti-fraud work report and 2024 work arrangements on 28 February 2024.

The Board reviewed the 2023 Internal Control Evaluation Report on 28 March 2024, confirming that the Company has implemented an effective internal control over all important aspects pursuant to the Basic Internal Control Norms for Enterprises and other relevant requirements in 2023. The Company appointed KPMG Huazhen LLP as our auditor to audit the effectiveness of our internal control related to financial report as at 31 December 2023 and issued a standard unqualified internal control audit report. During the Reporting Period, the Company continued to improve the internal control system to ensure that its internal control always remains effective.

The Board reviewed the 2023 Comprehensive Risk Management and Internal Control Work Report and the 2024 Work Plan on 28 March 2024, confirming that the Company would take appropriate control measures for safety risks, financial risks, market risks, operational risks, legal risks and environmental risks, etc. in 2023 and the risks were under control. During the Reporting Period, the Company evaluated the risks, formulated the measures for identified risks, and carried out key prevention and control to ensure that the risks were under control.

The Board heard the comprehensive risk management and internal control work reports for the first quarter and the first half of 2024 on 29 April and 29 August 2024, respectively.

III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(2) The environment for production and operation and coping strategies

In the second half of this year, the domestic steel demand will continue to be under pressure, the structural contradiction between supply and demand is difficult to effectively alleviate in the short term, and the external situation faced by iron and steel enterprises will remain grim. The Company will coordinate the two main lines of “current rectification” and “long-term establishment”, strengthen products and bases, optimize strategies, continuously improve the quality and efficiency of the Company’s development, and strive for the best business results. The Company will focus on six aspects of work:

1. Accelerating the optimization and adjustment of strategic planning. “Long-term establishment”, closely linked to “integration” and “high quality”, highlighting the integration into the Yangtze River Delta and the strategic layout of “bow and arrow” in China Baowu, taking full account of the Company’s product structure, equipment conditions, location advantages and competitive factors, and focusing on building into the core strength of China Baowu in terms of excellent and special long products, and key strength of plate and strip materials. Under the three planning boundaries of strengthening the bases, coordinating the surrounding areas and serving the market, the Company will speed up the optimization and adjustment of product planning and production line planning.
2. Continuously improving the current performance. “Current rectification”, with “234” operation strategy as the core, promotes the focus on “low cost, high output” in ironmaking system, and focus on “high quality, high efficiency and low consumption” in steel-rolling system, accelerates the promotion of plate and strip to the four key product directions of “cold-rolled series, high strength, coating and plating, new energy”, gives full play to the extreme efficiency of existing equipment, fully utilizes the value created by the front-end process to the cold series products, and rapidly improves the current business performance. In terms of production organization, the Company will stabilize production and reduce the incidence of production accidents; focus on the cost control of the whole process, deepen the benchmarking, and continuously reduce the processing cost of the whole process. In terms of both markets, the Company will focus on key factors such as structure, index, batch and rhythm, reduce procurement costs and promote procurement costs to outperform the market; focus on improving profitability per ton of steel, optimize the product structure, continue to increase project docking with investors, and expand the application of products in key projects. In terms of research and development, the Company will intensify the research and development of forward-looking products, expand the industrial chain of iron and steel products, guide the extension of products to the downstream, and realize the transformation from materials to parts, from performance to function, and from products to services. In terms of developing special steel varieties, the Company will strengthen product upgrading and certification efforts, unite upstream and downstream enterprises to develop a long and deep special steel industry chain, and continuously enhance competitiveness.

III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(2) The environment for production and operation and coping strategies (Continued)

3. Deepening reform and breakthroughs. Firstly, promoting a new type of management responsibility system. On the basis of deepening the integrated simulation operation mechanism of pre-ironmaking and special steel, the Company will explore the way to implement the integration of pre-ironmaking and key categories, so as to fully stimulate internal vitality and creativity. Secondly, promoting the iterative optimization of performance assessment system. Adhering to the principles of strong goal orientation, strong causal relationship and striver-oriented, the Company will adjust and optimize the performance assessment indicators of the organization, and promote all units to take the initiative and overcome difficulties. Thirdly, promoting the market-oriented operation of the ecosphere. The Company will establish market-oriented and legalized cooperation with ecosphere units, and work together to build a high-quality steel ecosphere. Fourthly, promoting the reforming of subsidiaries. The Company will orderly push forward the shareholding reform of Magang Transportation Material; explore and optimize the Company's management of and control over loss-making subsidiaries in accordance with the principle of marketization, and reduce the impact of loss-making subsidiaries on the Group as soon as possible.

4. Focusing on safety management. Firstly, continuing to promote the "1231" special action. The Company will standardize overall safety inspection and oath on safety at pre-shift meetings of each working team, organize and carry out special renovation actions such as blind valve, cable system, hot work and combustibles, and enhance the self-management ability of grass-roots units. Taking the special investigation and rectification action of major accident hidden dangers as the starting point to implement the accident rectification and verification. Secondly, improving the safety management of cooperation and coordination. The Company will adhere to the problem orientation, focus on the weak links of safety management such as cooperation and coordination, strengthen the safety of local supervision, implement safety sympathy training of cooperative personnel, urge cooperative units to improve the safety management capacity, and strictly eliminate "small, scattered and weak" cooperative units. Thirdly, promoting the construction of intelligent security. The Company will advance the construction of intelligent security and major risk monitoring platforms.

III Management Discussion and Analysis (Continued)

3. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

(2) The environment for production and operation and coping strategies (Continued)

5. Focusing on green intelligence empowerment. Firstly, speeding up the integration and application of digital intelligence. The Company will deepen the application of CE systems, strengthen the application of cutting-edge technologies such as artificial intelligence, big data and cloud computing, and promote digital and intelligent transformation. Secondly, cultivating the background of green development. The Company will pursue the ultimate energy efficiency and realize the economic operation of system energy. It will also continuously improve carbon reduction programs for low-carbon wheels and other products, and accelerate the full coverage of EPD in product categories.
6. Focusing on human resource efficiency management. The Company will explore the potential of human resource efficiency in multiple aspects and realize the steady improvement of labor productivity for all employees. The Company will optimize the work system with talents, achievements and platforms as the core, and focus on building a team of high-skilled talents to adapt to the high-quality development of the Company.

Significant Changes in the Company's Operation during the Reporting Period, or Matters had or Expected to have Significant Influence on the Company's Operation during the Reporting Period

Applicable Not applicable

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD

(1) Analysis of principal operations

1. Analysis of changes in relevant items in the financial statements

Unit: RMB

Accounts	Amount of the current period	Amount of the same period of last year	Change (%)
Revenue	43,007,478,790	48,980,452,872	-12.19
Cost of sales	42,484,454,227	49,523,478,031	-14.21
Selling expenses	144,367,917	177,901,863	-18.85
General and administrative expenses	434,826,631	456,380,406	-4.72
Financial expenses	316,659,664	178,963,793	76.94
R&D expenses	509,627,618	643,423,988	-20.79
Net cash flows from operating activities	1,227,796,059	1,910,429,612	-35.73
Net cash flows from investing activities	-703,896,902	3,103,866,889	-122.68
Net cash flows from financing activities	329,780,103	-4,186,460,774	-107.88
Other income	133,118,240	52,456,933	153.77
Investment income	84,287,590	451,989,731	-81.35
Losses on the changes in fair value	–	-34,558,767	N/A
Credit impairment losses	16,310,120	40,958,117	-60.18
Asset impairment losses	-353,201,258	-672,043,696	N/A
Gains from disposal of assets	73,529,933	16,883,791	335.51
Operating profit	-1,182,027,063	-2,362,608,534	N/A
Total profit	-1,190,806,469	-2,361,338,152	N/A
Income tax expense	121,089,148	72,049,656	68.06
Net profit	-1,311,895,617	-2,433,387,808	N/A
Net profit attributable to owners of the parent	-1,144,779,937	-2,235,498,496	N/A

Reason for change in revenue: the year-on-year decrease in steel sales during the period as a result of weak demand from downstream industries.

Reason for change in cost of sales: the decrease in sales volume during the period as compared with the same period of last year and the decrease in the prices of raw materials such as coke and coal as compared with the same period of last year.

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(1) Analysis of principal operations (Continued)

1. *Analysis of changes in relevant items in the financial statements (Continued)*

Reason for change in selling expenses: there was no significant change.

Reason for change in general and administrative expenses: there was no significant change.

Reason for change in financial expenses: the exchange losses of RMB42 million during the period while the exchange earning of RMB41 million in the same period of last year, and the scale of interest-bearing liabilities increased during the period as compared with the same period of last year, resulting in a relative increase in interest expenses.

Reason for change in R&D expenses: there was no significant change.

Reason for change in net cash flows from operating activities: the continuous weakening of demand in the iron and steel industry, the decline in sales volume, the net cash inflow from both purchases and sales decreased as compared with the same period of last year, and at the same time, the statements of Magang Finance were no longer be consolidated in the period, and cash inflow from outside the iron and steel industry also decreased as compared with the same period of last year.

Reason for change in net cash flows from investing activities: the fact that the the statements of Magang Finance were no longer be consolidated in the period, and the cash received from the recovery of investments decreased year on year.

Reason for change in net cash flows from financing activities: the Company's adjustment of the size of interest-bearing liabilities during the period, and the increase of loan amount while ensuring the demand for production and operation funds.

Reason for change in other income: the year-on-year increase in policy incentives received during the period.

Reason for change in investment income: the investment income arising from the disposal of long-term equity investments in the previous year.

Reason for change in losses on the changes in fair value: the losses from the change in fair value of forward foreign exchange contracts held by the Company during the same period of last year.

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(1) Analysis of principal operations (Continued)

1. *Analysis of changes in relevant items in the financial statements (Continued)*

Reason for change in credit impairment losses: the decrease in loans and advances issued by Magang Finance to entities other than the Group in the same period of last year as compared with the beginning of last year, and the corresponding reversal of loan impairment allowances.

Reason for change in asset impairment losses: the year-on-year decrease in the measured provision for inventory depreciation during the period.

Reason for change in gains from disposal of assets: the gains from receipt of the related land resumption by Ma Steel (Cihu) Processing and Distribution Co., Ltd., a subsidiary of the Company, during the period.

Reason for change in income tax expense: the year-on-year increase in earnings of certain subsidiaries during the period and the corresponding increase in taxable income.

Reason for change in operating profit, total profit, net profit and net profit attributable to owners of the parent: the fact that the decrease in raw material prices in the period was greater than the decrease in steel prices, and at the same time, the Company strengthened its accounting and lean operations through the “monthly operation control” mode, which resulted in a decrease in inverted margin between the revenue and cost of steel products as compared with the same period of last year.

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

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(2) There was no material change in profit due to non-principal business

(3) Analysis of assets and liabilities

1. Assets and liabilities

Unit: RMB

Item	Closing balance of the current period	Percentage of closing balance of the current period in total assets (%)	Closing balance of last year	Percentage of closing balance of last year in total assets (%)	Year-on-year change (%)
Cash and bank balances	6,594,025,067	7.89	5,569,797,722	6.59	18.39
Notes receivables	1,180,104,660	1.41	1,708,216,158	2.02	-30.92
Trade payables	1,804,158,885	2.16	1,400,664,759	1.66	28.81
Prepayments	346,887,081	0.42	645,423,430	0.76	-46.25
Inventories	9,687,856,220	11.60	9,918,290,048	11.73	-2.32
Long-term equity investments	7,101,716,976	8.50	7,043,824,631	8.33	0.82
Property, plant and equipment	47,275,308,230	56.60	48,548,833,230	57.42	-2.62
Construction in progress	4,152,854,188	4.97	4,013,854,765	4.75	3.46
Right-of-use assets	334,462,913	0.40	348,972,586	0.41	-4.16
Short-term loans	11,411,183,263	13.66	9,428,060,223	11.15	21.03
Contract liabilities	3,478,366,337	4.16	4,013,383,663	4.75	-13.33
Taxes payable	162,652,381	0.19	372,393,489	0.44	-56.32
Other current liabilities	452,187,624	0.54	1,028,203,765	1.22	-56.02
Long-term loans	7,425,273,588	8.89	6,799,686,232	8.04	9.20
Lease liabilities	363,336,124	0.43	361,507,890	0.43	0.51
Other comprehensive income	-32,842,739	-0.04	-12,900,327	-0.02	154.59

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(3) Analysis of assets and liabilities (Continued)

1. *Assets and liabilities (Continued)*

Compared with the end of last year:

Notes receivables decreased by 30.92%, mainly due to the increase in discounted notes to improve the liquidity of note assets in the current period.

Prepayments decreased by 46.25%, mainly due to the decrease in prepayments for raw materials as compared to the end of last year.

Taxes payable decreased by 56.32%, mainly due to the year-on-year decrease in value-added tax payables in the current period.

Other current liabilities decreased by 56.02%, mainly due to the repayment of short-term financing bonds upon maturity.

Other comprehensive income increased by 154.59%, mainly due to changes in fair value of other equity instrument investments.

2. *Overseas assets*

The overseas assets amounted to RMB1.04 billion, accounting for 1.24% of the total assets.

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

At the end of the Reporting Period, the aggregate restricted assets of the Company amounted to approximately RMB1,314 million, among that: guarantee deposits amounted to approximately RMB22 million, and bank acceptance bill deposits amounted to RMB1,292 million.

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Investment analysis

1. General analysis of external equity investments

Unit: million RMB

Investment amount as at the end of the Reporting Period of the Company	13,292
Changes in investment amount	33
Investment amount as at the end of previous year of the Company	13,259
Increase or decrease in investment amount as compared with previous year (%)	0.25

(1) During the Reporting Period, the Company had not carried out any significant equity investments.

(2) Significant non-equity investment

Unit: million RMB

Project name	Total budgeted investment	New investment during the Reporting Period	Project progress
Product quality projects	28,268	212	41%
Energy-saving and environment protection projects	12,006	281	82%
Equipment advancement and other modification projects	7,758	334	99%
Other projects	N/A	108	N/A
Total	/	935	/

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Investment analysis (Continued)

1. General analysis of external equity investments (Continued)

(2) Significant non-equity investment (Continued)

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

Unit: million RMB

Project name	Total budgeted investment	Project progress
Section steel upgrading project in the southern area of Masteel – No. 3 and No. 4 continuous casting machine	970	Design feasibility study stage
New cold-rolled 6# galvanization line of Masteel	850	Pile foundation construction
New power generating unit project with high parameter of the Energy and Environment Department	370	Tendering stage
Production line planning supporting renovation of long products of Masteel – supporting renovation project of finishing and grinding capacity of special steel company	344	Equipment foundation construction and equipment installation stage
Total	2,534	/

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

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Investment analysis (Continued)

1. General analysis of external equity investments (Continued)

(2) Significant non-equity investment (Continued)

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

Unit: million RMB

Project name	Total budgeted investment	Project progress
Energy saving and emission reduction gasfired power generation project	573	Trial operation
Energy conservation and consumption reduction renovation project for double-high bars in the south line at the second workshop of rolling mill	402	Civil construction
Total	975	/

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

(3) Financial assets measured at fair value

Unit: RMB

Type of assets	Opening balance	Gains or losses on fair value change for the period	Cumulative change in fair value included in equity	Impairment provided for the period	Purchase amount for the period	Sales/redemption amount for the period	Other changes	Closing balance
Stocks	391,993,788	-25,211,174	-25,211,174	-	-	-	-	366,782,614
Derivative instruments	-	4,498,725	4,498,725	-	329,422,140	-633,920,865	-	-
Others	1,801,284,684	-	-	-	-	-	-365,007,153	1,436,277,531
Total	2,193,278,472	-20,712,449	-20,712,449	-	329,422,140	-633,920,865	-365,007,153	1,803,060,145

Note: Derivative instruments in the above table are futures and others are financing receivables.

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Investment analysis (Continued)

1. General analysis of external equity investments (Continued)

(3) Financial assets measured at fair value (Continued)

(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	Cumulative change in fair value included in equity	Purchase amount for the Reporting Period	Sales amount 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	8,125.57	-	449.87	449.87	32,942.21	33,398.08	-	-
Total	8,125.57	-	449.87	449.87	32,942.21	33,398.08	-	-

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

During the Reporting Period, the profit of the futures account amounted to RMB4.4987 million, the loss of spot amounted to RMB3.3888 million, and the aggregated profit of futures and spot amounted to RMB1.1099 million.

Description of hedging effect

The futures position corresponding to spot business avoiding market price fluctuation risk amounted to RMB3.3888 million, and the aggregated revenue generated from futures and spot amounted to RMB1.1099 million.

Sources of derivative investment funds

Own funds

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Investment analysis (Continued)

1. General analysis of external equity investments (Continued)

(3) Financial assets measured at fair value (Continued)

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

Type of derivatives	Initial investment amount	Book value	Gains or losses on	Cumulative	Purchase	Sales	Book value	Book value
		as at the beginning of the period	fair value change for the period	change in fair value included in equity	amount for the Reporting Period	amount for the Reporting Period	as at the end of the period	as at the end of the Reporting Period
								as at the end of the period as a percentage of net assets
								as at the end of the Reporting Period (%)

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.

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Investment analysis (Continued)

1. General analysis of external equity investments (Continued)

(3) Financial assets measured at fair value (Continued)

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

Type of derivatives	Initial investment amount	Book value	Gains or losses on	Cumulative	Purchase	Sales	Book value	Book value
		as at the beginning of the period	fair value change for the period	change in fair value included in equity	amount for the Reporting Period	amount for the Reporting Period	as at the end of the period	as at the end of the period as a percentage of net assets
								as at the end of the Reporting Period (%)

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 decision-making, trading and risk control, 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 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.

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(4) Investment analysis (Continued)

1. General analysis of external equity investments (Continued)

(3) Financial assets measured at fair value (Continued)

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

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	Cumulative change in fair value included in equity	Purchase amount for the Reporting Period	Sales amount 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 (%)

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 the first half of 2024, the steel and raw material markets exhibited fluctuations with a downward trend. Among the four traded varieties (manganese silicon, iron ore, screw threaded steel and hot-rolled coil), manganese silicon futures and spot prices experienced significant volatility with rapid changes in the basis, the other three varieties saw futures prices and spot prices moving in the same direction with similar amplitude, allowing futures positions to effectively mitigate the risks in the spot market. Due to disturbances from production restriction policies, several hedging projects had shorter holding periods during the period. After hedging the risks between futures and spot markets, the overall basis fluctuations were favorable for hedging. Therefore, the combined futures and spot profit amounted to RMB1.1099 million.

Litigation involved None

Date of disclosure of Board announcement on derivative investment approval 29 February 2024

Date of disclosure of announcement of the general meeting on derivative investment approval None

(2) The Company did not invest in derivatives for speculation purposes during the Reporting Period

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(5) During the Reporting Period, there was no significant disposal of the assets or equity

(6) 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 RMB9,318 million, and net assets amounted to RMB4,190 million. During the Reporting Period, its revenue from principal operation was RMB4,995 million, and loss from principal operation was RMB346 million; the net loss was RMB580 million, representing a year-on-year decrease in loss of 28.92%, mainly resulting from the relatively high procurement cost of major raw materials and fuels, the decrease in the price and lower gross profit of products.
- (2) Ma Steel (Hefei) Iron & Steel Co., Ltd. has a registered capital of RMB2,500 million, in which the Company holds a direct stake of 71%. It is mainly engaged in 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 RMB32 million. At the end of the Reporting Period, the total assets and net assets amounted to RMB3,870 million and RMB3,463 million, respectively.
- (3) Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. has a registered capital of RMB2,117 million. It is principally engaged in the design, research and development, manufacturing, maintenance and sales of rail wheels, axles, wheel sets, bogies and other rail equipment. The net profit for the Reporting Period amounted to RMB263 million. At the end of the Reporting Period, the total assets amounted to RMB4,867 million, and the net assets amounted to RMB2,966 million.
- (4) 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 RMB31 million. At the end of the Reporting Period, it had total assets amounting to RMB207 million and net assets of RMB204 million.

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(6) Analysis of the Group's major subsidiaries and investees (Continued)

1. Controlling subsidiary (Continued)

- (5) 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 RMB23 million. At the end of the Reporting Period, it had total assets amounting to RMB758 million and net assets of RMB573 million.

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 RMB235 million. At the end of the Reporting Period, its total assets and net assets were RMB11,956 million and RMB4,578 million, respectively.
- (2) 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 RMB24 million. At the end of the Reporting Period, the total assets and net assets were RMB7,200 million and RMB4,255 million, respectively.
- (3) 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 RMB27 million. At the end of the Reporting Period, the total assets and net assets were RMB561 million and RMB375 million, respectively.

III Management Discussion and Analysis (Continued)

4. THE PRINCIPAL OPERATION DURING THE REPORTING PERIOD (CONTINUED)

(6) Analysis of the Group's major subsidiaries and investees (Continued)

2. Major investees (Continued)

- (4) Baowu Group Finance Co., Ltd. has a registered capital of RMB6,840 million and the Company directly holds 22.36% of its equity. It's mainly engaged in corporate group finance company services. During the Reporting Period, the net profit amounted to RMB291 million. At the end of the Reporting Period, the total assets and net assets were RMB74,070 million and RMB10,465 million, respectively.

At the end of June 2024, all monitoring indicators of Baowu Finance were in compliance with the prescribed requirements.

No.	Indicators	Standard values	Actual values during the Reporting Period
1	Capital adequacy ratio	≥10.5%	20.21%
2	Liquidity ratio	≥25%	79.02%
3	Non-performing asset ratio	≤4%	0.06%
4	Non-performing loan ratio	≤5%	0.00%
5	Inter-bank lending ratio	≤100%	0.00%
6	Investment ratio	≤70%	57.10%
7	Guarantee ratio	≤100%	61.24%
8	Self-owned fixed assets ratio	≤20%	0.06%

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

III Management Discussion and Analysis (Continued)

5. OTHER DISCLOSURES

(1) 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 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 “The environment for production and operation and coping strategies” described above, the Company’s measures to address risks include:

Risks	Response
Safety production risks	For details, please refer to “The environment for production and operation and coping strategies” above
Total energy control and environmental protection risks	<p>Energy: We focus on tapping the potential of energy cost reduction. As for the new situation of gas and oxygen brought about by the Company’s latest group production mode, the Company carries out challenging trainings on dynamic balanced and refined management; carries out benchmarking with Baosteel to explore new cost reduction measures; pursues the maximized energy efficiency, and facilitates the acceptance of energy efficiency benchmarking for the key production lines; it consolidates the cornerstone of management, and follows up the Company’s production scheduling and maintenance plans, calculates the binding indicators in time, and releases an early warning at appropriate time.</p> <p>Environmental protection: We prepare well for the Central Government’s ecological and environmental protection inspections and Baowu Environmental Protection Inspectorate’s special inspections on water; continue to promote the safety management of environmental protection facilities, have established a rolling system of regular monthly inspections and elimination of safety hazards, and further control the safety risks of environmental protection facilities; we strengthen the compliance management of solid and hazardous wastes and promote the construction of an informationized platform for the whole process of hazardous wastes treatment, and strive to complete the informationization transformation in a timely manner.</p>

III Management Discussion and Analysis (Continued)

5. OTHER DISCLOSURES (CONTINUED)

(1) Potential risks (Continued)

Risks	Response
Safety production risks	For details, please refer to “The environment for production and operation and coping strategies” above
Fluctuation in prices of bulk raw materials and the risk of synergy between purchase and sale	1) We maintain a pattern of low-inventory operation, increase efforts for the rapid coordination between procurement and production of coal and ore blending system, and meanwhile maintain high-quality supply and order delivery under the condition of low inventory level. 2) We carry out operational risk stress tests, forecast key raw material prices and product prices, predicting the expected performance of the Company’s operations under different market environments by means of scenario simulation and quantitative assessment under three scenarios, namely, “neutral, downward and free-fall downward”, and formulate countermeasures and contingency plans.
“Inventories and receivables” risk control	1) We formulate and implement the “Inventories and receivables” management and control plan for the second half of the year. We make efforts to accelerate the turnover efficiency of accounts receivable, and reduce overdue receivables, so that the inventory turnover days of plates and strip products are not more than 40 days, and the inventory turnover days of long products are not more than 20 days. 2) We hold regular weekly meetings on “Inventories and receivables” management and control, do daily readings at the end of each month, and follow up the “Inventories and receivables” reductions. 3) We continue to strengthen the handling of long-aged receivables, so as to maximize the collection. 4) We expand the effective investment and reduce inefficient investment.

III Management Discussion and Analysis (Continued)

5. OTHER DISCLOSURES (CONTINUED)

(2) Other disclosures

1. Work of the Audit Committee. The Audit Committee of the Company comprises independent Directors Mr. Liao Weiwan, Mr. Guan Bingchun, Mr. He Anrui and Mr. Qiu Shengtao. The Audit Committee has reviewed the 2024 interim results.
2. Significant Events Affecting the Group after the Reporting Period. Since the end of the Reporting Period and up to the date of this announcement, there is no significant event affecting the Group that needs to be disclosed.
3. Purchase, Sale or Redemption of Listed Securities of the Company. During the Reporting Period, the Company did not redeem any of its listed stocks, nor did the Company and its subsidiaries purchase or resale any of the listed stocks of the Company.
4. Pre-emptive Rights. There are no requirements under the Articles of Association of the Company and Chinese laws that the current shareholders shall purchase new shares based on their holding shares before the Company issues new shares.
5. Code on Corporate Governance. During the Reporting Period, the Company had complied with all the code provisions of the Code on Corporate Governance set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No deviation behaviour from the code was found.
6. Model Code for Securities Transactions by Directors of Listed Issuers. During the Reporting Period, the Company had complied with the requirements stipulated by the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No deviation behavior from the code was found.
7. 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 according to the Articles of Association. When the Company convenes general meeting, any shareholder who meets the conditions specified in Article 58 of the Articles of Association is entitled to file a new bill with the Company in writing. Shareholders may send inquiries or comments to the Board by mail to the Company (No. 8 Jiu Hua Xi Road, Maanshan City, Anhui Province, the PRC).

IV Corporate Governance

1. SHAREHOLDERS' GENERAL MEETING

Session of Meeting	Date of Meeting	Specified Website for Publishing Resolutions	Publishing Date of Resolution
2024 First Extraordinary General Meeting	29 May 2024	https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2024-05-30/600808_20240530_K13A.pdf	30 May 2024
2023 Annual General Meeting	19 June 2024	https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2024-06-20/600808_20240620_7NPF.pdf	20 June 2024
2024 Second Extraordinary General Meeting, 2024 First Class Meeting of the Holders of A Shares, 2024 First Class Meeting of the Holders of H Shares	19 June 2024	https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2024-06-20/600808_20240620_CEFM.pdf	20 June 2024
2024 Third Extraordinary General Meeting	18 July 2024	https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2024-07-19/600808_20240719_S99V.pdf	19 July 2024

2024 First Extraordinary General Meeting. Notice was given on 7 May 2024 that the 2024 First Extraordinary General Meeting will be held on 29 May 2024. The following resolutions were considered and approved: (1) the resolution in relation to the change of non-executive director; (2) the resolution in relation to the amendments to the Articles of Association of Maanshan Iron & Steel Company Limited and its appendices.

2023 Annual General Meeting. Notice was given on 20 May 2024 that the 2023 Annual General Meeting will be held on 19 June 2024. The following resolutions were considered and approved: (1) the work report of the board of directors for the year 2023; (2) the work report of the supervisory committee for the year 2023; (3) the audited financial statements for the year 2023; (4) the resolution in relation to the appointment of auditor for the year 2024; (5) the profit distribution plan for the year 2023; (6) the remuneration of directors, supervisors and senior management for the year 2023.

2024 Second Extraordinary General Meeting, 2024 First Class Meeting of the Holders of A Shares and 2024 First Class Meeting of the Holders of H Shares. Notice was given on 30 May 2024 that the 2024 Second Extraordinary General Meeting, 2024 First Class Meeting of the Holders of A Shares, 2024 First Class Meeting of the Holders of H Shares will be held on 19 June 2024. The meeting considered and approved the resolution in relation to the amendments to the Articles of Association of Maanshan Iron & Steel Company Limited and its appendices.

2024 Third Extraordinary General Meeting. Notice was given on 28 June 2024 that the 2024 Third Extraordinary General Meeting will be held on 18 July 2024. The meeting considered and approved the resolution in relation to the extension of the performance of undertaking on non-competition by the indirect controlling shareholder, China Baowu Steel Group Corporation Limited.

IV Corporate Governance (Continued)

2. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Changes
Jiang Yuxiang	Chairman	Elected
Zhang Wenyang	General manager	Appointed
He Hongyun	Secretary to the Board	Appointed
Ding Yi	Chairman	Resigned
Ren Tianbao	Director, general manager, Secretary to the Board	Resigned

In April 2024, Mr. Ding Yi resigned as the Chairman of the Board, as well as the Chairman of the Strategic and Sustainable Development Committee and member of the Nomination Committee of the Company due to other work arrangements; in July 2024, Mr. Ren Tianbao resigned as a Director, a member of the Strategic and Sustainable Development Committee of the Board, as well as the general manager, financial officer-in-charge and Secretary to the Board of the Company due to his retirement.

In July 2024, as approved at the 26th meeting of the tenth session of the Board of the Company, Mr. Zhang Wenyang was appointed as the general manager and Ms. He Hongyun was appointed as the Secretary to the Board.

3. PROPOSAL OF PROFIT DISTRIBUTION OR PROPOSAL OF TRANSFERRING CAPITAL RESERVE TO SHARE CAPITAL

The interim plan for proposal of profit distribution or proposal of transferring capital reserve to share capital

Whether distributed or capitalised	No
Number of bonus shares for every 10 shares (<i>share</i>)	–
Dividend amount per 10 shares (<i>RMB</i>) (<i>tax inclusive</i>)	–
Number of shares capitalised for every 10 shares (<i>share</i>)	–

IV Corporate Governance (Continued)

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

- (1) Relevant equity 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	https://static.sse.com.cn/disclosure/listedinfo/announcement/new/2023-03-07/600808_20230307_FHM0.pdf
Announcement on the Repurchase and Cancellation of Certain Restricted Shares	https://static.sse.com.cn/disclosure/listedinfo/announcement/new/2023-03-11/600808_20230311_YQ41.pdf
Announcement on Implementation of Repurchase and Cancellation of Certain Restricted Shares under the 2021 Restricted A Share Incentive Scheme	https://static.sse.com.cn/disclosure/listedinfo/announcement/new/2023-05-31/600808_20230531_P7YC.pdf
Announcement on the Repurchase and Cancellation of Certain Restricted Shares	https://static.sse.com.cn/disclosure/listedinfo/announcement/new/2023-07-29/600808_20230729_K6IK.pdf
Announcement on Implementation of Repurchase and Cancellation of Certain Restricted Shares under the 2021 Restricted A Share Incentive Scheme	https://static.sse.com.cn/disclosure/listedinfo/announcement/new/2023-10-25/600808_20231025_7M5S.pdf

V Environmental and Social Responsibility

1. ENVIRONMENTAL INFORMATION

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

1. Pollutant emission information

The Company and its controlling subsidiaries, Ma Steel (Hefei) and Changjiang Steel, operate in highly polluting industries identified by the state environment authority and all of them implement a series of emission standards for the iron and steel industry. Masteel Transportation Material is a simplified management emission unit, implementing the emission standard of air pollutants for steel rolling industry, and the discharge standard of water pollutants for iron and steel industry. 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
Masteel	Waste gases	Dust, NO _x , SO ₂ , etc.	Emitted into the air via chimney stack after dust elimination, desulfidation and denitration	329 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	18 sets	
Changjiang Steel	Waste gases	Dust, NO _x , SO ₂ , etc.	Emitted into the air via chimney stack after dust elimination, desulfidation and denitration	85 sets	80 distributed along the production lines
	Waste water	SS, COD, oil, ammonia nitrogen, etc.	Domestic sewage and production wastewater are all recycled, and only rainwater is discharged outside.	15 sets	0 sewage outfall and 1 rainwater outfall
	Solid wastes	Iron dust, iron oxide scale, metallurgical slag, etc.	Comprehensive utilization, compliant disposal	-	-
Ma Steel (Hefei)	Waste gases	Dust, acid (alkali) fog, NO _x , SO ₂ , etc.	Discharged after up to standard processing	11 sets	16 distributed along the production lines
	Waste water	Acid and alkali, COD, oil, ammonia nitrogen, etc.	Discharged after up to standard processing	1 set	1
	Solid wastes	Emulsified liquid slag, oil sludge, waste filter paper, bottom residue, etc.	Compliant disposal, comprehensive utilization	-	-
Masteel Transportation Material	Waste gases	Dust, NO _x , SO ₂ , etc.	Dust removal	11	20 distributed along the production lines
	Waste water	COD, ammonia nitrogen, etc.	Industrial wastewater circulates internally within the sewage treatment station.	2	1

V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

1. *Pollutant emission information (Continued)*

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

Name of Company	Pollutant Category	Typical Pollutants	Emission density	Emission Permit Limit (Ton/Year)	Total Emissions during the Reporting Period (Ton)
Masteel	Waste gases	Dust	$\leq 10\text{mg}/\text{m}^3$	11506.307	3360
		SO ₂	$\leq 8.96\text{mg}/\text{m}^3$	17469.511	2063
		NO _x	$\leq 14.98\text{mg}/\text{m}^3$	33859.444	3462
	Waste water	COD	$\leq 11.73\text{mg}/\text{l}$	1573.6	61
		Ammonia nitrogen	$\leq 0.11\text{mg}/\text{l}$	161.6	5.5
Changjiang Steel	Waste gases	Dust	$\leq 7.04\text{mg}/\text{m}^3$	2897.964	605.455
		SO ₂	$\leq 1.51\text{mg}/\text{m}^3$	3243.25	91.928
		NO _x	$\leq 3.8\text{mg}/\text{m}^3$	7091.746	231.021
	Waste water	COD	0mg/L	0	0
		Ammonia nitrogen	0mg/L	0	0
Ma Steel (Hefei)	Waste gases	Dust	$\leq 13\text{mg}/\text{m}^3$	53.10	3.757
		SO ₂	$\leq 3\text{mg}/\text{m}^3$	7.13	3.541
		NO _x	$\leq 31\text{mg}/\text{m}^3$	50.36	28.998
	Waste water	COD	$\leq 40\text{mg}/\text{l}$	107.6	12.602
		Ammonia nitrogen	$\leq 2\text{mg}/\text{l}$	17.9	0.101
Masteel Transportation Material	Waste gases	Dust	$\leq 15\text{mg}/\text{m}^3$	/	1.824
		SO ₂	$\leq 150\text{mg}/\text{m}^3$	/	24.666
		NO _x	$\leq 300\text{mg}/\text{m}^3$	/	32.784
	Waste water	COD	0mg/l	/	0
		Ammonia nitrogen	0mg/l	/	0

Note: The total discharge amount is calculated based on the standard statistics in accordance with the Technical Specification for Application and Issuance of Pollutant Permit for Iron and Steel Industry (HJ846–2017). During the Reporting Period, the total amount of smoke and dust emission of Masteel included 2,502 tonnes of organized emission and 858 tonnes of unorganized emission. The total amount of smoke and dust emission of Changjiang Steel included 428 tonnes of organized emission and 177 tonnes of unorganized emission.

V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

1. Pollutant emission information (Continued)

Generation, disposal and storage of solid and hazardous waste in the first half of 2024

Company Name	Solid waste (10,000 tonnes)			Hazardous waste (10,000 tonnes)		
	Amount generated	Amount disposed		Amount generated	Compliant disposal	Compliant disposal
		Recycle for production and utilization	Compliant disposal			
Masteel	541.03	153.39	387.64	3.78	3.49	0.36
Changjiang Steel	94.3536	24.9452	69.4084	0.1136	0.1111	0.0077
Ma Steel (Hefei)	0.0619	-	-	0.23	0.23	-
Magang Transportation Material	0.439	0.435	0.004	0.02	0.02	-
Total	635.8845	178.7702	457.0524	4.1436	3.8511	0.3677

Emission of volatile organic compounds: No. 1 and No. 2 incinerators of color coated plate in cold rolling plant are strictly managed for volatile organic compounds (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 their VOC emission data in the first half of 2024 were stable and up to standard.

2. Construction and operation of pollution prevention and control facilities

Masteel had 329 sets of waste gas pollution prevention and control facilities, and 66 sets of wastewater pollution prevention and control facilities, of which 76 sets were online waste gas monitoring equipments, and 18 sets were online main wastewater discharge outlet monitoring equipments; Changjiang Steel was equipped with 85 sets of waste gas pollution prevention and control facilities, and 15 sets of wastewater pollution prevention and control facilities, including 31 sets of online main waste gas discharge outlet monitoring equipments and 1 set of online monitoring equipment for rainwater discharge. All of the pollution prevention and control facilities were running synchronously with the main production lines and were operating in good condition. The pollution prevention and control facilities in Ma Steel (Hefei) and Magang Transportation Material were operating normally.

V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

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

During the Reporting Period, two projects, including the new 6# hot-dip galvanization line and the ancillary project, of Masteel successfully obtained the approval for environmental impact assessment, and its four projects, including the new special steel project (Phase I) project, completed the after-completion environmental protection acceptance check on schedule. All construction projects of Changjiang Steel are not required to go through the procedure of environmental impact assessment for construction projects as stipulated in the requirements of the Classified Management List regarding Environmental Impact Assessment for Construction Projects (2021 Edition) (《建設項目環境影響評價分類管理名錄》(2021年版)). In May 2024, Changjiang Steel's re-application for approval of the discharge permit was approved.

4. *Emergency Response Plans for Environmental Incidents*

The Company's emergency response plan for environmental incidents (the 3rd edition) was released in December 2023 and filed with the Maanshan City Comprehensive Administrative Law Enforcement Detachment for Ecology and Environment Protection, with the filing number being 340500-2023-087-H. During the Reporting Period, the Company conducted contingency drills including the "Emergency plan drill regarding ash leakage from ash hopper caused by failure of dust collector's ash delivery system of Coal Coking Company", the "On-site treatment plan drill regarding loss of radioactive source of Cold Rolling General Plant", and the "Emergency plan drill regarding environmental pollution incident at No. 4 Steel Rolling General Plant".

Changjiang Steel's emergency response plan for environmental emergencies was released in June 2022 and filed with the Maanshan City Comprehensive Administrative Law Enforcement Detachment for Ecology and Environment Protection, with the filing number being 340500-2022-073-H. During the Reporting Period, Changjiang Steel conducted the "Emergency response drill regarding sewage overflow from the water treatment area of the No. 2 Steel Rolling Workshop", and the "Emergency drill regarding incident of 1# sintering machine tail dust filter bag's falling".

V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

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

5. *Environmental self-monitoring plan*

During the Reporting Period, the Company revised and compiled the 2024 Self-monitoring Plan of Masteel and issued self-monitoring plans in accordance with the requirements of the documents including the technical guides for the self-monitoring in accordance with sewage discharge permit and the self-monitoring of discharging units, and engaged Shanghai Jinyi Detection to carry out the manual monitoring of wastewater, waste gas, ambient air and noise as planned; the Company's self-monitoring plans were completed at a rate of 100%, the data were published at a rate of 100%, and the rate of reaching the standard was 100%, with relevant self-monitoring tasks for the Company having been completed on schedule.

Changjiang Steel prepared the self-monitoring plans for 2024 in strict accordance with the requirements of the sewage discharge permit, and engaged Maanshan Linxu Environmental Inspection Co., Ltd. to conduct manual monitoring.

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

7. *Other environmental information that should be disclosed*

During the Reporting Period, Masteel, Ma Steel (Hefei), Changjiang Steel and Magang Transportation Material prepared the Report on Disclosure of Environmental Information in accordance with the Law, which was disclosed in the corporate environmental information disclosure system of the Ministry of Ecology and Environment in accordance with the law, and submitted quarterly reports on the implementation of sewage discharge permit on time.

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

The Company actively responds to the requirements of Baowu's "Waste-free Group" and Maanshan's "Waste-free City", participating in the work of Baowu Group to create a waste-free group on a pilot basis and that of Maanshan City to construct itself into a waste-free city, preparing an implementation plan for the creation of a waste-free enterprise, and putting forward the target tasks for 2025, including construction indicators, technical achievements, project planning, industrial layout and expected results, to implement 7 projects, promoting the construction of waste-free enterprise in an orderly manner.

V Environmental and Social Responsibility (Continued)

1. ENVIRONMENTAL INFORMATION (CONTINUED)

(2) Information on the protection of the ecology, the prevention of pollution and the fulfilment of environmental responsibilities (Continued)

The Company continues to strengthen regional noise environment control and management, continues with noise monitoring, and follows up the effectiveness of special rectification. It urges its various subsidiaries to continue to optimise production lines in the region and further improve the quality of the regional acoustic environment from the source. During the Reporting Period, the project of noise management for pelletizing baking area and the project of noise management for the No. 1 sintering machine desulphurisation and denitration were completed.

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

1. Green products to reduce carbon. During the Reporting Period, the Company released the carbon footprint of 4 products, namely bar, electric furnace billet, pickling and axle, on the EPD platform of China Iron and Steel Association; and developed 2 low-carbon products, namely low-carbon steel section and low-carbon galvanised steel for automobile, which, as calculated by a third-party certification body, further reduced carbon by about 39% on the basis of the released EPD carbon footprint.
2. Maximizing energy efficiency and energy conservation and carbon reduction. Maximization of energy efficiency, green energy, comprehensive utilisation of metallurgical resources were promoted normally, and more than 10 energy-saving projects, including blast furnace equal pressure gas recovery, were completed; the acceptance check for “Dual carbon best practice energy efficiency benchmarking demonstration” was in progress, with the recycling rate of solid wastes having reached 28.36%. In the first half of the year, the photovoltaic power generation amounted to 15.47 million kWh, with a carbon reduction of 8,613.7 tonnes.
3. Research and development of low carbon and negative carbon technology. For the year of 2024, the number of carbon reduction projects was 27, including the microbial carbon sequestration technology research project which was in normal promotion.

V Environmental and Social Responsibility (Continued)

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

During the Reporting Period, learning to apply the experiences and methods of the project of “Building one thousand of villages out of the ten thousand of ones selected to be improved into demonstration villages”, and taking Baowu’s rural revitalisation plan of “Helping villagers to master skills for improving their living” as the guide, the Company promoted, in an in-depth manner, its work in assisting Liji Village in Dicheng Town, Funan County, and Longtai Village in Lintou Town, Hanshan County which were designated as targeted areas needing assistance, as well as Jiangcheng County in Yunnan, Shanglin County in Guangxi and Ongniud Banner in Inner Mongolia which were key areas particularly needing assistance and were given priority, by adopting a series of assistance initiatives, such as devoting efforts in local industrial development and education and purchasing local products. The Company actively participated in the construction and upgrading of Baowu’s brand demonstration projects, helping such targeted and key areas to advance the development of industries, the construction and governance there in a vigorous and orderly manner, to continuously contribute, with the wisdom and strength of Masteel, to the promotion of revitalisation of the countryside in all respects, the acceleration of modernisation of agriculture and rural areas, and the building of our country into one with agricultural power.

1. Implementing the assistance work mechanism. The Company formulated and released the targeted and key assistance work plan for 2024, and facilitated its implementation. The leaders and relevant departments of the Company went to Longtai Village in Lintou Town, Hanshan County and Liji Village in Dicheng Town, Funan County, to provide targeted assistance and despatch our executives there to carry out the “Four Ones (namely, one essence of ruling, one fundamental requirement, one important means, one way of ruling)” investigation and survey, and went to Jiangcheng County in Yunnan and Shanglin County in Guangxi to carry out on-site investigation and survey on rural revitalisation.
2. Implementing the budget for assistance and relevant systems for approval. The Company formulated and organised the implementation of the 2024 budget for external donations (including the annual budget for assistance work), and revised and released the Administrative Measures for Public Welfare Support.

V Environmental and Social Responsibility (Continued)

2. THE SPECIFIC WORK TO CONSOLIDATE AND EXPAND THE ACHIEVEMENTS IN POVERTY ALLEVIATION AND TO PROMOTE RURAL REVITALIZATION (CONTINUED)

3. Implementing requirements of assistance work in local regions and promoting the progress of assistance projects. The Company organised relevant assisting units to go to Liji Village in Funan County and Longtai Village in Hanshan County, Anhui Province to visit the poverty-stricken households and households in difficulty; based on the actual situation of Longtai Village and Liji Village, carried out in-depth research focusing on the projects providing assistance through development of local industries, and invited relevant professors from Anhui Agricultural University to provide guidance, to ensure that those projects would be established in an accurate and scientific manner. Currently, the plans for two assistance projects have been preliminarily confirmed, i.e., the project of Longtai Village to upgrade the agricultural products processing facilities, and the project of Liji Village to collectively invest in Liji Village aquaculture base.
4. Implementing assistance projects' docking. Depending on the needs of key assisted areas, the Company planned to facilitate the introduction of gratuitous funds of totaling RMB300,000 for the following six projects: the project of donating teaching equipment to Guangxi Shanglin County Nationality Experimental School, the project of donating the Civilization and Unity Supermarket to Gaoding Village in Shanglin County in Guangxi; the project of donating teaching facilities to Zhengdong Town Center Primary School in Jiangcheng County in Yunnan, the project of donating teaching facilities to Jiangcheng County Nationality Primary School in Yunnan, the project of donating the Civilization and Unity Supermarket to Jiebei Village in Jiangcheng County in Yunnan; the project of donation for the construction of an agricultural and tourism products exhibition room for Saiqintala Collective Cooperative in Ongniud Banner in Inner Mongolia. Meanwhile, the Company proactively got in touch with local governmental cadres working for assisting Jiangcheng County and Shanglin County, and communicating and negotiated with them regarding the introduction of gainful assistance projects and the funding for such projects.
5. Providing assistance in the form of purchasing local products. The Company organised and participated in the "Central Enterprises' Actions of Purchasing Local Products to Join in the Celebration of Spring Festival", and purchased and helped selling agricultural products of RMB450,000; collected the list of agricultural products in each assisted area, planned for the assistance work, decomposed and allocated the tasks of assistance in the form of purchasing local products for 2024, and widely publicise the same and promoted the implementation; organised the exhibition and sale of fresh agricultural products from Longtai Village in the Company, which obtained strong support from the staff of the Company. In the first half of the year, the assistance work we completed in this form amounted to more than RMB2.44 million.

V Environmental and Social Responsibility (Continued)

2. THE SPECIFIC WORK TO CONSOLIDATE AND EXPAND THE ACHIEVEMENTS IN POVERTY ALLEVIATION AND TO PROMOTE RURAL REVITALIZATION (CONTINUED)

6. Participating in “Offering assistance in groups” and “Loving heart assistance offering” demonstration projects. For the “Offering assistance in groups” demonstration project, we participated in the Luotian “Ton bag small town” construction project, to help open up the “ton bag” sales channels, completed the procurement in ton bags amounting to over RMB140,000. Together with Baowu Carbon, the Company took the lead in promoting the sub-project of “Supporting farmers through adoption of livestock”, taking the lead in supporting farmers through adoption of livestock which was exclusive for enterprises within the Company on the basis of the improvement of the special area for rural revitalisation on the smart trade union platform.
7. Selecting and despatching outstanding leaders for rotations. Due to the expiry of the term of office of the eighth batch of selected leaders, the Company, based on the principles of “ensuring uninterrupted assistance, projects and work”, elected the ninth batch of despatched leaders, implemented the handover and completed the rotation of leaders to the village on schedule.

VI Significant Events

1. PERFORMANCE OF UNDERTAKINGS

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

During the period when applying to CSRC for redemption for cash offer acquisition of the A Shares of the Company in 2019, and the following three commitments were made: first, to avoid horizontal competition, China Baowu issued the “Commitment Letter on Avoiding Horizontal Competition”; second, 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”; third, 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.

China Baowu, due to the existence of some business overlap between the Company and Baosteel in respect of steel plates, undertook on 26 August 2019 to, in accordance with the principles of being conducive to the development of the listed company and safeguarding the interests of shareholders, in particular the interests of minority shareholders, utilise the combination of a variety of methods such as asset restructuring, business adjustment and entrusted management within the following five years, to steadily promote the integration of relevant businesses in order to resolve the problem of horizontal competition.

Due to the complexity of the process flow of integrated steel enterprises, the business integration is relatively difficult, coupled with the fact that the steel industry has been in a weak cycle in recent years, the performance of listed steel enterprises has been under pressure, which has made it more difficult to resolve the issue of horizontal competition in such market environment; as the Company is a company listed on A and H stock markets, the resolution of the horizontal competition is required to comply with the regulatory rules of the capital market of the two places and take into account the interests of the minority shareholders of the two sides of the A and H stock markets. Therefore, the overall plan requires more time for feasibility study and demonstration. China Baowu extended the term of the aforesaid undertaking to avoid horizontal competition for another 3 years to 25 August 2027, which was approved on 18 July 2024 by the Company’s third extraordinary general meeting of 2024, and such extension of the undertaking was approved at the third extraordinary general meeting of the Company in 2024 on 18 July 2024.

VI Significant Events (Continued)

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

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

4. AUDIT OF INTERIM REPORT

(1) Appointment and dismissal of accounting firms

With the approval of the Company's 2023 Annual General Meeting, the Company re-appointed KPMG Huazhen as the auditor of the Company for the year 2024.

(2) Explanation of the Company on the "Non-standard opinions audit report" from the accounting firm

Applicable Not Applicable

5. CHANGES AND TREATMENT OF MATTERS RELATED TO NON-STANDARD AUDIT OPINIONS IN THE FINANCIAL REPORT OF THE PREVIOUS YEAR

Applicable Not Applicable

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

7. MAJOR LITIGATION OR ARBITRATION CASES

There were no major litigation or arbitration cases during the Reporting Period

8. NO PUNISHMENT OR RECTIFICATION ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, AND ACTUAL HOLDER FOR SUSPECTED VIOLATION OF LAWS AND REGULATIONS

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

Applicable Not Applicable

VI Significant Events (Continued)

10. 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*

Summary of matter	Index of documents
Entering into of the 2022–2024 “Sale and Purchase of Product Agreement”, “Acceptance and Provision of Services Agreement” and “Financial Services Agreement”	http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-09-30/600808_20210930_1_W2rPssLt.pdf ; http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2021-12-01/600808_20211201_1_TAfpSLug.pdf .
Entering into of the 2023–2024 “Financial Services Agreement”	https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-11-16/600808_20221116_9T6G.pdf ; https://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-12-30/600808_20221230_WSFJ.pdf .

VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

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

- (1) The continuing related party transactions under the 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	4,720	12.77
Purchasing products from China Baowu	13,121	22.72
Total	17,841	/

The prices of ores, scrap, spare parts and other products the Group purchases from China Baowu and the prices of steel, energy media and other products the Group sells to it 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 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 “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 2024 annual cap of RMB55,894 million specified in the “Sale and Purchase of Product Agreement”.

VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

- (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	2	7.78
Receiving services from China Baowu	2,908	50.79
Total	2,910	/

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 2024 annual cap of RMB12,369 million specified in the “Acceptance and Provision of Services Agreement”.

VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

(3) 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

Item	Annual cap	Amount
Maximum daily deposit balance	10,000	4,357
Comprehensive credit line provided by Baowu Finance to the Company	10,000	2,958
Service fee paid by the Company to Baowu Finance for financial services	210	33
Total interest on the Company’s deposits with Baowu Finance	190	18

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.

VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

(3) The continuing related party transactions under the 2023–2024 “Financial Services Agreement” between the Group and Baowu Finance (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 2024 for that agreement.

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

(3) There were no related credit transactions during the Reporting Period

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

1. *Deposits business*

Unit: million RMB

Related party	Connection	Daily maximum deposit limit	Interest rate range of deposits	Balance at the beginning of the period	Amount for the period		Balance at the end of the period
					Total amount deposited during the period	Total amount withdrawn during the period	
Baowu Finance	Financial business between the Group and related financial companies	10,000.00	0.30%-1.85%	2,983.16	88,132.66	89,650.24	1,465.58

VI Significant Events (Continued)

10. SUBSTANTIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

2. Loans business

Unit: million RMB

Related party	Connection	Amount for loan	Interest rate range of loans	Amount for the period			Balance at the end of the period
				Balance at the beginning of the period	Total loan amount for the period	Total amount repaid during the period	
Baowu Finance	Financial business between the Group and its related financial companies	10,000.00	2.04%-3.16%	3,940.00	1,300.00	2,210.00	3,030.00

3. Credit business or other financial business

Unit: million RMB

Related party	Connection	Business types	Total	Actual amount
Baowu Finance	Financial business between the Group and its related financial companies	Charge for financial services	11,124.34	33.20

VI Significant Events (Continued)

11. MATERIAL CONTRACTS AND EXECUTION THEREOF

1. During the Reporting Period, there was no entrustment, contracting and leasing
2. Significant guarantees performed and outstanding during the Reporting Period

Unit: RMB100 million

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

Total amount guarantees incurred in the Reporting Period (excluding guarantees offered to subsidiaries)	–
Total ending balance of guarantees (excluding guarantees offered to subsidiaries) (A)	–

Guarantees Offered to Subsidiaries

Total amount of guarantees newly offered to subsidiaries during the Reporting Period	–
Total ending balance of guarantees offered to subsidiaries (B)	31.50
Total Amount of Guarantees Offered by the Company (including guarantees offered to subsidiaries)	31.50
Total amount of guarantees (A+B)	31.50
Total amount of guarantees as a percentage of net assets of the Company (%)	13.58
of which:	
Amount of guarantees offered to shareholders, actual holder and their related parties (C)	–
Amount of debt guarantees offered to those with asset-liability ratio exceeding 70%, directly or indirectly (D)	–
The portion of total guarantees in excess of 50% of net assets (E)	–
Total amount of the preceding 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. At the end of the Reporting Period, Changjiang Steel provided its wholly-owned subsidiaries with a guarantee cap of RMB150 million, and the actual amount was nil.

VII Movements in Share Capital and Shareholders

1. SHARE MOVEMENTS

(1) Table on share movements

1. Table on share movements

During the Reporting Period, there were no changes in the total number of shares and the shareholding structure of the Company.

(2) During the Reporting Period, there were no changes to the restricted shares

2. SHAREHOLDERS

(1) Total shareholders:

Number of Shareholders as at the end of the Reporting Period (*unit*) 149,966

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

Unit: Share

Shareholding of the top ten shareholders (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 held with selling restrictions	Pledged, marked or frozen situations		Shareholder nature
					Share status	Number	
Magang (Group) Holding Company Limited	-	3,664,749,615	47.31	-	Nil	-	State-owned shareholder
HKSCC Nominees Limited	1,267,700	1,717,945,495	22.18	-	Unknown	Unknown	Unknown
Central Huijin Investment Ltd.	-	139,172,300	1.80	-	Unknown	Unknown	State-owned shareholder
China Merchants Bank Co., Ltd. – SSE Dividend Index ETF	-1,263,929	90,968,890	1.17	-	Unknown	Unknown	Others
Hong Kong Securities Clearing Company Limited	-52,610,551	36,981,035	0.48	-	Unknown	Unknown	Unknown

VII Movements in Share Capital and Shareholders (Continued)

2. SHAREHOLDERS (CONTINUED)

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

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 held with selling restrictions	Share status	Pledged, marked or frozen situations Number	Shareholder nature
Beijing Guoxing Real Estate Management Co., Ltd.	-1,200,000	32,363,300	0.42	-	Unknown	Unknown	Unknown
Ping An Life Insurance Company of China – Dividend Distribution – Individual Insurance's Dividend Distribution	Unknown	29,085,341	0.38	-	Unknown	Unknown	Unknown
Ping An Life Insurance Company of China – Self-owned Funds	Unknown	28,371,800	0.37	-	Unknown	Unknown	Unknown
Agricultural Bank of China Limited – China Securities 500 Open-end Trading Index Securities Investment Fund	Unknown	28,284,296	0.37	-	Unknown	Unknown	Others
Shenwan Hongyuan Securities Co., Ltd.	Unknown	23,006,920	0.30	-	Unknown	Unknown	State-owned shareholder

VII Movements in Share Capital and Shareholders (Continued)

2. SHAREHOLDERS (CONTINUED)

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

Top Ten Shareholders with unrestricted selling condition (excluding shares lent through securities lending and refinancing and locked shares of senior executives)			
Name of Shareholder	The number of unrestricted outstanding shares held	Type and quantity of Shares	
		Type	Number
Magang (Group) Holding Co., Limited	3,664,749,615	Ordinary shares in RMB	3,664,749,615
HKSCC Nominees Limited	1,717,945,495	Overseas listed foreign shares	1,717,945,495
Central Huijin Investment Ltd.	139,172,300	Ordinary shares in RMB	139,172,300
China Merchants Bank Co., Ltd. – SSE Dividend Index ETF	90,968,890	Ordinary shares in RMB	90,968,890
Hong Kong Securities Clearing Company Limited	36,981,035	Ordinary shares in RMB	36,981,035
Beijing Guoxing Real Estate Management Co., Ltd.	32,363,300	Ordinary shares in RMB	32,363,300
Ping An Life Insurance Company of China – Dividend Distribution – Individual Insurance's Dividend Distribution	29,085,341	Ordinary shares in RMB	29,085,341
Ping An Life Insurance Company of China – Self-owned Funds	28,371,800	Ordinary shares in RMB	28,371,800
Agricultural Bank of China Limited – China Securities 500 Open-end Trading Index Securities Investment Fund	28,284,296	Ordinary shares in RMB	28,284,296

VII Movements in Share Capital and Shareholders (Continued)

2. SHAREHOLDERS (CONTINUED)

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

Top Ten Shareholders with unrestricted selling condition (excluding shares lent through securities lending and refinancing and locked shares of senior executives)			
Name of Shareholder	The number of unrestricted outstanding shares held	Type and quantity of Shares	
		Type	Number
Shenwan Hongyuan Securities Co., Ltd.	23,006,920	Ordinary shares in RMB	23,006,920
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 1,717,945,495 H Shares of the Company on behalf of its clients, among which, 358,950,000 H Shares are held on behalf of Baosteel Hong Kong Investment.

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 during the Reporting Period.

Participation of shareholders holding 5% or above shares, top ten shareholders and shareholders holding circulating shares without selling restrictions in shares lent through securities lending and refinancing

Applicable Not Applicable

VII Movements in Share Capital and Shareholders (Continued)

2. SHAREHOLDERS (CONTINUED)

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

Changes of top ten shareholders and top ten holders of circulating shares without selling restriction compared with the previous period due to shares lent/returned through securities lending and refinancing

Applicable Not Applicable

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 held with selling restrictions
1	Ding Yi	56.95
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, and for details of the tradable tradings and selling restriction thereof, please refer to the announcement of the Company http://static.sse.com.cn/disclosure/listedinfo/announcement/c/new/2022-05-11/600808_20220511_1_z2lpjPUU.pdf.

VII Movements in Share Capital and Shareholders (Continued)

2. SHAREHOLDERS (CONTINUED)

(3) Interests or short positions recorded according to the securities and futures ordinance

As of 30 June 2024, to the best knowledge of the Company, the following persons were recorded in the registry kept by the Company for holding interests or short positions in the shares or underlying shares of the Company 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 interested (shares)	Approximate percentage of the Company's issued H Shares (%)
Baosteel Hong Kong Investment Company Limited	Beneficial holder	358,950,000 (Long position)	20.71

As at 30 June 2024, there were no changes in the shareholdings of Directors, Supervisors and senior executives of the Company compared with that as at the end of 2023. Save for that, none of the other Directors, Supervisors, or senior management of the Company had any interests or short positions in the shares, underlying shares 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 30 June 2024, the Company was no aware of any interests or short positions recorded in the registry 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.

VII Movements in Share Capital and Shareholders (Continued)

3. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR EXECUTIVES

- (1) There were no changes in shareholdings of current and outgoing Directors, Supervisors and senior executives in the Reporting Period
- (2) Equity incentives granted to Directors, Supervisors and senior management during the Reporting Period

Unit: 0'000 share

Name	Position	No. of restrictive shares held at the beginning of the period	No. of restrictive shares newly granted in the Reporting Period	No. of shares unlocked	No. of shares locked up	No. of restrictive shares held at the end of the period
Ding Yi	Chairman	56.95	-	-	56.95	56.95
Mao Zhanhong	Vice chairman	40.20	-	-	40.20	40.20
Ren Tianbao	Director, general manager, secretary to the Board	40.20	-	-	40.20	40.20
Fu Ming	Vice general manager	40.20	-	-	40.20	40.20
He Hongyun	Secretary to the Board	18.76	-	-	18.76	18.76
Total	/	196.31	-	-	196.31	196.31

4. DURING THE REPORTING PERIOD, THE CONTROLLING SHAREHOLDER OR ACTUAL CONTROLLER OF THE COMPANY DID NOT CHANGE.

VIII Financial Statements

1. AUDIT REPORT

Applicable Not applicable

2. FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

30 June 2024

(Expressed in Renminbi Yuan)

ASSETS	Note V	30 June 2024 (unaudited)	31 December 2023 (audited)
CURRENT ASSETS:			
Cash and bank balances	1	6,594,025,067	5,569,797,722
Notes receivable	2	1,180,104,660	1,708,216,158
Trade receivables	3	1,804,158,885	1,400,664,759
Financing receivables	4	1,436,277,531	1,801,284,684
Prepayments	5	346,887,081	645,423,430
Other receivables	6	351,627,812	315,637,040
Inventories	7	9,687,856,220	9,918,290,048
Other current assets	8	759,605,662	682,306,261
Total current assets		22,160,542,918	22,041,620,102
NON-CURRENT ASSETS:			
Long-term receivables	9	7,101,716,976	7,043,824,631
Other equity instrument investments	10	366,782,614	391,993,788
Investment properties	11	54,191,023	55,196,655
Property, plant and equipment	12	47,275,308,230	48,548,833,230
Construction in progress	13	4,152,854,188	4,013,854,765
Right-of-use assets	14	334,462,913	348,972,586
Intangible assets	15	1,740,164,486	1,753,618,113
Deferred tax assets	16	341,958,254	354,339,065
Total non-current assets		61,367,438,684	62,510,632,833
TOTAL ASSETS		83,527,981,602	84,552,252,935

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

Consolidated Statement of Financial Position (Continued)

30 June 2024

(Expressed in Renminbi Yuan)

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Note V</i>	30 June 2024 (unaudited)	31 December 2023 (audited)
CURRENT LIABILITIES:			
Short-term loans	17	11,411,183,263	9,428,060,223
Notes payable	18	8,832,039,090	8,631,701,173
Trade payables	19	12,949,421,007	13,513,640,486
Contract liabilities	20	3,478,366,337	4,013,383,663
Payroll and employee benefits payable	21	235,202,904	204,380,835
Taxes payable	22	162,652,381	372,393,489
Other payables	23	3,308,704,881	3,068,633,198
Non-current liabilities due within one year	24	2,901,997,666	3,784,343,228
Accrued liabilities	30	11,940,925	9,875,967
Other current liabilities	25	452,187,624	1,028,203,765
Total current liabilities		43,743,696,078	44,054,616,027
NON-CURRENT LIABILITIES:			
Long-term loans	26	7,425,273,588	6,799,686,232
Lease liabilities	27	363,336,124	361,507,890
Long-term payable	28	52,964,036	52,964,036
Long-term employee benefits payable	29	1,554,186	1,554,186
Deferred revenue	31	990,877,682	1,002,087,759
Deferred tax liabilities	16	284,580	295,454
Total non-current liabilities		8,834,290,196	8,218,095,557
TOTAL LIABILITIES		52,577,986,274	52,272,711,584

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

Consolidated Statement of Financial Position (Continued)

30 June 2024

(Expressed in Renminbi Yuan)

LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)	<i>Note V</i>	30 June 2024 (unaudited)	31 December 2023 (audited)
SHAREHOLDERS' EQUITY:			
Share capital	32	7,746,937,986	7,746,937,986
Capital reserve	33	8,431,449,782	8,439,923,708
Less: Treasury shares	34	105,928,072	105,928,072
Other comprehensive income	35	(32,842,739)	(12,900,327)
Special reserve	36	109,113,198	96,805,291
Surplus reserve	37	4,720,262,452	4,720,262,452
Retained earnings	38	5,738,701,629	6,883,481,566
Equity attributable to owners of the parent		26,607,694,236	27,768,582,604
Non-controlling interests		4,342,301,092	4,510,958,747
Total shareholders' equity		30,949,995,328	32,279,541,351
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		83,527,981,602	84,552,252,935

The financial statements were signed by the following persons:

Legal Representative
Jiang Yuxiang

Chief Accountant
Zhang Wenyang

Head of Accounting
Xu Jikang

(Company stamp)

Statement of Financial Position

30 June 2024

(Expressed in Renminbi Yuan)

ASSETS	<i>Note XVIII</i>	30 June 2024	31 December 2023
		(unaudited)	(audited)
CURRENT ASSETS:			
Cash and bank balances		2,648,134,996	3,908,085,165
Notes receivable	1	931,780,625	1,271,492,301
Trade receivables	2	2,015,785,909	1,673,087,619
Financing receivables	3	1,267,731,583	1,450,677,653
Prepayments		389,416,401	618,829,770
Other receivables	4	135,896,041	158,196,188
Inventories		6,336,575,827	6,697,833,793
Other current assets		304,942,598	330,348,445
Total current assets		14,030,263,980	16,108,550,934
NON-CURRENT ASSETS:			
Long-term equity investments	5	12,580,131,501	12,526,066,104
Other equity instrument investments		361,866,493	387,077,667
Investment properties		54,191,023	55,196,655
Property, plant and equipment		38,082,901,688	38,963,858,584
Construction in progress		3,095,517,159	3,068,579,228
Right-of-use assets		330,401,933	343,900,893
Intangible assets		1,251,328,487	1,252,917,982
Deferred tax assets		287,653,064	283,871,388
Total non-current assets		56,043,991,348	56,881,468,501
TOTAL ASSETS		70,074,255,328	72,990,019,435

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

Statement of Financial Position (Continued)

30 June 2024

(Expressed in Renminbi Yuan)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note XVIII	30 June 2024 (unaudited)	31 December 2023 (audited)
CURRENT LIABILITIES:			
Short-term loans		10,010,256,869	8,718,947,740
Notes payable		5,782,922,014	5,336,471,135
Trade payables		11,012,939,278	11,735,566,104
Contract liabilities		3,000,197,798	3,188,983,590
Payroll and employee benefits payable		151,261,535	136,973,136
Taxes payable		68,042,645	285,838,962
Other payables	6	5,132,192,141	7,016,841,883
Non-current liabilities due within one year		2,899,720,090	3,781,173,021
Other current liabilities		390,025,713	921,031,756
Total current liabilities		38,447,558,083	41,121,827,327
NON-CURRENT LIABILITIES:			
Long-term loans		7,310,273,588	6,683,686,232
Lease liabilities		359,522,522	357,818,769
Long-term payable		52,964,036	52,964,036
Deferred revenue		709,160,905	736,523,575
Total non-current liabilities		8,431,921,051	7,830,992,612
Total liabilities		46,879,479,134	48,952,819,939
SHAREHOLDERS' EQUITY:			
Share capital		7,746,937,986	7,746,937,986
Capital reserve		8,409,333,760	8,417,807,686
Less: Treasury shares		105,928,072	105,928,072
Other comprehensive income		64,050,370	84,007,969
Special reserve		46,090,904	46,090,904
Surplus reserve		3,883,475,865	3,883,475,865
Retained earnings		3,150,815,381	3,964,807,158
Total shareholders' equity		23,194,776,194	24,037,199,496
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		70,074,255,328	72,990,019,435

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

Consolidated Income Statement

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

	<i>Note V</i>	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
1. Revenue	39	43,007,478,790	48,980,452,872
Less: Cost of sales	39	42,484,454,227	49,523,478,031
Taxes and surcharges	40	253,614,421	218,599,434
Selling expenses	41	144,367,917	177,901,863
General and administrative expenses	42	434,826,631	456,380,406
R&D expenses	43	509,627,618	643,423,988
Financial expenses	44	316,659,664	178,963,793
Including: Interest expense		312,072,546	231,627,973
Interest income		45,988,335	18,849,473
Add: Other income	45	133,118,240	52,456,933
Investment income	46	84,287,590	451,989,731
Including: Share of profits of associates and joint ventures		76,119,059	84,511,457
(Loss)/gain on the changes in fair value	47	–	(34,558,767)
Credit impairment losses	48	16,310,120	40,958,117
Asset impairment losses	49	(353,201,258)	(672,043,696)
Gain from disposal of assets	50	73,529,933	16,883,791
2. Operating loss		(1,182,027,063)	(2,362,608,534)
Add: Non-operating income	51	733,269	2,547,133
Less: Non-operating expenses	51	9,512,675	1,276,751
3. Loss before tax		(1,190,806,469)	(2,361,338,152)
Less: Income tax expense	52	121,089,148	72,049,656

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

Consolidated Income Statement (Continued)

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

	<i>Note V</i>	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
4. Net loss		(1,311,895,617)	(2,433,387,808)
(1) Categorised by operation continuity:			
1. Net loss from continuing operations		(1,311,895,617)	(2,433,387,808)
(2) Categorised by ownership:			
1. Net loss attributable to owners of the parent		(1,144,779,937)	(2,235,498,496)
2. Net (loss)/profit attributable to non-controlling interests		(167,115,680)	(197,889,312)
5. Other comprehensive income, net of tax	35	(19,942,412)	47,473,110
(1) Other comprehensive income attributable to owners of the parent, net of tax		(19,942,412)	47,473,110
1. Other comprehensive income that will not be reclassified to profit or loss:		(21,429,498)	(11,689,222)
(1) Changes in fair value of other equity instrument investments		(21,429,498)	(11,689,222)
2. Other comprehensive income that may be reclassified to profit or loss:		1,487,086	59,162,332
(1) Other comprehensive income using the equity method that may be reclassified to profit or loss		1,471,899	24,974,091
(2) Changes in fair value of other debt investments		–	4,076,476
(3) Exchange differences on translation of foreign operations		15,187	30,111,765
(2) Other comprehensive income attributable to non-controlling interests, net of tax		–	–
6. Total comprehensive income		(1,331,838,029)	(2,385,914,698)
Attributable to:			
1. Owners of the parent		(1,164,722,349)	(2,188,025,386)
2. Non-controlling interests		(167,115,680)	(197,889,312)
7. EARNINGS PER SHARE:			
1. Basic earnings per share (cent/share)	53	(14.87)	(28.92)
2. Diluted earnings per share (cent/share)	53	(14.87)	(28.92)

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

Statement of Income Statement

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

	<i>Note XVIII</i>	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
1. Revenue	7	37,013,747,603	38,799,331,439
Less: Cost of sales	7	36,812,733,261	39,777,699,441
Taxes and surcharges		176,153,384	145,174,929
Selling expenses		80,343,429	91,435,482
General and administrative expenses		288,061,988	274,438,048
R&D expenses	8	358,032,052	455,748,145
Financial expenses		308,970,918	190,774,860
Including: Interest expense		309,116,122	236,541,973
Interest income		29,243,677	14,774,762
Add: Other income		76,785,794	37,636,283
Investment income	9	406,887,785	1,195,221,861
Including: Share of profits of associates and joint ventures		72,909,499	79,328,873
Loss on the changes in fair value		–	(40,471,388)
Credit impairment losses		28,960,238	9,421,447
Asset impairment losses		(308,762,434)	(543,680,703)
Gain from disposal of assets		3,456,637	10,991,718
2. Operating loss		(803,219,409)	(1,466,820,248)
Add: Non-operating income		271,901	1,401,921
Less: Income tax expense		2,013,729	712,916
3. Loss before tax		(804,961,237)	(1,466,131,243)
Less: Income tax expense		9,030,540	(6,070,708)
4. Net loss		(813,991,777)	(1,460,060,535)
Net loss from continuing operations		(813,991,777)	(1,460,060,535)

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

Statement of Income Statement (Continued)

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

	<i>Note XVIII</i>	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
5. Other comprehensive income, net of tax		(19,957,599)	8,640,651
(1) Other comprehensive income that will not be reclassified to profit or loss:		(21,429,498)	(16,333,440)
1. Changes in fair value of other equity instrument investments		(21,429,498)	(16,333,440)
(2) Other comprehensive income that may be reclassified to profit or loss:		1,471,899	24,974,091
1. Other comprehensive income using the equity method that may be reclassified to profit or loss		1,471,899	24,974,091
6. Total comprehensive income		(833,949,376)	(1,451,419,884)

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

Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

	<i>Note V</i>	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
1. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		39,363,734,127	44,491,157,473
Tax refunds received		309,761,937	758,350,414
Net decrease in deposits in the central bank		–	249,240,601
Net decrease in financial assets purchased under agreements to resell		–	2,680,209,514
Net decrease in loans and advances to customers		–	1,645,825,963
Cash received for interest charges, fees and commissions		–	93,262,097
Cash received relating to other operating activities	55(1)	99,716,965	343,059,411
Sub-total of cash inflows		39,773,213,029	50,261,105,473
Cash paid for purchases of goods and services		(35,841,821,538)	(41,964,850,644)
Net decrease in repurchase agreements		–	(659,635,255)
Net decrease in customer deposits and balances from banks and other financial institutions		–	(2,493,266,501)
Cash paid to or on behalf of employees		(1,705,989,539)	(2,314,894,462)
Taxes and surcharges paid		(549,146,427)	(605,109,251)
Cash paid for interest charges, fees and commissions		–	(48,659,682)
Cash paid relating to other operating activities	55(1)	(448,459,466)	(264,260,066)
Sub-total of cash outflows		(38,545,416,970)	(48,350,675,861)
Net cash flows from operating activities	56(1)	1,227,796,059	1,910,429,612

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

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

	<i>Note V</i>	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
2. Cash flows from investing activities:			
Cash received from disposal of investments		10,693,307	5,971,251,763
Cash received from investment income		22,371,420	37,571,643
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets		61,234,612	366,871,777
Net cash received from disposal of subsidiaries and other business units	56(2)	–	790,122,876
Cash received relating to other investing activities	55(2)	–	1,090,209
Sub-total of cash inflows		94,299,339	7,166,908,268
Purchases of property, plant and equipment, intangible assets and other non-current assets		(793,254,385)	(2,250,176,321)
Payment for investments		–	(1,812,865,058)
Payment for other investing activities		(4,941,856)	–
Sub-total of cash outflows		(798,196,241)	(4,063,041,379)
Net cash flows (used in)/from in investing activities		(703,896,902)	3,103,866,889

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

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

	<i>Note V</i>	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
3. Cash flows from financing activities:			
Cash received from borrowings		8,359,534,099	5,570,482,395
Cash received relating to other financing activities	55(3)	127,179,807	395,122,276
Sub-total of cash inflows		8,486,713,906	5,965,604,671
Repayment of borrowings		(7,820,011,177)	(9,883,271,111)
Cash paid for distribution of dividends or profits and for interest expenses		(330,146,534)	(256,096,893)
Including: Dividends or profits paid to non-controlling interests by subsidiaries		(7,781,464)	(13,913,579)
Cash paid relating to other financing activities	55(3)	(6,776,092)	(12,697,441)
Sub-total of cash outflows		(8,156,933,803)	(10,152,065,445)
Net cash flows from/(used in) financing activities		329,780,103	(4,186,460,774)
4. Effect of foreign exchange rate changes on cash and cash equivalents		(2,149,341)	28,699,270
5. Net increase in cash and cash equivalents	56(1)	851,529,919	856,534,997
Add: Cash and cash equivalents at the beginning of the period		4,428,594,208	4,360,738,411
6. Cash and cash equivalents at the end of the period	56(3)	5,280,124,127	5,217,273,408

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

Statement of Cash Flows

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
1. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	30,784,305,439	31,399,978,788
Tax refunds received	259,354,451	643,449,435
Cash received relating to other operating activities	55,079,613	192,608,300
Sub-total of cash inflows	31,098,739,503	32,236,036,523
Cash paid for purchase of goods and services	(28,026,626,844)	(29,694,345,618)
Cash paid to or on behalf of employees	(1,209,871,900)	(1,643,568,094)
Taxes and surcharges paid	(295,313,412)	(369,505,082)
Cash paid relating to other operating activities	(245,701,027)	(31,188,581)
Sub-total of cash outflows	(29,777,513,183)	(31,738,607,375)
Net cash flows from operating activities	1,321,226,320	497,429,148
2. Cash flows from investing activities:		
Cash received from disposal of investments	7,451,481	155,536,610
Cash received from investment income	355,822,066	287,498,931
Net cash received from disposal of property, plant and equipment, intangible assets and other non-current assets	3,263,794	274,090,691
Net cash received relating to other investing activities	-	1,090,209
Sub-total of cash inflows	366,537,341	718,216,441
Purchase of property, plant and equipment, intangible assets and other non-current assets	(485,893,985)	(2,106,481,798)
Cash paid for investments	(4,941,856)	-
Sub-total of cash outflows	(490,835,841)	(2,106,481,798)
Net cash flows used in investing activities	(124,298,500)	(1,388,265,357)

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

Statement of Cash Flows (Continued)

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

	For the six months ended 30 June 2024 (unaudited)	For the six months ended 30 June 2023 (unaudited)
3. Cash flows from financing activities:		
Cash received from borrowings	7,409,534,097	8,104,699,776
Cash received relating to other financing activities	127,179,807	3,397,118,868
Sub-total of cash inflows	7,536,713,904	11,501,818,644
Repayment of borrowings	(7,580,442,610)	(11,424,415,407)
Cash paid for the distribution of dividend or profits and for interest expenses	(289,628,745)	(268,891,949)
Cash paid relating to other financing activities	(2,201,856,394)	(9,801,200)
Sub-total of cash outflows	(10,071,927,749)	(11,703,108,556)
Net cash flows used in financing activities	(2,535,213,845)	(201,289,912)
4. Effect of foreign exchange rate changes on cash and cash equivalents	1,872,047	14,584,169
5. Net decrease in cash and cash equivalents	(1,336,413,978)	(1,077,541,952)
Add: Cash and cash equivalents at the beginning of the period	3,381,934,090	4,643,475,839
6. Cash and cash equivalents at the end of the period	2,045,520,112	3,565,933,887

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

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2024 (unaudited)

	Note V	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			Sub-total
1. Balance at the end of the previous period		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
Add: Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of the period		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
3. Increase/(decrease) during the period												
(1) Total comprehensive income		-	-	-	(19,942,412)	-	-	-	(1,144,779,937)	(1,164,722,349)	(167,115,680)	(1,331,838,029)
(2) Shareholders' contributions and reduction in capital												
i. Changes in other equity of associates and joint ventures		-	2,672,806	-	-	-	-	-	-	2,672,806	-	2,672,806
ii. Amount of share-based payments recognised in equity		-	(11,146,732)	-	-	-	-	-	-	(11,146,732)	-	(11,146,732)
(3) Profit appropriation	38											
i. Distribution to shareholders		-	-	-	-	-	-	-	-	-	(7,781,464)	(7,781,464)
(4) Special reserve												
i. Additions		-	-	-	-	34,223,654	-	-	-	34,223,654	11,448,465	45,672,119
ii. Utilisation		-	-	-	-	(21,915,747)	-	-	-	(21,915,747)	(5,208,976)	(27,124,723)
4. Balance at the end of the period		7,746,937,986	8,431,449,782	105,928,072	(32,842,739)	109,113,198	4,720,262,452	-	5,738,701,629	26,607,694,236	4,342,301,092	30,949,995,328

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

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2023 (unaudited)

	Note V	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			
1. Balance at the end of the previous period		7,775,731,186	8,442,757,852	171,864,500	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,078,876,545	29,194,825,322	4,131,191,413	33,326,016,735
Add: Changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of the period		7,775,731,186	8,442,757,852	171,864,500	(30,006,411)	107,567,088	4,720,262,452	271,501,110	8,078,876,545	29,194,825,322	4,131,191,413	33,326,016,735
3. Increase/(decrease) during the period												
(1) Total comprehensive income		-	-	-	47,473,110	-	-	-	(2,235,498,496)	(2,188,025,386)	(197,889,312)	(2,385,914,698)
(2) Shareholders' reduction in capital												
i. Capital reduction by shareholders		(5,944,000)	(7,667,760)	(13,611,760)	-	-	-	-	-	-	-	-
ii. Changes in other equity of associates and joint ventures		-	(4,388,089)	-	-	-	-	-	-	(4,388,089)	-	(4,388,089)
iii. Amount of share-based payments recognised in equity		-	(5,538,638)	-	-	-	-	-	-	(5,538,638)	-	(5,538,638)
(3) Profit appropriation	38											
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		-	-	-	(9,828,190)	-	-	-	9,828,190	-	-	-
(5) Special reserve												
i. Additions		-	-	-	-	34,386,555	-	-	-	34,386,555	7,920,984	42,307,539
ii. Utilisation		-	-	-	-	(38,010,004)	-	-	-	(38,010,004)	(4,047,530)	(42,057,534)
iii. Changes in the share of associates and joint ventures' special reserve, net		-	-	-	-	4,546,098	-	-	-	4,546,098	-	4,546,098
(6) Disposal of a subsidiary		-	9,290,736	-	4,701,854	-	-	(271,501,110)	271,501,110	13,992,590	(221,082,235)	(207,089,645)
4. Balance at the end of the period		7,769,787,186	8,434,454,101	158,252,740	12,340,363	108,489,737	4,720,262,452	-	5,969,311,605	26,856,392,704	3,702,179,741	30,558,572,445

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

Statement of Changes in Equity

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2024 (unaudited)

	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 period	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
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
2. Balance at the beginning of the period	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
3. Increase/(decrease) during the period								
(1) Total comprehensive income	-	-	-	(19,957,599)	-	-	(813,991,777)	(833,949,376)
(2) Shareholders' contributions and reduction in capital								
i. Changes in the share of other equity of associates and joint ventures	-	2,672,806	-	-	-	-	-	2,672,806
ii. Amounts of share-based payments recognised	-	(11,146,732)	-	-	-	-	-	(11,146,732)
(3) Profit appropriation								
i. Distribution to shareholders	-	-	-	-	-	-	-	-
(4) Special reserve								
i. Additions	-	-	-	-	10,435,902	-	-	10,435,902
ii. Utilisation	-	-	-	-	(10,435,902)	-	-	(10,435,902)
4. Balance at the end of the period	7,746,937,986	8,409,333,760	105,928,072	64,050,370	46,090,904	3,883,475,865	3,150,815,381	23,194,776,194

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

Statement of Changes in Equity (Continued)

For the six months ended 30 June 2024

(Expressed in Renminbi Yuan)

For the six months ended 30 June 2023 (unaudited)

	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	4,619,184,116	24,755,962,505
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	4,619,184,116	24,755,962,505
3. Increase/(decrease) during the year								
(1) Total comprehensive income	-	-	-	8,640,651	-	-	(1,460,060,535)	(1,451,419,884)
(2) Shareholders' contributions and reduction in capital								
i. Capital contributions by shareholders	(5,944,000)	(7,667,760)	(13,611,760)	-	-	-	-	-
ii. Changes in the share of other equity of associates and joint ventures	-	(4,388,089)	-	-	-	-	-	(4,388,089)
iii. Amounts of share-based payments recognised	-	(5,538,638)	-	-	-	-	-	(5,538,638)
(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	-	-	-	-	-	-	-	-
(5) Special reserve								
i. Additions	-	-	-	-	14,194,319	-	-	14,194,319
ii. Utilisation	-	-	-	-	(23,547,660)	-	-	(23,547,660)
iii. Changes in the share of associates and joint ventures' special reserve, net	-	-	-	-	4,546,098	-	-	4,546,098
(6) Others	-	-	-	-	-	-	-	-
4. Balance at the end of the year	7,769,787,186	8,429,681,081	158,252,740	141,232,438	64,761,240	3,883,475,865	3,003,727,837	23,134,412,907

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 30 June 2024, 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 29 August 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”.

II. BASIS OF PREPARATION

The financial statements are prepared on a going concern basis.

As of 30 June 2024, the net current liabilities of the Group amounted to 21,583,153,160. The directors of the Company have considered the availability of funding sources, including but not limited to unutilised banking facilities of RMB46.1 billion as at 30 June 2024 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 30 June 2024 on a going concern basis.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

II. BASIS OF PREPARATION (CONTINUED)

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 30 June 2024, and the consolidated and company financial performance and cash flows of the Company for the 6 months period ended at 30 June 2024.

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.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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.

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)

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 de termination 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) *Offsetting*

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).

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)

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.

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.

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)

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.

- (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.

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)

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.

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.

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*

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.

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 short fall 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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories (Continued)

(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.

(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.

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

(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.
 - 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.

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*

(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.

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.

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)

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.
- 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.

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)

- 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.

(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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

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

Class	Estimated useful life <i>(years)</i>	Estimated residual value <i>(%)</i>	Annual depreciation rate <i>(%)</i>
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:

Class	Estimated useful life <i>(years)</i>	Estimated residual value <i>(%)</i>	Annual depreciation rate <i>(%)</i>
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 (years)
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.

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

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

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.

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

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.

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.

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

(1) *Classification of share-based payments*

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

(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)

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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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

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 recognized 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.

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, 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.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Leases (Continued)

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.

(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.

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)*

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.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Leases (Continued)

(2) *As a lessor (Continued)*

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.

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.

Notes to the Financial Statements (Continued)

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

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.

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)

(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.

(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.

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)

(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.

(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.

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

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.
- (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 under trained 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 2024 the Group has adopted the revised accounting requirements and guidance under CASs newly issued by the Ministry of Finance ("MOF"),

It mainly includes the provisions on "Classification of Current Liabilities and Non-current Liabilities" in the "CAS 17" (Accounting and Finance [2023] No. 21). 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)

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%

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%.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

IV. TAX (CONTINUED)

2. Tax preference

Name of Company	Preferential tax rate	Reason
Maanshan Iron & Steel Company Limited ("Magang Stock")	15%	Hi-tech Enterprises <i>(note (i))</i>
Baowu Group Masteel Rail Transportation Material Technology Co., Ltd. ("Masteel Transportation Material")	15%	Hi-tech Enterprises <i>(note (i))</i>
Mascometal Co.,Ltd. ("Mascometal")	15%	Hi-tech Enterprises <i>(note (i))</i>
Ma Steel (Hefei) Iron & Steel Co., Ltd. ("Ma Steel (Hefei)")	15%	Hi-tech Enterprises <i>(note (i))</i>
Anhui Changjiang Iron & Steel Co., Ltd. ("Anhui Changjiang Iron and Steel")	15%	Hi-tech Enterprises <i>(note (i))</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	30 June 2024	31 December 2023
Cash on hand		–	–
Bank balances		3,814,545,825	1,445,438,702
Other monetary assets		1,313,900,940	1,141,203,514
Deposits with Baowu Group Finance Company Limited (“Baowu Finance”)		1,465,578,302	2,983,155,506
Total		6,594,025,067	5,569,797,722
Including: Total overseas deposits		360,549,005	322,969,512
Restricted amount due to mortgage, pledge or freeze	V.57	1,313,900,940	1,141,203,514

2. Notes receivable

(1) Classification of notes receivable

Item	30 June 2024	31 December 2023
Bank acceptance notes	1,180,104,660	1,708,216,158
Less: Provisions for bad debts	–	–
Total	1,180,104,660	1,708,216,158

All of the above notes are due within one year.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Notes receivable (Continued)

(2) *The pledged notes receivable of the Group at the end of the period/year:*

	Note	30 June 2024	31 December 2023
Bank acceptance notes	V.57	–	395,413,470

(3) *Outstanding endorsed or discounted notes that have not matured at the end of the period/year:*

Item	30 June 2024		31 December 2023	
	Amount derecognized	Amount not derecognized	Amount derecognized	Amount not derecognized
Bank acceptance notes	9,608,038,651	876,209,275	12,228,142,679	1,242,029,813

(4) *Notes transferred to accounts receivable due to non-performance of the issuers at the end of the period/year:*

As of 30 June 2024, the Group did not have any note transferred to accounts receivable due to non-performance of the issuers (31 December 2023: Nil).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables

(1) Trade receivables by customer type are as follows:

Customer type	Note	30 June 2024	31 December 2023
Related parties	XII.6	395,481,124	538,100,177
Third party		1,616,467,170	1,094,191,231
Sub-total		2,011,948,294	1,632,291,408
Less: Provisions for bad debts		207,789,409	231,626,649
Total		1,804,158,885	1,400,664,759

(2) Age analysis of the trade receivables is as follows:

Age	30 June 2024	31 December 2023
Within one year (inclusive)	1,840,620,562	1,502,042,518
One to two years (inclusive)	125,282,868	69,816,859
Two to three years (inclusive)	16,646,894	3,656,139
Over three years	29,397,970	56,775,892
Sub-total	2,011,948,294	1,632,291,408
Less: Provisions for bad debts	207,789,409	231,626,649
Total	1,804,158,885	1,400,664,759

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)

3. Trade receivables (Continued)

(3) Trade receivables by provisioning method

Category	30 June 2024				31 December 2023					
	Book value		Provision for bad debts		Book value		Provision for bad debts			
	Amount	Ratio (%)	Amount	Ratio (%)	Book value	Amount	Ratio (%)	Amount	Ratio (%)	Book value
Assessed bad debt provision individually	159,279,998	8	(158,009,608)	99	1,270,390	164,936,960	10	(158,009,608)	96	6,927,352
Assessed bad debt provision in portfolios	1,852,668,296	92	(49,779,801)	3	1,802,888,495	1,467,354,448	90	(73,617,041)	5	1,393,737,407
– Assessed bad debt provision in portfolios based on credit risk characteristics	1,852,668,296	92	(49,779,801)	3	1,802,888,495	1,467,354,448	90	(73,617,041)	5	1,393,737,407
Total	2,011,948,294	100	(207,789,409)		1,804,158,885	1,632,291,408	100	(231,626,649)		1,400,664,759

(a) Basis for individual assessments:

Item	Basis for provision
Company 1	Bankruptcy and reorganisation of the debtor

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

3. Trade receivables (Continued)

(3) Trade receivables by provisioning method (Continued)

(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.

30 June 2024

	Expected credit loss ratio	Carrying amount	Impairment loss at the end of the period
Within one year	1%	1,812,311,029	18,135,814
One to two years	16%	9,466,784	1,514,685
Two to three years	49%	1,492,513	731,332
Over three years	100%	29,397,970	29,397,970
Total		1,852,668,296	49,779,801

31 December 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

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)

3. Trade receivables (Continued)

(4) The movements of provisions for bad debts is as follows:

	30 June 2024	31 December 2023
Opening balance	231,626,649	76,350,303
Increase	–	–
Recoveries or reversals during the period/year	(28,204,288)	(5,650,549)
Transfers out during the period/year	4,367,048	10,103,065
Changes in consolidation scope	–	150,464,542
Exchange gains or losses	–	359,288
Closing balance	207,789,409	231,626,649

(5) The top five trade receivables classified by debtors are as follows

30 June 2024	Relationship with the Group	Ending balance	Ageing	Percentage of trade receivables	Ending balance of bad debt provision
Company 1	Third party	308,389,766	Within 1 year	15%	(3,083,898)
Company 2	Third party	160,840,767	Within 1-3 years	8%	(158,009,608)
Company 3	Third party	131,655,396	Within 1 year	7%	(1,316,554)
Company 4	Third party	89,215,891	Within 1 year	4%	(892,159)
Company 5	Third party	76,432,763	Within 1 year	4%	(764,328)
Total		766,534,583		38%	(164,066,547)

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Trade receivables (Continued)

(5) *The top five trade receivables classified by debtors are as follows (Continued)*

31 December 2023	Relationship with the Group	Ending balance	Ageing	Percentage of trade receivables	Ending balance of bad debt provision
Company 1	Related party	164,936,960	Within 2 years	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)
Total		535,762,281		33%	(161,717,861)

(6) *Derecognition of trade receivables due to transfer of financial assets*

As of 30 June 2024, there were no trade receivables that were derecognised due to the transfer of financial assets (31 December 2023: Nil).

(7) *Assets and liabilities recognised due to the transfer with continuing involvement of trade receivables*

As of 30 June 2024, the Group had no assets or liabilities derived from transferring trade receivables in which the Group was continuingly involved (31 December 2023: Nil).

4. 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	1,801,284,684	-	1,436,277,531	-

As of 30 June 2024 and 31 December 2023, there were no trade receivables transferred from notes receivable because of the drawers' inability to pay.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments

(1) *Dividend receivable by category:*

Item	30 June 2024	31 December 2023
Prepayment for materials	346,887,081	645,423,430
Total	346,887,081	645,423,430

(2) *Age analysis of the prepayments is as follows:*

Age	30 June 2024		31 December 2023	
	Book value	Ratio (%)	Book value	Ratio (%)
Within one year (inclusive)	338,243,485	98	628,255,503	97
One to two years (inclusive)	4,206,862	1	13,924,479	2
Two to three years (inclusive)	4,436,734	1	3,243,448	1
Total	346,887,081	100	645,423,430	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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments (Continued)

(3) Five largest prepayments by debtor at the end of the year:

Debtor	Relationship with the Group	30 June 2024	
		Ending balance	Percentage of prepayments (%)
Company 1	Third party	46,139,760	13%
Company 2	Third party	34,628,209	10%
Company 3	Third party	29,545,689	9%
Company 4	Third party	28,484,961	8%
Company 5	Related party	24,760,503	7%
Total		163,559,122	47%

Debtor	Relationship with the Group	31 December 2023	
		Ending balance	Percentage of prepayments (%)
Company 1	Third party	281,157,573	44%
Company 2	Third party	91,894,435	14%
Company 3	Third party	51,635,929	8%
Company 4	Third party	31,693,800	5%
Company 5	Third party	23,174,586	4%
Total		479,556,323	75%

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables

	30 June 2024	31 December 2023
Dividends receivable	2,524,778	5,049,555
Other receivables	349,103,034	310,587,485
Total	351,627,812	315,637,040

(1) Dividends receivable

(a) Dividends receivable by category:

Investee	30 June 2024	31 December 2023
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.	2,524,778	5,049,555
Total	2,524,778	5,049,555

(2) Other receivables

(a) Other receivables by customer type:

Customer type	Note	30 June 2024	31 December 2023
Related parties	XII.6	38,632,802	13,289,602
Third party		410,021,910	384,955,393
Sub-total		448,654,712	398,244,995
Less: Provisions for bad debts		99,551,678	87,657,510
Total		349,103,034	310,587,485

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

(2) Other receivables (Continued)

(b) Other receivables analysed by nature were as follows:

Asset deposition	30 June 2024	31 December 2023
Asset and equity proceeds	250,891,890	228,973,927
Due from trading companies	80,353,054	69,983,981
Deposit for steel futures	86,197,563	81,255,708
Government grants	20,237,911	237,911
Others	10,974,294	17,793,468
Sub-total	448,654,712	398,244,995
Less: Provisions for bad debts	99,551,678	87,657,510
Total	349,103,034	310,587,485

(c) Age analysis of other receivables is as follows:

Age	30 June 2024	31 December 2023
Within one year (inclusive)	176,464,517	128,049,825
One to two years (inclusive)	36,837,763	201,483,500
Two to three years (inclusive)	165,227,334	301,850
Over three years	70,125,098	68,409,820
Sub-total	448,654,712	398,244,995
Less: Provisions for bad debts	99,551,678	87,657,510
Total	349,103,034	310,587,485

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)

6. Other receivables (Continued)

(2) Other receivables (Continued)

(d) The movements of Provisions for bad debts is as follows

	30 June 2024				31 December 2023			
	Stage I	Stage II Not credit- impaired financial assets 12-month expected credit losses	Stage III Credit- impaired financial assets (Lifetime) expected credit losses	Total	Stage I	Stage II Not credit- impaired financial assets (Lifetime) expected credit losses	Stage III Credit- impaired financial assets (Lifetime) expected credit losses	Total
1. Provisions for bad debts								
Opening balance	582,866	35,049,157	52,025,487	87,657,510	961,704	22,650,121	51,636,277	75,248,102
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Reverse to stage 2	-	-	-	-	-	-	-	-
Reverse to stage 1	-	-	-	-	-	-	-	-
Accrual	-	12,475,595	-	12,475,595	-	12,399,036	389,210	12,788,246
Disposal of a subsidiary	-	-	-	-	(86,766)	-	-	(86,766)
Foreign exchange	-	-	-	-	4,818	-	-	4,818
Reversal	(547,897)	-	(33,530)	(581,427)	(296,890)	-	-	(296,890)
Write-off	-	-	-	-	-	-	-	-
Transfers out during the period/year	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Closing balance	34,969	47,524,752	51,991,957	99,551,678	582,866	35,049,157	52,025,487	87,657,510
2. Balance of other receivables at the end of the period/year	57,200,238	339,462,517	51,991,957	448,654,712	95,944,809	250,274,699	52,025,487	398,244,995
3. Provision percentage	0%	14%	100%		1%	14%	100%	

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

(2) Other receivables (Continued)

(e) Provisions for bad and doubtful debts

30 June 2024

Category	Opening balance	Movements during the period			Closing balance
		Provision	Recoveries or reversals	Transfers or write-offs	
The group of pledges and deposits	-	-	-	-	-
The group of receivables due from other parties	87,657,510	12,475,595	(581,427)	-	99,551,678
Total	87,657,510	12,475,595	(581,427)	-	99,551,678

31 December 2023

Category	Opening balance	Movements during the year			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)	-	87,657,510
Total	75,248,102	12,788,246	(296,890)	-	87,657,510

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

6. Other receivables (Continued)

(2) Other receivables (Continued)

(f) Five largest others-by debtor at the end of the period/year

30 June 2024

Debtor	Nature	Carrying amount	Aging	Ratio in other receivables (%)	Provision for bad debts
Company 1	Amount from disposal of assets	163,262,000	Within 3 years	36	(26,114,420)
Company 2	Amount from disposal of assets	49,891,137	Within 1 year	11	(498,911)
Company 3	Due from trading companies	45,390,133	Over 3 years	10	(44,831,651)
Company 4	Deposit for steel futures	32,146,128	Within 1 year	7	-
Company 5	Deposit for steel futures	27,809,547	Within 2 years	6	-
Total		318,498,945		70	(71,444,982)

31 December 2023

Debtor	Nature	Carrying amount	Aging	Ratio in other receivables (%)	Provision for bad debts
Company 1	Amount from disposal of assets	163,262,000	Within 2 years	41	(17,953,820)
Company 2	Amount from disposal of assets	49,891,137	Within 1 years	13	(498,911)
Company 3	Due from trading companies	45,390,133	Over 3 years	11	(45,390,133)
Company 4	Deposit for steel futures	43,326,088	Within 2 years	11	-
Company 5	Deposit for steel futures	37,927,619	Within 2 years	10	-
Total		339,796,977		86	(63,842,864)

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

6. Other receivables (Continued)

(2) Other receivables (Continued)

(g) Others-government grants

30 June 2024 and 31 December 2023

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	237,911	Over 3 years	<i>Note 1</i>
Other receivables due from Maanshan Government	Ma'anshan Smart Manufacturing Benchmark Demonstration Award Subsidy	20,000,000	Within 1 year	<i>Note 2</i>
Total		20,237,911		

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 2024.

Note 2: This amount is the reward and subsidy given by the Maanshan Municipal Government of Anhui Province in 2023 to assess Anhui Changjiang Iron and Steel as a benchmark enterprise of intelligent manufacturing in Maanshan City. The government grants has been included in the current profits and losses of previous years, and has not received RMB20,000,000, which is expected to be collected in 2024.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

(1) Inventories by category

Item	30 June 2024			31 December 2023		
	Book amount	Provision for impairment	Carrying amount	Book amount	Provision for impairment	Carrying amount
Raw materials	4,451,621,465	(189,074,821)	4,262,546,644	4,544,361,602	(178,594,326)	4,365,767,276
Work in progress	2,430,089,823	(115,749,877)	2,314,339,946	2,371,869,544	(128,383,763)	2,243,485,781
Finished goods	1,538,758,689	(52,417,625)	1,486,341,064	1,703,568,454	(57,984,053)	1,645,584,401
Spare parts	1,438,368,005	(44,662,568)	1,393,705,437	1,370,901,467	(44,662,568)	1,326,238,899
Others	230,923,129	–	230,923,129	337,213,691	–	337,213,691
Total	10,089,761,111	(401,904,891)	9,687,856,220	10,327,914,758	(409,624,710)	9,918,290,048

As of 30 June 2024, none of the Group's ownership of its inventory was restricted (31 December 2023: Nil).

(2) Impairment provision against inventories

For the six months ended 30 June 2024

Item	Opening balance	Increase		Decrease		Closing balance
		Provided	Reversal or write-off	Exchange gains or losses	Changes in consolidation scope	
Raw materials	178,594,326	189,074,823	(178,594,328)	–	–	189,074,821
Work in progress	128,383,763	115,688,399	(128,322,285)	–	–	115,749,877
Finished goods	57,984,053	48,438,037	(54,004,465)	–	–	52,417,625
Spare parts	44,662,568	–	–	–	–	44,662,568
Total	409,624,710	353,201,259	(360,921,078)	–	–	401,904,891

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(2) Impairment provision against inventories (Continued)

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
Total	791,707,933	993,933,663	(1,351,494,613)	(210,764)	(24,311,509)	409,624,710

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.

8. Other current assets

Item	30 June 2024	31 December 2023
Prepaid income tax	–	11,656,241
Deductible value added tax	759,605,662	670,650,020
Sub-total	759,605,662	682,306,261
Less: Provision for impairment	–	–
Total	759,605,662	682,306,261

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

9. Long-term equity investments

(1) Long-term equity investments by category:

Item	30 June 2024	31 December 2023
Investments in joint ventures	309,251,693	297,836,841
Investments in associates	6,792,465,283	6,745,987,790
Sub-total	7,101,716,976	7,043,824,631
Less: Provision for impairment		
– Joint ventures	–	–
– Associates	–	–
Total	7,101,716,976	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)

9. Long-term equity investments (Continued)

(2) The movements of long-term equity investments during the year is as follows:

For the six months ended 30 June 2024

Investee	Opening balance	Changes during the period							Closing balance	Impairment at the end of the period		
		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")	297,836,841	-	-	31,264,852	-	-	(19,850,000)	-	-	-	309,251,693	-
Sub-total	297,836,841	-	-	31,264,852	-	-	(19,850,000)	-	-	-	309,251,693	-
Associates												
Henan JinMa Energy Co., Ltd. ("Henan JinMa Energy")	919,636,537	-	-	(38,485,214)	(107,309)	2,852,887	-	-	-	-	883,896,901	-
Shenglong Chemical Co., Ltd. ("Shenglong Chemical")	1,092,274,893	-	-	(6,930,471)	-	-	-	-	-	-	1,085,344,422	-
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd. ("Xinchuang Environmental Protection")	72,174,511	-	-	833,215	-	-	(3,138,807)	-	-	-	69,868,919	-
Anhui Magang Chemicals & Energy Technology Co., Ltd. ("Magang Chemicals & Energy")	278,507,575	-	-	862,336	-	-	-	-	-	-	279,369,911	-
Anhui Baoxin Software Co., Ltd. ("Baoxin Anhui") (Formerly known as Phima Intelligence Technology Co., Ltd.)	224,295,674	-	-	2,787,446	-	-	-	-	-	-	227,083,120	-
OBEI Co., Ltd. ("OBEI")	454,016,130	-	-	6,233,561	-	-	-	-	-	-	460,249,691	-
Baowu Water Technology Co., Ltd. ("Baowu Water")	666,727,787	-	-	1,478,535	-	(177,634)	-	-	-	-	668,028,688	-
Anhui Masteel Gas Technology Co., Ltd. ("Masteel Gases")	175,762,418	-	-	12,667,159	-	-	-	-	-	-	188,429,577	-
Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial")	93,161,838	-	-	422,114	-	-	-	617,388	-	-	94,201,340	-
Baowu Finance	2,769,430,427	-	-	64,985,526	1,579,208	(2,447)	-	-	-	-	2,835,992,714	-
Sub-total	6,745,987,790	-	-	44,854,207	1,471,899	2,672,806	(3,138,807)	617,388	-	-	6,792,465,283	-
Total	7,043,824,631	-	-	76,119,059	1,471,899	2,672,806	(2,988,807)	617,388	-	-	7,101,716,976	-

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term equity investments (Continued)

(2) The movements of long-term equity investments during the year is as follows: (Continued)

2023

Investee	Opening balance	Changes during the period									Closing balance	Impairment at the end of the period
		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	-	1,086,248	(5,049,555)	-	-	-	72,174,511	-
Ouyeel Commercial Factoring Co., Ltd. ("Ouyeel Factoring")	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	-	694,867	-	-	-	-	278,507,575	-
Anhui Baoxin Software Co., Ltd. ("Baoxin Anhui") (Formerly known as Phima 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")	661,949,275	-	-	8,925,032	-	3,774,828	(7,821,348)	-	-	-	666,727,787	-
Anhui Masteel Gas Technology Co., Ltd. ("Masteel Gases")	174,462,190	-	-	15,378,441	-	296,119	(14,374,332)	-	-	-	175,762,418	-
Anhui Masteel Holly Industrial Co., Ltd. ("Holly Industrial")	100,414,735	-	-	507,639	-	-	(8,239,439)	478,903	-	-	93,161,838	-
Baowu Finance	-	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)

10. Other equity instrument investments

(1) Details of other equity instruments:

For the six months ended 30 June 2024

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 period				
Henan Longyu	61,258,627	-	-	-	61,258,627	-	51,258,627	With the intention of establishing or maintaining a long-term investment for strategic reasons
MCC17	56,594,300	-	-	-	56,594,300	-	48,039,500	With the intention of establishing or maintaining a long-term investment for strategic reasons
Linhuang Coking	119,718,000	-	-	(26,238,738)	93,479,262	-	(10,279,303)	With the intention of establishing or maintaining a long-term investment for strategic reasons
Masteel Lihua	4,916,121	-	-	-	4,916,121	-	416,121	With the intention of establishing or maintaining a long-term investment for strategic reasons
Baowu Clean Energy	149,506,740	-	-	1,027,564	150,534,304	-	(4,912,056)	With the intention of establishing or maintaining a long-term investment for strategic reasons
Total	391,993,788	-	-	(25,211,174)	366,782,614	-	84,522,889	

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

10. Other equity instrument investments (Continued)

(1) Details of other equity instruments: (Continued)

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
Total	541,406,510	-	(94,343,551)	(55,069,171)	391,993,788	551,607	109,369,563	

(2) Investments derecognised during the period:

For the six months ended 30 June 2024, no investments derecognised during the period.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Investment properties

For the six months ended 30 June 2024

	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	22,105,887
Provided	1,005,632
Transferred to property, plant and equipment	–
Closing balance	23,111,519
Provision for impairment:	
Opening balance	–
Provided	–
Disposal	–
Closing balance	–
Net carrying amount:	
At the ending of the period	54,191,023
At the beginning of the period	55,196,655

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Investment properties (Continued)

2023

	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	20,094,623
Provided	2,011,264
Transferred to property, plant and equipment	–
Closing balance	22,105,887
Provision for impairment:	
Opening balance	–
Provided	–
Disposal	–
Closing balance	–
Net carrying amount:	
At the ending of the year	55,196,655
At the beginning of the year	57,207,919

As of 30 June 2024, the Group did not have any investment properties for which certificates of ownership had not yet been duly issued (31 December 2023: Nil).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Property, plant and equipment

(1) Property, plant and equipment

	30 June 2024	31 December 2023
Property, plant and equipment	47,275,308,230	48,548,833,230
Property, plant and equipment to be disposed of	–	–
Total	47,275,308,230	48,548,833,230

For the six months ended 30 June 2024

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Total
Cost:					
At the beginning of the period	33,788,710,491	71,926,203,989	1,256,327,274	1,494,218,295	108,465,460,049
Addition	779,273	8,183,298	2,186,743	32,580,100	43,729,414
Transferred from construction in progress	9,752,480	27,110,861	7,585,180	750,515,034	794,963,555
Disposal	(33,315,347)	(132,786,721)	(11,774,382)	(517,940)	(178,394,390)
Others	(39,359,161)	(118,573,368)	–	–	(157,932,529)
Disposal of a subsidiary	–	–	–	–	–
Exchange realignment	(63,689)	(7,381)	–	(547)	(71,617)
At the end of the period	33,726,504,047	71,710,130,678	1,254,324,815	2,276,794,942	108,967,754,482
Accumulated depreciation:					
At the beginning of the period	15,734,081,127	42,921,869,724	578,116,812	496,177,490	59,730,245,153
Addition	443,024,406	1,099,810,075	98,266,385	295,297,085	1,936,397,951
Disposal	(25,600,921)	(109,222,382)	(13,312,287)	(412,785)	(148,548,375)
Others	(2,183,218)	(9,814,535)	–	–	(11,997,753)
Disposal of a subsidiary	–	–	–	–	–
Exchange realignment	(25,840)	(6,005)	–	(545)	(32,390)
At the end of the period	16,149,295,554	43,902,636,877	663,070,910	791,061,245	61,506,064,586

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Property, plant and equipment (Continued)

(1) Property, plant and equipment (Continued)

For the six months ended 30 June 2024 (Continued)

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Total
Impairment:					
At the beginning of the period	-	186,381,666	-	-	186,381,666
Disposal	-	-	-	-	-
Exchange realignment	-	-	-	-	-
Provided	-	-	-	-	-
At the end of the period	-	186,381,666	-	-	186,381,666
Net carrying amount:					
At the end of the period	17,577,208,493	27,621,112,135	591,253,905	1,485,733,697	47,275,308,230
At the beginning of the period	18,054,629,364	28,817,952,599	678,210,462	998,040,805	48,548,833,230

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Property, plant and equipment (Continued)

(1) Property, plant and equipment (Continued)

2023

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land (Note)	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
At the end of the year	33,788,710,491	71,926,203,989	1,256,327,274	1,494,218,295	-	108,465,460,049
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
At the end of the year	15,734,081,127	42,921,869,724	578,116,812	496,177,490	-	59,730,245,153

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

12. Property, plant and equipment (Continued)

(1) Property, plant and equipment (Continued)

2023 (Continued)

Item	Plant and buildings	Machinery and equipment	Motor vehicles	Office equipment	Land (Note)	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	961,312	4,923,156	137,084	19,898	-	6,041,450
Provided	-	-	-	-	-	-
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

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)

12. Property, plant and equipment (Continued)

(2) Temporarily idle property, plant and equipment

As of 30 June 2024, the Group had no idle property, plant and equipment (31 December 2023: Nil).

(3) Property, plant and equipment leased out under operating leases

For the six months ended 30 June 2024

Item	Plant and buildings
Cost:	
At the beginning of the period	57,068,400
Addition	3,960,360
Disposal	–
At the end of the period	61,028,760
Accumulated depreciation:	
At the beginning of the period	45,335,674
Provided	600,302
Disposal	–
At the end of the period	45,935,976
Impairment:	
At the beginning of the period	–
Provided	–
Disposal	–
At the end of the period	–
Net carrying amount:	
At the end of the period	15,092,784
At the beginning of the period	11,732,726

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Property, plant and equipment (Continued)

(3) Property, plant and equipment leased out under operating leases (Continued)

2023

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)

12. Property, plant and equipment (Continued)

(4) Property, plant and equipment pending certificates of ownership

Item	Cost as at 30 June 2024	Cost as at 31 December 2023	Reason why certificates of ownership are pending
Plant and buildings	1,636,754,231	1,646,753,102	Certificate of ownership are being reviewed by relevant government authorities

As of 30 June 2024, certificates of ownership in respect of 68 buildings of the Group in Mainland China, mainly used for production and operation, with an aggregate cost of RMB1,636,754,231 (31 December 2023: 1,646,753,102), 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.

13. Construction in progress

	Note	30 June 2024	31 December 2023
Construction in progress	(1)	4,152,854,188	4,013,854,765
Total		4,152,854,188	4,013,854,765

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Construction in progress (Continued)

(1) Construction in progress

Item	30 June 2024			31 December 2023		
	Carrying amount	Provision for impairment	Carrying amount	Carrying amount	Provision for impairment	Carrying amount
Product quality projects	792,300,034	-	792,300,034	745,171,211	-	745,171,211
Energy-saving and environmental protection project	1,004,208,649	-	1,004,208,649	1,041,376,031	-	1,041,376,031
Equipment advancement and other modification projects	891,676,257	-	891,676,257	637,018,579	-	637,018,579
Other projects	1,464,669,248	-	1,464,669,248	1,590,288,944	-	1,590,288,944
Total	4,152,854,188	-	4,152,854,188	4,013,854,765	-	4,013,854,765

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Construction in progress (Continued)

(1) Construction in progress (Continued)

(a) The movements of significant projects were as follows

For the six months ended 30 June 2024

Item	Budget RMB'000	Opening balance RMB	Addition RMB	Transferred to property, plant and equipment (Note V.12) RMB	Other decrease RMB	Closing balance RMB	The proportion of projects investment accounted for budget		Capitalised interest accumulated RMB	Capitalised interest in current period RMB	The capitalised interest rate in current period (%)	Source of fund
							Percentage of completion (%)	Percentage of completion (%)				
Energy saving and emission reduction gas-fired power generation project	573,052	345,771,681	7,042,221	-	-	352,813,902	62%	62%	1,835,278	702,361	1.19	Internally and externally financed
Continuous casting of the new special steel project	4,207,020	243,857,734	59,183,827	-	-	303,041,561	62%	62%	14,399,898	-	-	Internally and externally financed
Steelmaking and refining of the new special steel project	2,486,000	2,471,869	25,871,253	-	-	28,343,122	55%	55%	6,053,363	-	-	Internally and externally financed
Others	NA	3,421,753,481	841,865,677	(794,963,555)	-	3,468,655,603			6,038,605	-	-	Internally and externally financed
Sub-total		4,013,854,765	933,962,978	(794,963,555)	-	4,152,854,188			28,327,144	-	-	
Less: impairment		-	-	-	-	-			-	-	-	
Total		4,013,854,765	933,962,978	(794,963,555)	-	4,152,854,188			28,327,144	-	-	

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Construction in progress (Continued)

(1) Construction in progress (Continued)

(a) The movements of significant projects were as follows (Continued)

2023

Item	Budget RMB'000	Opening balance RMB	Transferred to property, plant and equipment (Note V.12)		Other decrease RMB	Closing balance RMB	The proportion of projects investment accounted for budget (%)	Percentage of completion (%)	Capitalised interest accumulated RMB	Capitalised interest in current period RMB	The capitalised interest rate in current period (%)	Source of fund
			Addition RMB	(Note V.12) RMB								
Energy saving and emission reduction gas-fired power generation project	573,052	72,875,577	272,896,104	-	-	345,771,681	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%	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	(1,271,048,873)	-	2,471,869	54%	54%	6,053,363	3,072,143	2.67%	Internally and externally financed
Smart manufacturing and informatisation project	402,060	299,740,162	54,540,319	(354,280,481)	-	-	100%	100%	-	-	-	Internally financed
Section steel upgrading project in the southern area of Ma Steel	569,050	241,095,011	203,939,659	(445,034,670)	-	-	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%	2,511,502	1,811,081	2.54%	Internally and externally financed
Others	NA	5,002,896,928	4,205,075,458	(5,575,274,184)	(210,944,721)	3,421,753,481	NA	NA	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)	4,013,854,765			30,136,285	12,506,298	2.32%	
Less: impairment		-	-	-	-	-			-	-	-	
Total		7,766,555,935	6,420,676,618	(9,962,433,067)	(210,944,721)	4,013,854,765			30,136,285	12,506,298	2.32%	

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)

14. Right-of-use assets

(1) As a lessee

Right-of-use assets

For the six months ended 30 June 2024

Item	Plant and buildings	Land use rights	Total
Cost:			
At the beginning of the period	464,015,345	3,960,672	467,976,017
Addition	–	–	–
Disposal	(73,542)	–	(73,542)
At the end of the period	463,941,803	3,960,672	467,902,475
Accumulated depreciation:			
At the beginning of the period	118,457,978	545,453	119,003,431
Provided	14,390,099	51,746	14,441,845
Disposal	(5,714)	–	(5,714)
At the end of the period	132,842,363	597,199	133,439,562
Impairment:			
At the beginning of the period	–	–	–
Provided	–	–	–
Disposal	–	–	–
At the end of the period	–	–	–
Net carrying amount:			
At the end of the period	331,099,440	3,363,473	334,462,913
At the beginning of the period	345,557,367	3,415,219	348,972,586

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Right-of-use assets (Continued)

(1) As a lessee (Continued)

Right-of-use assets (Continued)

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
Impairment:			
At the beginning of the year	–	–	–
Provided	–	–	–
Disposal	–	–	–
At the end of the year	–	–	–
Net carrying amount:			
At the end of the year	345,557,367	3,415,219	348,972,586
At the beginning of the year	285,866,739	3,377,360	289,244,099

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Intangible assets

(1) Intangible assets

For the six months ended 30 June 2024

Item	Land use rights	Patents and others	Total
Cost:			
At the beginning of the period	2,477,234,867	190,445,480	2,667,680,347
Addition	23,865,100	–	23,865,100
Disposal	(5,742,219)	–	(5,742,219)
Exchange realignment	–	–	–
At the end of the period	2,495,357,748	190,445,480	2,685,803,228
Accumulated amortization:			
At the beginning of the period	899,181,874	14,880,360	914,062,234
Provided	27,478,270	6,068,323	33,546,593
Disposal	(1,970,085)	–	(1,970,085)
Exchange realignment	–	–	–
At the end of the period	924,690,059	20,948,683	945,638,742
Impairment:			
At the beginning of the period	–	–	–
Addition	–	–	–
Disposal	–	–	–
At the end of the period	–	–	–
Net carrying amount:			
At the end of the period	1,570,667,689	169,496,797	1,740,164,486
At the beginning of the period	1,578,052,993	175,565,120	1,753,618,113

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Intangible assets (Continued)

(1) Intangible assets (Continued)

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Intangible assets (Continued)

(2) Without the property right certificate Land use rights are as follows

Item	30 June 2024	31 December 2023	Reason for not completing the Property Ownership Certificate
Land use rights	12,952,324	6,494,747	The relevant materials for applying the certificate have not been obtained

16. Deferred tax assets, deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities

Item	30 June 2024		31 December 2023	
	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	95,069,989	14,546,332	36,407,971	5,753,639
Sales incentive	27,071,697	4,060,755	28,405,030	4,260,755
Government grants	160,632,254	24,094,838	166,462,383	24,969,357
Deductible losses	1,786,230,585	267,934,588	1,782,104,210	267,315,631
Lease liabilities	392,022,038	58,735,960	391,096,574	58,480,397
Others	294,252,515	43,640,961	398,873,871	69,686,480
Sub-total	2,755,279,078	413,013,434	2,803,350,039	430,466,259

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

16. Deferred tax assets, deferred tax liabilities (Continued)

(1) *Deferred tax assets and deferred tax liabilities (Continued)*

Item	30 June 2024		31 December 2023	
	Deductible temporary differences or Taxable temporary differences	Deferred tax assets/liabilities	Deductible temporary differences or Taxable temporary differences	Deferred tax assets/liabilities
Amount offset	/	71,055,180	/	76,127,194
Balance after offsetting	/	341,958,254	/	354,339,065
Deferred tax liabilities:				
Fair value adjustments related to business combinations not under common control	32,362,850	8,090,713	37,494,822	9,373,705
Changes in fair value of other equity instrument investments	73,614,553	11,067,150	98,825,726	14,848,826
Right-of-use assets	334,462,913	52,181,897	348,984,214	52,200,117
Sub-total	440,440,316	71,339,760	485,304,762	76,422,648
Amount offset	/	71,055,180	/	76,127,194
Balance after offsetting	/	284,580	/	295,454

(2) *The Group's unrecognised deferred tax assets*

Item	30 June 2024	31 December 2023
Deductible temporary differences	2,137,496,734	2,008,409,806
Deductible tax losses	8,309,233,283	6,179,280,592
Total	10,446,730,017	8,187,690,398

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets, deferred tax liabilities (Continued)

(3) Unrecognised deferred tax assets arising from deductible tax losses will expire

Year	30 June 2024	31 December 2023	Note
2024	21,533,872	24,315,670	/
2025	14,580,461	14,580,461	/
2026	–	–	/
2027	363,361,767	363,361,767	/
2028	–	–	/
To expire in 2029 and subsequent years (Note)	7,909,757,183	5,777,022,694	/
Total	8,309,233,283	6,179,280,592	

Note: As of 30 June 2024, the Company's overseas subsidiaries did not have any accumulated deductible tax losses (31 December 2023: Nil).

(4) The Group's unrecognised deferred tax liabilities

Item	30 June 2024	31 December 2023
The Group's unrecognised (Note)	2,363,377,871	2,279,826,513

Note: The Group's taxable temporary differences of unrecognised deferred tax liabilities are arising from long-term equity investments in its domestic joint ventures, associates and overseas subsidiaries.

These taxable temporary differences would be reversed with tax consequences on the Group through future disposal of shares or receipt of dividends from overseas subsidiaries. Since the Group can control the dividend plans of overseas subsidiaries, 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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Short-term loans

Short-term loans by category:

Item	30 June 2024	31 December 2023
Unsecured loans	11,411,183,263	9,428,060,223
Total	11,411,183,263	9,428,060,223

Note: As of 30 June 2024, the Group pledged the bank acceptance notes was nil (31 December 2023: Nil).

As of 30 June 2024, the interest rates of the above short-term loans ranged from 0.77% – 3.50% (31 December 2023: 0.77% – 3.50%).

As of 30 June 2024 and 31 December 2023, the Group had no overdue short-term loans.

18. Notes payable

Item	30 June 2024	31 December 2023
Bank acceptance notes	8,832,039,090	8,631,701,173
Total	8,832,039,090	8,631,701,173

As of 30 June 2024, the Group did not have any past due note (31 December 2023: 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)

19. Trade payables

(1) Trade payables:

Item	Note	30 June 2024	31 December 2023
Related parties	XII.6	6,507,472,300	6,197,222,341
Third party		6,441,948,707	7,316,418,145
Total		12,949,421,007	13,513,640,486

(2) The aging analysis of trade payables, based on the invoice date, is as follows:

Item	30 June 2024	31 December 2023
Within one year(inclusive)	12,595,108,213	13,190,322,849
One to two years(inclusive)	245,136,090	170,817,523
Two to three years(inclusive)	46,802,219	111,377,906
Over three years	62,374,485	41,122,208
Total	12,949,421,007	13,513,640,486

(3) The material trade payables aged over one year were as follows:

As at 30 June 2024, the Group had no significant accounts payable with ageing of more than one year.

20. Contract liabilities

Item	30 June 2024	31 December 2023
Advances from customers	3,478,366,337	4,013,383,663

As of 30 June 2024, contract liabilities aged over one year amounting to RMB37,559,475 (31 December 2023: RMB28,833,143), 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)

21. Payroll and employee benefits payable

(1) *Employee benefits payable:*

For the six months ended 30 June 2024

	Note	Opening balance	Increase during the period	Decrease during the period	Closing balance
Short-term employee benefits		202,470,758	1,476,984,814	1,451,863,905	227,591,667
Post-employment benefits (defined contribution plans)		5,442	252,974,848	252,974,848	5,442
Termination benefits		300,001	6,851,946	1,150,786	6,001,161
Early retirement benefits due within one year	V.29	1,604,634	–	–	1,604,634
Total		204,380,835	1,736,811,608	1,705,989,539	235,202,904

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		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.29	1,880,085	–	275,451	1,604,634
Total		488,255,914	4,015,473,763	4,299,348,842	204,380,835

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)

21. Payroll and employee benefits payable (Continued)

(2) Short-term employee benefits

For the six months ended 30 June 2024

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Salaries, bonuses and subsidies	131,748,192	1,101,548,344	1,097,168,339	136,128,197
Welfare	1,750,182	83,839,000	71,996,734	13,592,448
Social insurance	9,109	112,079,101	112,079,101	9,109
– Medical insurance	4,603	98,366,383	98,366,383	4,603
– Work-related injury insurance	3,905	13,673,428	13,673,428	3,905
– Maternity insurance	601	39,290	39,290	601
Housing fund	1,200	142,155,522	142,155,522	1,200
Labor union fee and employee education fee	68,962,075	37,362,847	28,464,209	77,860,713
Total	202,470,758	1,476,984,814	1,451,863,905	227,591,667

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
Total	386,830,501	3,469,562,807	3,653,922,550	202,470,758

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

21. Payroll and employee benefits payable (Continued)

(3) *Post-employment Benefits – defined contribution plans****For the six months ended 30 June 2024***

	Opening balance	Increase during the period	Decrease during the period	Closing balance
Pension insurance	4,934	186,825,916	186,825,916	4,934
Unemployment insurance	266	5,841,096	5,841,096	266
Supplementary pension scheme	242	60,307,836	60,307,836	242
Total	5,442	252,974,848	252,974,848	5,442

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
Total	95,386,721	529,982,441	625,363,720	5,442

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 RMB60,307,836 (31 December 2023: RMB119,574,776), 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)

22. Taxes payable

Item	30 June 2024	31 December 2023
Value-added tax	6,796,505	45,981,152
Corporate income tax	51,056,312	158,285,793
Land use tax	23,261,749	39,958,990
Personal income tax	4,254,709	5,132,059
Water conservancy funds	11,694,147	50,803,673
Environment protection tax	7,268,660	7,063,314
City construction and maintenance tax	2,806,490	461,195
Others	55,513,809	64,707,313
Total	162,652,381	372,393,489

23. Other payables

	Note	30 June 2024	31 December 2023
Dividends payables	(1)	6,612,733	6,612,733
Others	(2)	3,302,092,148	3,062,020,465
Total		3,308,704,881	3,068,633,198

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Other payables (Continued)

(1) Dividends payable

Item	30 June 2024	31 December 2023
Dividends paid	6,612,733	6,612,733

As of 30 June 2024, 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.

(2) Other payables

(a) Details of others by nature are as follows:

Item	Note	30 June 2024	31 December 2023
Payable for forfeiting		2,042,755,500	1,727,667,239
Special funds	(1)	808,074,111	806,396,264
Payable for construction, maintenance and inspection fees		69,640,773	77,011,504
Others		381,621,764	450,945,458
Total		3,302,092,148	3,062,020,465

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 of 30 June 2024, the Group had no significant other payables with ageing of more than one year.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Non-current liabilities due within one year

Non-current liabilities due within one year is as followed:

Item	Note	30 June 2024	31 December 2023
Long-term loans due within one year	V.26	2,820,347,716	3,701,790,509
Lease liabilities due within one year	V.27	28,685,914	29,588,683
Obligation to repurchase restricted shares due within 1 year	V.28	52,964,036	52,964,036
Total		2,901,997,666	3,784,343,228

25. Other current liabilities

Item	30 June 2024	31 December 2023
Advances for output tax	452,187,624	521,739,876
Short-term debentures payable	–	506,463,889
Total	452,187,624	1,028,203,765

The movements of short-term debentures payable:

Debenture	Face value	Nominal interest rate	Issuance date	Maturity period	Issuance amount	Balance at the Issuance		Interest at face value	Amortisation of discounts or premium	Repayment during the year	Balance at the end of the year	Default (Y/N)
						beginning of the year	during the year					
Short-term commercial papers payable	100	2.6%	3 July 2023	270 Days	500,000,000	506,463,889	–	3,126,275	–	509,590,164	–	N

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Long-term loans

(1) Long-term loans by category

Item	Note	30 June 2024	31 December 2023
Credit loans		10,245,621,304	10,501,476,741
Sub-total		10,245,621,304	10,501,476,741
Less: Long-term loans due within one year	V.24	2,820,347,716	3,701,790,509
Total		7,425,273,588	6,799,686,232

Note: The banks loans were guaranteed by the Holding for free as disclosed in Note XII.5(4).

As of 30 June 2024, the annual interest rate for credit loans are 1.20% – 3.65% (31 December 2023: 1.20% – 3.65%).

The Group's long-term borrowings include 16 bank borrowings with contractual conditions, respectively:

The book value of seven borrowings borrowed from November 2022 to December 2023 is 1,248,713,964 yuan, and the maturity date is November 2025 to December 2026. The loan agreement requires that the asset liability ratio of the Company during the loan period shall not exceed 65%; If the contractual conditions are not complied with, the loan will be repaid at any time as required by the bank.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Long-term loans (Continued)

(1) Long-term loans by category (Continued)

The book value of five borrowings borrowed from November 2022 to December 2023 is RMB628,337,669, and the maturity date is November 2025 to December 2026. The loan agreement requires that the asset liability ratio of the Company during the loan period shall not exceed 70%; If the contractual conditions are not complied with, the loan will be repaid at any time as required by the bank.

The book value of three borrowings borrowed from December 2022 to December 2022 is RMB591,810,238, and the maturity date is November 2025 to December 2025. The loan agreement requires that the asset liability ratio of the Company during the loan period shall not exceed 80%; If the contractual conditions are not complied with, the loan will be repaid at any time as required by the bank.

The book value of one loan borrowed in November 2022 is RMB65,000,000, and the maturity date is November 2027. The loan agreement requires that the asset liability ratio of the Company during the loan period shall not exceed 100%; If the contractual conditions are not complied with, the loan will be repaid at any time as required by the bank.

The Group expects to comply with the above contractual conditions before the maturity of all borrowings.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Long-term loans (Continued)

(1) Long-term loans by category (Continued)

Analysis on the due date of long-term loans is as follows:

	30 June 2024	31 December 2023
Within one year or on demand	2,820,347,716	3,701,790,509
Due in one to two years (inclusive)	3,367,404,670	4,701,757,314
Due in two to three years (inclusive)	3,929,668,918	2,027,748,918
Due in three to five years (inclusive)	115,000,000	56,980,000
Over five years	13,200,000	13,200,000
Total	10,245,621,304	10,501,476,741

27. Lease liabilities

Item	Note	30 June 2024	31 December 2023
Long-term lease liabilities		392,022,038	391,096,573
Less: Lease liabilities due within one year	V.24	28,685,914	29,588,683
Total		363,336,124	361,507,890

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Long-term payable

Item	30 June 2024	31 December 2023
Equity incentive plan repurchase obligations	105,928,072	105,928,072
Less: Long-term loans due within one year	52,964,036	52,964,036
Total	52,964,036	52,964,036

Note: For long-term payable in relation to share incentive plan, refer to Note XIII.2.

29. Long-term payroll and employee benefits payable

(1) Long-term employee benefits payable

Item	Note	30 June 2024	31 December 2023
1. Early retirement benefits	(a)	3,158,820	3,158,820
Less: Early retirement benefits due within one year		1,604,634	1,604,634
Total		1,554,186	1,554,186

Note(a):

For the six months ended 30 June 2024

	Opening balance	Increase during the period	Unrecognised financing expense	Decrease during the period	Closing balance	Less: Due within one year	Closing balance
Early retirement benefits	3,158,820	-	-	-	3,158,820	1,604,634	1,554,186

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)

29. Long-term payroll and employee benefits payable (Continued)

(1) Long-term employee benefits payable (Continued)

Note(a): (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 labour 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 30 June 2024, there were no plan assets under the said early retirement plan, and the defined benefits payable amounted to approximately RMB3,158,820 (31 December 2023: RMB3,158,820), accounting for approximately 0.004% of the Group's total assets as of 30 June 2024 only (2023: 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)

30. Provision

For the six months ended 30 June 2024

Item	Note	Opening balance	Increase during the period	Decrease during the period	Closing balance
Others		9,875,967	2,064,958	–	11,940,925
Total		9,875,967	2,064,958	–	11,940,925

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
Total		25,699,276	14,003,652	29,826,961	9,875,967

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)

31. Deferred revenue

For the six months ended 30 June 2024

Item	Opening balance	Increase during the period	Decrease during the period	Other changes	Closing balance	Reason for deferral
Government grants	1,002,087,759	31,170,700	42,380,777	–	990,877,682	Government grants
Total	1,002,087,759	31,170,700	42,380,777	–	990,877,682	

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	

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred revenue (Continued)

Related to government grants were as follows:

For the six months ended 30 June 2024

Item	Opening balance	Increase during the period	Included in other income	Other movements	Closing balance	Related to assets/income
Technological transformation fund for Phase II silicon steel	55,489,724	–	(2,190,384)	–	53,299,340	assets
Subsidy for the hot-rolled 1580 project	24,970,384	–	(985,672)	–	23,984,712	assets
New-zone Thermal Power Plant CCPP system engineering	1,060,182	–	(1,060,182)	–	–	assets
EMU steel wheel production line project	19,584,137	–	(1,098,176)	–	18,485,961	assets
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	8,975,859	–	(283,448)	–	8,692,411	assets
Subsidy for a thin plate project	26,006,713	–	(2,364,247)	–	23,642,466	assets
Environmental funds for desulfurization project of 3rd iron plant's flue gas (BOT)	9,337,661	–	(294,874)	–	9,042,787	assets
Alloy bar production line refinement project of electric furnace plant	24,451,437	–	(740,953)	–	23,710,484	assets
Intelligent manufacturing special fund	11,149,255	–	(682,607)	–	10,466,648	assets
1#2# shaft furnace flue gas desulfurization project	9,226,748	–	(276,802)	–	8,949,946	assets

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

31. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

Item	Opening balance	Increase during the period	Included in other income	Other movements	Closing balance	Related to assets/income
AD201617502 Comprehensive utilization project of steel slag treatment in Magang South District	7,727,930	–	(219,752)	–	7,508,178	assets
Comprehensive utilization of gas for power generation of a thermal power plant	17,067,179	–	(544,697)	–	16,522,482	assets
Subsidy for Maanshan railway industry (Maanshan)	15,775,523	–	(1,040,144)	–	14,735,379	assets
Subsidy funds for 4# blast furnace project	132,784,670	–	(4,306,530)	–	128,478,140	assets
Transformation of flue gas desulfurization and denitrification of 3# sintering machine in the southern ironmaking area	4,322,233	–	(109,887)	–	4,212,346	assets
Ironmaking plant 1#2# sintering machine transformation project	19,809,524	–	(457,143)	–	19,352,381	assets
Fixed asset subsidies for galvanizing projects	7,923,298	–	(452,760)	–	7,470,538	assets
Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant	16,190,476	–	(373,626)	–	15,816,850	assets

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

Item	Opening balance	Increase during the period	Included in other income	Other movements	Closing balance	Related to assets/income
Digital high-speed axle manufacturing inspection capabilities upgraded	78,500,000	3,750,000	(164,835)	–	82,085,165	assets
Transformation Project of Fugitive Emissions of Ironmaking General Plant (Phase I)	23,491,722	–	(525,934)	–	22,965,788	assets
Plate spray aluminium powder project	747,782	–	(36,183)	–	711,599	assets
Transformation project for coal coking enterprises on unorganised ultra-low emission	29,890,110	–	(659,341)	–	29,230,769	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	20,110,000	–	–	–	20,110,000	Income

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

Item	Opening balance	Increase during the period	Included in other income	Other movements	Closing balance	Related to assets/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	38,436,533	-	-	-	38,436,533	assets
Reward for financial incremental contribution of technological transformation in 2022	-	2,959,900	(75,895)	-	2,884,005	assets
Flue gas desulfurization project of ultra-low emission hot blast furnace and steel rolling heating furnace	-	19,000,000	-	-	19,000,000	assets
Others	321,048,679	5,460,800	(23,436,705)	-	303,072,774	
Total	1,002,087,759	31,170,700	(42,380,777)	-	990,877,682	

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

Item	Opening balance	Increase during the year	Included in other income	Other movements	Closing balance	Related to assets/income
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
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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

Item	Opening balance	Increase during the year	Included in other income	Other movements	Closing balance	Related to assets/income
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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred revenue (Continued)

Related to government grants were as follows: (Continued)

Item	Opening balance	Increase during the year	Included in other income	Other movements	Closing balance	Related to assets/income
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	assets
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	
Total	933,916,449	263,570,611	(173,959,657)	(21,439,644)	1,002,087,759	

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Share capital

For the six months ended 30 June 2024

Registered, issued and fully paid	Note	Opening balance		Increase/(decrease) during the period				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)	46,256,800	0.6	-	-	-	-	-	46,256,800	0.6
Including: Shares owned by domestic natural persons		46,256,800	0.6	-	-	-	-	-	46,256,800	0.6
Sub-total		46,256,800	0.6	-	-	-	-	-	46,256,800	0.6
2. Shares without selling restrictions										
(1) A shares		5,967,751,186	77.0	-	-	-	-	-	5,967,751,186	77.0
(2) H shares		1,732,930,000	22.4	-	-	-	-	-	1,732,930,000	22.4
Sub-total		7,700,681,186	99.4	-	-	-	-	-	7,700,681,186	99.4
3. Total shares		7,746,937,986	100.0	-	-	-	-	-	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)

32. Share capital (Continued)

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
3. Total shares		7,775,731,186	100.0	-	-	-	(28,793,200)	(28,793,200)	7,746,937,986	100.0

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Capital reserve

For the six months ended 30 June 2024

Item	Note	Opening balance	Increase during the period	Decrease during the period	Closing balance
Share Premium		8,402,802,691	–	–	8,402,802,691
Other Capital reserve	(1)	37,121,017	2,672,806	11,146,732	28,647,091
Total		8,439,923,708	2,672,806	11,146,732	8,431,449,782

Note (1): The restricted shares did not meet the Company's performance conditions and therefore, the Company reversed the capital reserve of RMB11,146,732 that had been recognised in prior periods.

Changes in other equity of associates and joint ventures during the year increased the capital reserve by RMB2,672,806.

2023

Item	Note	Opening balance	Increase during the year	Decrease during the year	Closing balance
Share Premium		8,430,655,183	9,290,736	37,143,228	8,402,802,691
Other Capital reserve		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

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

34. Treasury shares

Item	Note	Opening balance	Increase during the period	Decrease during the period	Closing balance
Equity incentive plan		105,928,072	–	–	105,928,072

35. Other comprehensive income

For the six months ended 30 June 2024

Item	Balance at the beginning of the year attributable to shareholders of the Company	Amount before tax in the current period	Movements during the period				Less: income tax	Attributable to controlling interests	Attributable to non-controlling interests	Balance at the end of the period attributable to shareholders of the Company
			Less: charged to other comprehensive income before and reclassified to profit or loss in the current period	Less: charged to other comprehensive income before and reclassified to retained earnings in the current period						
Other comprehensive income that may not be reclassified to profit or loss:										
Including: Change in fair value of other equity instrument investments	83,831,219	(25,211,174)	–	–	3,781,676	(21,429,498)	–	–	62,401,721	

Other comprehensive income that may not be reclassified to profit or loss:

Including: Change in fair value of other equity instrument investments

83,831,219 (25,211,174) – – 3,781,676 (21,429,498) – 62,401,721

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Other comprehensive income (Continued)

Item	Balance at the beginning of the year attributable to shareholders of the Company	Amount before tax in the current period	Movements during the period				Less: income tax	Attributable to controlling interests	Attributable to non-controlling interests	Balance at the end of the period attributable to shareholders of the Company
			Less: charged to other comprehensive income before and reclassified to profit or loss in the current period	Less: charged to other comprehensive income before and reclassified to retained earnings in the current period						
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	237,199	1,471,899	-	-	-	1,471,899	-	1,709,098		
Exchange differences arising from foreign currency translation	(96,968,745)	15,187	-	-	-	15,187	-	(96,953,558)		
Total	(12,900,327)	(23,724,088)	-	-	3,781,676	(19,942,412)	-	(32,842,739)		

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

35. Other comprehensive income (Continued)

2023

Item	Balance at the beginning of the year attributable to shareholders of the Company	Amount before tax in the current year	Movements during the year				Less: income tax	Attributable to controlling interests	Attributable to non-controlling interests	Balance at the end of the year attributable to shareholders of the Company
			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						
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)		
Total	(30,006,411)	(26,948,134)	45,693,483	(10,817,182)	9,177,917	17,106,084	-	(12,900,327)		

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Special reserve

For the six months ended 30 June 2024

Item	Opening balance	Increase during the period	Decrease during the period	Closing balance
Safety fund	96,805,291	34,223,654	21,915,747	109,113,198
Total	96,805,291	34,223,654	21,915,747	109,113,198

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

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)

37. Surplus reserve

For the six months ended 30 June 2024

Item	Note	Opening balance	Increase during the period	Decrease during the period	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
Total		4,720,262,452	–	–	4,720,262,452

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
Total		4,720,262,452	–	–	4,720,262,452

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

37. Surplus reserve (Continued)

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.

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.

38. Retained earnings

Item	Note	30 June 2024	31 December 2023
Retained earnings at the beginning of the period/year (before adjustment)		6,883,481,566	8,078,876,545
Total adjustments for opening retained earnings		–	–
Retained earnings at the beginning of the period/year (after adjustment)		6,883,481,566	8,078,876,545
Add: Net loss attributable to owners of the parent in period/year		(1,144,779,937)	(1,327,161,500)
Less: Transfer to surplus reserve		–	–
Distribute to shareholders	(1)	–	155,395,744
Reverse from general reserve		–	(271,501,110)
Other comprehensive income carried forward to retained earnings		–	(10,817,182)
Retained earnings at the end of the year			(4,843,973)
Retained earnings at the beginning of the period/year (before adjustment)		5,738,701,629	6,883,481,566

Note 1: Pursuant to the shareholders' approval at the shareholders' general meeting on 20 June 2024, the Group will not conduct profit distribution. (2023: RMB0.02, tax inclusive, totalling RMB155,395,744).

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Revenue and cost of sales

(1) Revenue and cost of sales

Item	Note	For the six months ended 30 June 2024		For the six months ended 30 June 2023	
		Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income		41,629,746,736	41,164,732,434	47,623,665,549	48,193,565,776
Other operating income		1,377,732,054	1,319,721,793	1,356,787,323	1,329,912,255
Total		43,007,478,790	42,484,454,227	48,980,452,872	49,523,478,031
Including: Revenue from					
contracts	V.39(2)	42,923,143,195	42,412,960,103	48,882,476,827	49,473,812,717
Other revenue		84,335,595	71,494,124	97,976,045	49,665,314

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

39. Revenue and cost of sales (Continued)

(2) *Disaggregation of operating income*

Type of contract	For the six months ended 30 June 2024 Revenue	For the six months ended 30 June 2023 Revenue
By type of business		
Sale of steel products	40,740,523,815	44,999,428,562
Sale of other products	2,083,525,499	3,833,254,486
Processing	83,805,929	37,538,001
Others	15,287,952	12,255,778
Total	42,923,143,195	48,882,476,827
By timing of revenue recognition		
At a point in time	42,824,049,314	48,756,876,768
Over time	99,093,881	125,600,059
Total	42,923,143,195	48,882,476,827

(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 RMB3,478,366,337 (31 December 2023: RMB4,013,383,663), of which RMB3,478,366,337 is expected to be recognised as revenue in less than one year.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

40. Taxes and surcharges

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
City construction and maintenance tax	11,733,579	6,921,447
Land usage tax	46,666,851	41,318,441
Education surcharge	5,787,758	4,377,118
Property tax	95,912,566	64,794,203
Environment protection tax	15,845,715	14,083,119
Stamp duty	37,034,044	42,816,343
Other taxes	40,633,908	44,288,763
Total	253,614,421	218,599,434

41. Selling expenses

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Transportation fees	14,265,299	23,873,473
Employee benefits	75,862,193	84,905,681
Insurance premium	8,631,701	8,375,757
Others	45,608,724	60,746,952
Total	144,367,917	177,901,863

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

42. General and administrative expenses

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Employee benefits	152,152,905	139,538,080
Employee termination benefits	223,064	1,056,686
Office expenses	99,365,530	74,767,414
Depreciation of fixed assets	74,399,757	50,348,013
Amortisation of intangible assets	27,537,679	32,051,843
Travelling and entertainment expenses	6,993,463	9,451,262
Maintenance expenses	1,122,920	5,216,628
Environmental greening expense	1,686,654	29,229,744
Others	71,344,659	114,720,736
Total	434,826,631	456,380,406

43. R&D expenses

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Material expenses	340,669,307	420,764,927
Depreciation and amortisation	52,730,186	45,632,214
Employee benefits	91,617,883	137,581,559
Testing and processing expenses	8,820,707	14,001,245
Outsourced research expenses	4,905,286	15,869,650
Others	10,884,249	9,574,393
Total	509,627,618	643,423,988

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

44. Financial expenses

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Interest expense	312,774,907	242,673,047
Less: Interest income	45,988,335	18,849,473
Less: Interest capitalised	702,361	11,045,074
Exchange gain/loss	41,563,728	(40,613,997)
Others	9,011,725	6,799,290
Total	316,659,664	178,963,793

The interest rates for the year, at which borrowing costs were capitalised by the Group was 1.19% (For the six months ended 30 June 2023: 0.71% – 2.72%).

45. Other income

By nature	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Government grants	67,743,734	49,256,003
Additional VAT credits	64,246,389	–
Refund of withholding social security and personal income tax commission	1,128,117	3,200,930
Total	133,118,240	52,456,933

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

46. Investment income

Investment income

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Investment income from long-term equity investments under the equity method	76,119,059	84,511,457
Disposal of Investment income from long-term equity investments	–	334,259,810
Gain from disposal of financial assets held for trading	4,498,725	38,304,637
Investment income from disposal of debt investments	–	(715,585)
Gain/(loss) from disposal of associates	3,669,806	(4,370,588)
Total	84,287,590	451,989,731

47. Loss on the changes in fair value

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Financial assets held for trading	–	(34,558,767)
Including: Derivative financial instruments	–	(40,471,388)
Total	–	(34,558,767)

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

48. Credit impairment losses

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Gains from bad and doubtful debts of receivables	(16,310,120)	(39,709,236)
Gains from impairment of financial assets purchased under agreement to resell	–	(10,392)
Gains from impairment of other debt investments	–	(1,238,489)
Total	(16,310,120)	(40,958,117)

49. Asset impairment losses

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Inventories	353,201,258	672,043,696

50. Gain from disposal of assets

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Gain on disposal of fixed assets	57,901,418	(6,781,735)
Gain on disposal of intangible assets	15,628,515	18,005,989
Gain on disposal of construction under process	–	5,659,537
Total	73,529,933	16,883,791

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

51. Non-operating income and expenses

(1) Non-operating income:

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023	For the six months ended 30 June Included in 2024 non-recurring gains and losses
Others	733,269	2,547,133	733,269
Total	733,269	2,547,133	733,269

(2) Non-operating expenses

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023	For the six months ended 30 June Included in 2024 non-recurring gains and losses
Scrap losses of property, plant and equipment	876,676	3,318	876,676
Penalty expenditure	2,144,476	335,871	2,144,476
Charity donation	187,150	536,849	187,150
Others	6,304,373	400,713	6,304,373
Total	9,512,675	1,276,751	9,512,675

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

52. Income tax expense

Item	Note	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Mainland China current income tax expense*		90,571,090	78,771,313
Hong Kong current income tax expense*		(165)	(7,426,694)
Overseas current income tax expense*		14,357,070	16,449,435
Deferred tax expense	(1)	16,161,153	(15,744,398)
Total	(2)	121,089,148	72,049,656

(1) The analysis of changes in deferred income tax is set out below:

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Origination and reversal of temporary differences	16,161,153	(15,744,398)
Total	16,161,153	(15,744,398)

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

52. Income tax expense (Continued)

(2) Reconciliation between income tax expense and accounting loss:

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Loss before tax	(1,190,806,469)	(2,361,338,152)
Expected income tax expense at tax rate of 25%	(297,701,617)	(590,334,538)
Effect of different tax rates of subsidiaries	104,760,466	254,570,365
Non-deductible expenses	7,759,643	14,314,079
Adjustments in respect of current income tax of previous periods	9,158,844	(1,670,777)
Other tax preference	(53,496,007)	(69,389,924)
Income not subject to tax	–	(85,702,726)
Unrecognised deductible temporary difference and tax losses	361,072,782	567,749,455
Share of profit or loss of joint ventures and associates	(10,464,963)	(17,486,278)
Tax charge	121,089,148	72,049,656

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)

53. 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:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Profit attributable to owners of the Company consolidated loss	(1,144,779,937)	(2,226,780,506)
Weighted average number of ordinary shares in issue during the period	7,700,681,186	7,700,681,186
Basic earnings per share (<i>cent/share</i>)	(14.87)	(28.92)

The calculation of Weighted average of ordinary shares:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Number of ordinary shares in Issue at the beginning of the period	7,700,681,186	7,700,681,186
Adjusted	-	-
Weighted average of ordinary shares at the end of the period	7,700,681,186	7,700,681,186

(2) Diluted earnings per share

Due to net loss in 2024, 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)

54. Supplement to income statement

Expenses are analysed by their nature as follows:

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Operating income	43,007,478,790	48,980,452,872
Less: Changes in inventories of finished goods and work in progress	(2,215,053,435)	(1,848,820,969)
Raw materials and consumables used	38,464,929,663	44,684,491,093
Employee benefits expenses	1,736,811,608	1,993,179,910
Depreciation and amortisation expenses	1,985,392,021	1,844,108,672
Transport and inspection fees	539,498,482	626,732,333
Repair and maintenance expenses	619,016,482	719,107,944
Testing and processing expenses	8,820,706	14,001,245
Outsourced research expenses	4,905,286	15,869,650
Office expenses	99,365,530	74,767,414
Taxes and surcharges	253,614,421	218,599,434
Financial expenses	316,659,664	178,963,793
Credit impairment losses	(16,310,120)	(40,958,117)
Asset impairment losses	353,201,258	672,043,696
Other expenses	2,329,590,050	2,677,746,996
Add: Other income	133,118,240	52,456,933
Investment income	84,287,590	451,989,731
Loss on the changes in fair value	–	(34,558,767)
Gain from disposal of assets	73,529,933	16,883,791
Operating loss	(1,182,027,063)	(2,362,608,534)

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

55. The statement of cash flows item

(1) Cash relating to operating activities

a. Cash received relating to other operating activities

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Government grants	36,533,658	78,905,788
Decrease in deposits of notes, letters of credit and guarantees	–	188,201,329
Interest income	45,988,335	18,849,473
Others	17,194,972	57,102,821
Total	99,716,965	343,059,411

b. Cash paid relating to other operating activities:

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Deposits of notes, letters of credit and guarantees	172,697,426	–
Safety fund	27,124,723	18,509,876
Research and development expenses	29,561,592	26,242,943
Environmental improvement fee	49,109,993	31,709,294
Office expenses	23,315,015	74,767,414
Travel and entertainment expenses	20,151,675	15,523,865
Insurance expenses	14,862,184	9,586,262
Bank charges	9,011,725	6,621,402
Others	102,625,133	81,299,010
Total	448,459,466	264,260,066

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. The statement of cash flows item (Continued)

(2) Cash relating to investing activities

- a. Proceeds relating to significant investing activities

No proceeds relating to significant investing activities in the current period.

- b. Cash received relating to other investing activities

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Receive of steel futures deposits	–	1,090,209
Total	–	1,090,209

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

55. The statement of cash flows item (Continued)

(3) Cash relating to financing activities

a. Cash received relating to other financing activities

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Notes discounted	127,179,807	395,122,276
Total	127,179,807	395,122,276

b. Cash paid relating to other financing activities

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Lease liability expenditure	6,776,092	2,896,241
Repurchase of treasury shares	–	9,801,200
Total	6,776,092	12,697,441

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. The statement of cash flows item (Continued)

(3) Cash relating to financing activities (Continued)

c. Changes in liabilities arising from financing activities

	Opening balance	Increase		Decrease		Closing balance
		Cash	Non-cash	Cash	Non-cash	
Dividend payable	6,612,733	-	7,781,464	(7,781,464)	-	6,612,733
Other payables - forfeiting	1,727,667,239	-	874,750,366	(559,662,105)	-	2,042,755,500
Short-term loans	9,428,060,223	6,436,713,906	108,208,022	(4,561,798,888)	-	11,411,183,263
Other current liabilities - short- term debentures payable	506,463,889	-	3,126,275	(509,590,164)	-	-
Non-current liabilities due within one year	3,784,343,228	-	1,628,911,700	(2,511,257,262)	-	2,901,997,666
Lease liabilities	361,507,890	-	8,672,154	(6,843,920)	-	363,336,124
Long-term payables	52,964,036	-	-	-	-	52,964,036
Long-term loans	6,799,686,232	2,050,000,000	-	-	(1,424,412,644)	7,425,273,588
Total	22,667,305,470	8,486,713,906	2,631,449,981	(8,156,933,803)	(1,424,412,644)	24,204,122,910

(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
Deposits for bills, letter of credit and letter of guarantee	Receipt and payment of deposits	Fast turnover	(172,697,426)
Total	/	/	(172,697,426)

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. 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	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Net loss	(1,311,895,617)	(2,433,387,808)
Add: Reversal of bad debts	(997,876)	(40,958,117)
Provision for asset impairment losses	353,201,258	672,043,696
Depreciation of property, plant and equipment	1,936,397,951	1,797,018,182
Amortisation of right-of-use assets	14,441,845	14,398,406
Amortisation of intangible assets	33,546,593	31,686,452
Amortisation of investment properties	1,005,632	1,005,632
Amortisation of deferred revenue	(42,380,777)	(34,085,215)
Disposal gain on property, plant and equipment, intangible assets and other long-term assets	(73,529,933)	(16,883,791)
Increase in special reserve	12,307,907	922,649
Financial expenses	354,338,635	202,059,050
Investment income	(84,287,590)	(451,989,731)
Loss on fair value changes	-	34,558,767
Decrease/(increase) in deferred tax assets	16,172,026	(12,547,000)
Decrease in deferred tax liabilities	(10,873)	(3,197,398)
Decrease in inventories	(122,767,428)	(230,175,069)
Decrease in receivables from operating activities	149,382,867	2,590,318,662
Decrease in payables from operating activities	(7,128,561)	(210,357,755)
Net cash flows from operating activities	1,227,796,059	1,910,429,612

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Supplement to cash flow statement (Continued)

(1) Supplements to the statement of cash flows (Continued)

b. Net changes of cash and cash equivalents:

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Ending balance of cash	5,280,124,127	5,217,273,408
Less: Opening balance of cash	4,428,594,208	4,360,738,411
Add: Ending balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
	<hr/>	<hr/>
Net increase in cash and cash equivalents	851,529,919	856,534,997

(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:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Cash or cash equivalents paid for disposal subsidiaries and other business units	–	–
Add: Customer deposits held by subsidiaries	–	3,625,740,640
Less: Cash and cash equivalents held by subsidiaries	–	2,835,617,764
Net payment for disposal of subsidiaries and other business units	–	790,122,876
Non-cash assets and liabilities held by the disposal subsidiaries and other business units		
– Current assets	–	1,412,920,930
– Non-current assets	–	8,690,037,616
– Current liabilities	–	10,373,619,507
– Non-current liabilities	–	1,993,737

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

56. Supplement to cash flow statement (Continued)

(3) Cash and cash equivalents

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Cash	5,280,124,127	5,217,273,408
Including: Cash on hand	–	1,069
Balances in banks without restrictions	5,280,124,127	5,217,272,339
Other monetary funds available on demand	–	–
Cash equivalents	–	–
Ending balance of cash and cash equivalents	5,280,124,127	5,217,273,408

(4) Monetary funds other than cash and cash equivalents

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023	Rationale
Other monetary funds	1,313,900,940	908,546,997	As collateral with restricted usage
Total	1,313,900,940	908,546,997	/

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. 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)	1,141,203,514	1,382,685,086	1,209,987,660	1,313,900,940	Guarantee
Note receivables	(2)	395,413,470	-	395,413,470	-	Pledge
Total		1,536,616,984	1,382,685,086	1,605,401,130	1,313,900,940	/

Note (1): As of 30 June 2024, the Group's restricted cash and bank balances include cash deposits as collateral amounting to RMB1,313,900,940 (31 December 2023: RMB1,141,203,514) pledged as security for trade facilities and performance for bank acceptance notes, letters of credit and guarantees.

Note (2): As of 30 June 2024, the Group has no bank acceptance notes (31 December 2023: RMB395,413,470) to obtain a bank acceptance note.

58. 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	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Lease liabilities expense	8,567,388	7,077,081
Short-term lease expenses applied the practical expedient	9,807,967	18,395,460
Expenses relating to leases of low-value assets applied the practical expedient, excluding short-term leases of low-value assets	455,000	283,147
Total cash flow for leases	18,830,355	25,755,688

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Leases (Continued)

(2) As a lessor

Operating lease

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Rental income	4,854,855	4,946,850
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 30 June 2024, the rental income recognised by the Group was RMB4,854,855 (For the six months ended 30 June 2023: RMB4,946,850). According to lease contracts, the undiscounted lease receipts to be received after the balance sheet date are as follows:

Item	30 June 2024	31 December 2023
Remaining lease period		
Within 1 year, inclusive	13,484,969	14,881,959
1 to 2 years, inclusive	12,912,469	13,489,098
2 to 3 years, inclusive	3,174,304	3,327,161
Over 3 years	4,681,143	3,704,761
Total	34,252,885	35,402,979

59. Dividends*

Pursuant to the shareholders' approval at the shareholders' general meeting on 20 June 2024, the Group will not conduct profit distribution.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VI. R&D EXPENSES

1. Presentation by nature

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Material and power expenses	1,283,371,306	1,402,037,004
Depreciation of property, plant and equipment	206,623,811	191,577,820
Employee benefits	117,416,318	157,534,160
Testing and processing expenses	34,412,378	37,778,897
Outsourced research expenses	13,604,536	15,869,650
Others	24,151,618	17,421,028
Total	1,679,579,967	1,822,218,559
Including: research and development expenditures that are expensed	1,679,579,967	1,822,218,559
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	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Cost of trial production of new product development	1,169,952,349	1,178,794,571
Including: Material and power expenses	951,401,249	981,272,077
Depreciation of property, plant and equipment	153,893,625	145,945,606
Employee benefits	25,798,435	19,952,601
Testing and processing expenses	25,591,671	23,777,652
Others	13,267,369	7,846,635

VII. CHANGE IN THE SCOPE OF CONSOLIDATION

1. Disposal of a subsidiaries

Nil

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
Subsidiaries acquired by establishment or investment						
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	–

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
Subsidiaries acquired not under common control						
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.

- (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	EUR 150,200,000	The investee conducted bankruptcy and reorganisation

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 of June 30, 2024, the bankruptcy liquidation process of MG-VALDUNES has not yet been completed.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(2) Material non-wholly owned subsidiaries

For the six months ended 30 June 2024

Name of the subsidiary	Proportion of ownership interest held by NCI	Profit or loss allocated to non-controlling interests during the period	Dividend declared to non-controlling shareholders during the period	Balance of non-controlling interests at the end of the period
Anhui Chang Jiang Iron and Steel	45%	(261,166,562)	–	188,572,188

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

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	
	30 June 2024	31 December 2023
Current assets	2,196,818,866	2,437,141,246
Non-current assets	7,121,121,329	7,212,002,652
Total assets	9,317,940,195	9,649,143,898
Current liabilities	(4,900,655,174)	(4,676,095,333)
Non-current liabilities	(226,791,955)	(208,661,632)
Total liabilities	(5,127,447,129)	(4,884,756,965)
	Anhui Chang jiang Iron and Steel	
	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Revenue	5,059,398,723	8,558,707,006
Net profit	(580,370,137)	(473,089,672)
Total comprehensive income	(580,370,137)	(473,089,672)
Cash flows from operating activities	(95,841,952)	950,875,480

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	30 June 2024	31 December 2023
Joint ventures		
– material joint ventures	–	–
– immaterial joint ventures	309,251,693	297,836,841
Associates		
– material associates	5,473,262,725	5,448,069,644
– immaterial associates	1,319,202,558	1,297,918,146
Sub-total	6,792,465,283	7,043,824,631
Less: Provision for impairment	–	–
Total	7,101,716,976	7,043,824,631

(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	RMB535,421,000	No
Shenglong Chemical	Shandong, PRC	Shandong, PRC	Manufacturing	31.99	–	Equity method	RMB568,800,000	No
Baowu Water	Shanghai, PRC	Shanghai, PRC	Water management	14.98	–	Equity method	RMB3,210,456,559	No
Baowu Finance	Shanghai, PRC	Shanghai, PRC	Monetary and financial services	22.36	–	Equity method	RMB4,840,000,000	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	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Current assets	3,204,504,973	3,907,551,172	3,274,898,932	3,569,182,636	4,995,243,685	5,303,433,535	19,826,280,938	35,570,140,043
Non-current assets	8,751,301,083	8,674,708,417	3,924,704,698	3,585,519,729	5,121,610,238	4,951,138,543	54,243,660,860	51,436,589,350
Total assets	11,955,806,056	12,582,259,589	7,199,603,630	7,154,702,365	10,116,853,923	10,254,572,078	74,069,941,798	87,006,729,393
Current liabilities	5,104,292,311	5,429,823,142	1,942,686,515	1,874,825,932	4,142,386,856	4,299,661,405	63,573,066,570	76,778,884,757
Non-current liabilities	2,273,758,544	2,342,760,315	1,001,954,592	1,003,249,418	1,239,875,667	1,234,022,371	32,097,888	60,751,941
Total liabilities	7,378,050,855	7,772,583,457	2,944,641,107	2,878,075,350	5,382,262,523	5,533,683,776	63,605,164,458	76,839,636,698
Net assets								
Non-controlling interests	1,290,671,152	1,389,681,567	862,200,966	862,200,966	458,440,071	453,422,960	-	-
Equity attributable to owners of the parent	3,287,084,049	3,419,994,565	3,392,761,557	3,414,426,049	4,276,151,329	4,267,465,342	10,464,777,340	10,167,092,695
Group's share of net assets	883,896,901	919,636,537	1,085,344,422	1,092,274,893	640,439,185	639,138,284	2,339,924,213	2,273,361,926
Adjustment	-	-	-	-	-	-	-	-
Add: Goodwill derived from acquiring investments	-	-	-	-	27,589,503	27,589,503	496,068,501	496,068,501
Less: Elimination of unrealised profit or loss on transactions with associates	-	-	-	-	-	-	-	-
Provision for impairment	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Carrying amount of interests in associates	883,896,901	919,636,537	1,085,344,422	1,092,274,893	668,028,688	666,727,787	2,835,992,714	2,769,430,427

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	
	For the	For the	For the	For the	For the	For the	For the	For the
	six months	six months	six months	six months	six months	six months	six months	six months
	ended 30 June	ended 30 June	ended 30 June	ended 30 June	ended 30 June	ended 30 June	ended 30 June	ended 30 June
	2024	2023	2024	2023	2024	2023	2024	2023
Revenue	6,325,610,950	5,922,855,111	1,442,986,637	1,662,623,027	2,588,516,774	2,871,387,968	863,151,568	225,185,793
Income tax expense	(14,229,040)	31,273,228	3,150,967	58,974,328	8,412,363	11,734,715	93,908,880	38,682,627
Net profit	(234,769,538)	15,880,828	(23,815,764)	(53,740,736)	15,175,053	26,079,216	290,752,225	102,618,043
Net profit from discontinued operations	-	-	-	-	-	-	-	-
Other comprehensive income	(2,866,167)	-	-	-	-	-	6,465,825	87,020,493
Total comprehensive income	(237,635,705)	15,880,828	(23,815,764)	(53,740,736)	15,175,053	26,079,216	297,218,050	189,638,536
Dividends received from associates during the year	-	7,200,000	-	-	-	-	-	-

Note1: As of 30 June 2024, 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.

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:

	30 June 2024	31 December 2023
Joint ventures:		
Aggregate carrying amount of investments	309,251,693	297,836,841
Associates:		
The carrying value of the Group's investments	1,319,202,558	1,297,918,146
	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Total shown as below (calculated according to the respective equity holding percentage)		
– Net profit	55,070,683	17,968,565
– Other comprehensive income	–	37,422
– Total comprehensive income	55,070,683	18,005,987

Note 1: As of 30 June 2024, 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 30 June 2024, 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 30 June 2024, 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	2,190,384	Deferred revenue
Subsidy for the hot-rolled 1580 project	985,673	Deferred revenue
New-zone Thermal Power Plant CCGP system engineering	1,060,182	Deferred revenue
EMU steel wheel production line project	1,098,176	Deferred revenue
Environmental subsidy funds for flue gas desulfurisation and 135 MW thermal power	283,448	Deferred revenue
Subsidy for a thin plate project	2,364,247	Deferred revenue
Environmental funds for desulfurisation project of 3rd iron plant's flue gas (BOT)	294,874	Deferred revenue
Alloy bar production line refinement project of electric furnace plant	740,953	Deferred revenue
Intelligent manufacturing special fund	682,607	Deferred revenue
1#2# shaft furnace flue gas desulfurization project	276,802	Deferred revenue
Research and innovation of high-quality plates	731,354	Deferred revenue
AD201617502 Comprehensive utilization project of steel slag treatment in Magang South District	219,752	Deferred revenue
Comprehensive utilization of gas for power generation of a thermal power plant	544,697	Deferred revenue
Subsidy for Maanshan railway industry (Maanshan)	1,040,144	Deferred revenue
Subsidy funds for 4# blast furnace project	4,306,530	Deferred revenue
Transformation of flue gas desulfurisation and denitrification of 3# sintering machine in the southern ironmaking area	109,887	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
Digital high-speed axle manufacturing inspection capabilities upgraded	164,835	Deferred revenue
Ironmaking plant 1#2# sintering machine transformation project	457,143	Deferred revenue
Fixed asset subsidies for galvanizing projects	452,760	Deferred revenue
Transformation of electrostatic precipitator for finished products of AB sintering machine and tail of the iron in the ironmaking plant	373,626	Deferred revenue
Transformation Project of Fugitive Emissions of Ironmaking General Plant (Phase I)	525,934	Deferred revenue
Plate spray aluminium powder project	36,183	Deferred revenue
Development and application research of efficient and economical building steel	895,723	Deferred revenue
Unorganised ultra-low emission transformation project of coal coking company of the coal coking company	659,341	Deferred revenue
Other grants related to assets	20,778,198	Deferred revenue
Financial Incremental Contribution Reward for Technological Transformation in 2022	75,895	Deferred revenue
Other grants related to income	1,031,429	Deferred revenue
Subsidies for specialized and sophisticated enterprises	377,700	Other income
Industry support policy incentives to promote Manufacturing upgrades	3,251,787	Other income
Subsidies for industrial internet	20,000,000	Other income
Government incentive fund	142,000	Other income
Other government grants	2,719,587	Other income
Total	68,871,851	

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	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Government grants amortised during the year included in deferred income	42,380,777	34,085,215
Government grants included in non-operating income	–	–
Government grants included in other income	26,491,074	18,371,718

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.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Credit risk (Continued)

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, 38% (31 December 2023: 33%).

For details of accounts receivable and other receivables, refer to Notes V.3 and 6.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Liquidity risk (Continued)

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) and the earliest date the Group can be required to pay:

Item	Contractual undiscounted cash flow as of 30 June 2024					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	11,507,348,674	-	-	-	-	11,507,348,674	11,411,183,263
Notes payable	8,832,039,090	-	-	-	-	8,832,039,090	8,832,039,090
Trade payables	12,949,421,007	-	-	-	-	12,949,421,007	12,949,421,007
Other payables	3,308,704,881	-	-	-	-	3,308,704,881	3,308,704,881
Non-current liabilities due							
within one year	2,960,645,513	-	-	-	-	2,960,645,513	2,901,997,666
Long-term loans	-	3,508,923,623	3,929,668,918	115,000,000	13,200,000	7,566,792,541	7,425,273,588
Lease liabilities	-	35,959,806	36,323,985	74,612,570	279,924,175	426,820,536	363,336,124
Long-term payables	-	52,964,036	-	-	-	52,964,036	52,964,036
Total	39,558,159,165	3,597,847,465	3,965,992,903	189,612,570	293,124,175	47,604,736,278	47,244,919,655

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
Other current liabilities							
- short-term debentures payable	509,750,000	-	-	-	-	509,750,000	506,463,889
Non-current liabilities due							
within one year	3,860,822,815	-	-	-	-	3,860,822,815	3,784,343,228
Long-term loans	-	4,791,218,938	2,066,758,542	58,104,580	13,200,000	6,929,282,060	6,799,686,232
Lease liabilities	-	39,556,394	39,296,852	66,966,868	330,727,236	476,547,350	361,507,890
Long-term payables	-	52,964,036	-	-	-	52,964,036	52,964,036
Total	39,092,060,943	4,883,739,368	2,106,055,394	125,071,448	343,927,236	46,550,854,389	46,147,000,355

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 the end of the period, the Group held the following interest-bearing financial instruments:*

Fixed rate instruments:

Item	30 June 2024		31 December 2023	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
– Cash and bank balances	0.20% – 3.79%	6,594,025,067	0.20% – 3.79%	5,569,797,722
Financial liabilities				
– Short-term loans	1.25% – 2.50%	11,084,390,751	1.25% – 2.50%	9,158,060,223
– Non-current liabilities due within one year	2.40% – 4.95%	155,608,274	2.40% – 4.95%	202,920,603
– Long-term loans	1.00% – 2.80%	390,842,264	1.00% – 2.80%	357,913,379
– Lease liabilities	4.20% – 4.95%	363,336,124	4.20% – 4.95%	361,507,890
Total		– (5,400,152,346)		– (4,510,604,373)

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)

(1) *As at the end of the period, the Group held the following interest-bearing financial instruments: (Continued)*

Variable rate instruments:

Item	30 June 2024		31 December 2023	
	Effective interest rate	Amounts	Effective interest rate	Amounts
Financial assets				
– Cash and bank balances	–	–	–	–
Financial liabilities				
– Short-term loans	2.50% – 2.60%	326,792,512	2.50% – 2.60%	270,000,000
– Non-current liabilities due within one year	2.30% – 3.20%	2,746,389,393	2.30% – 3.20%	3,581,422,625
– Long-term loans	2.30% – 2.60%	7,034,431,324	2.30% – 2.60%	6,441,772,853
Total		– (10,107,613,229)		– (10,293,195,478)

(2) *Sensitivity analysis*

As of 30 June 2024, 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 RMB155,077,656 (31 December 2023: RMB65,195,422), the net loss was increased by RMB155,077,656 (31 December 2023: the net profit was decreased by RMB65,195,422).

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

X. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

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.

(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.*

	30 June 2024		31 December 2023	
	Balance at foreign currency	Balance at RMB equivalent	Balance at foreign currency	Balance at RMB equivalent
Cash and bank balances				
– USD	66,914,347	476,885,172	78,068,800	552,937,889
– EUR	21,414,148	164,068,779	15,717,316	123,525,527
– AUD	41,082,603	195,758,601	33,151,556	160,732,005
– HKD	13,142,842	11,995,209	12,276,365	11,124,842
Trade receivables				
– EUR	23,007,439	176,276,093	29,340,571	230,593,418
– USD	32,291,258	230,133,335	19,450,389	137,761,267
– HKD	184,933,862	168,785,437	559,444,991	506,980,240
Other accounts receivable				
– EUR	373,240	2,860,112	21,602	169,775
– AUD	4,307	20,523	4,134	20,043
– HKD	181,443	165,599	181,443	164,427
Trade payables				
– EUR	–	–	225,700	1,773,821
– JPY	–	–	3,700,000	185,788
– HKD	30,653,928	27,977,227	328,911,716	296,086,327
Other payables				
– HKD	4,029,613	3,677,747	4,029,613	3,651,716
– EUR	118,092	904,789	10,309,705	81,026,033
– USD	–	–	1,276,928	9,044,095

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	
	30 June	31 December	30 June	31 December
	2024	2023	2024	2023
USD	7.1268	7.0454	7.1051	7.0827
EUR	7.6617	7.6425	7.7146	7.8592
HKD	0.9127	0.9002	0.9087	0.9062
AUD	4.7650	4.6919	4.7049	4.8484
JPY	0.0447	0.0050	0.0470	0.0050

(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 the end of the period 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
30 June 2024		
USD	(7,070,185)	(7,070,185)
EUR	(3,423,002)	(3,423,002)
HKD	(1,492,913)	(1,492,913)
AUD	(1,957,791)	(1,957,791)
Total	(13,943,891)	(13,943,891)
31 December 2023		
USD	(6,816,551)	(6,816,551)
EUR	(2,714,889)	(2,714,889)
HKD	(2,185,315)	(2,185,315)
AUD	(1,607,520)	(1,607,520)
JPY	1,858	1,858
Total	(13,322,417)	(13,322,417)

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)

(3) Sensitivity analysis

A 1% weakening of the Renminbi against the US dollar, Euro, Hong Kong dollar, Australian dollar and Japanese yen at 30 June 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	5,455,850,387	Partial derecognition	Bank credit rating
Discounted bills	Bank acceptance bills	5,028,397,539	Partial derecognition	Bank credit rating
Total	/	10,484,247,926	/	/

(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	5,350,256,506	–
Discounted bills	Discounted bills	4,257,782,145	46,890,244
Total	/	9,608,038,651	46,890,244

(3) Transferred financial assets with continuing involvement

As of 30 June 2024, the total amount not derecognised of the Group's endorsed and discounted bills was RMB876,209,275.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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.

1. Fair value of assets and liabilities measured at fair value at the end of the year

Item	Note	30 June 2024			Total
		Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Recurring fair value measurement					
Financing receivables	V.4	–	1,436,277,531	–	1,436,277,531
Other equity instrument investments	V.10	–	361,866,493	4,916,121	366,782,614

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.4	–	1,801,284,684	–	1,801,284,684
Other equity instrument investments	V.10	–	387,077,667	4,916,121	391,993,788

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XI. DISCLOSURE OF FAIR VALUE (CONTINUED)

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 June 2024.

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 30 June 2024 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 30 June 2024	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 2023	Valuation technique	Unobservable inputs	Scope/Weighted Average
Other equity instrument investments	4,916,121	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 period/year and that at the end of the period/year for items measured at recurring Level 3 fair value measurements:*

30 June 2024	Opening balance	Transfer into level 3	Total gains or losses for the period			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 period	
			Transfer out of level 3	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	4,916,121	-	-	-	-	-	-	-	-	-	4,916,121	-
Total	4,916,121	-	-	-	-	-	-	-	-	-	4,916,121	-

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 period/year and that at the end of the period/year for items measured at recurring Level 3 fair value measurements: (Continued)*

31 December 2023	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	
	Opening balance	Transfer into level 3	Transfer out of level 3	Gain 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	-
Total	94,347,591	-	-	-	3,348,595	-	-	(92,780,065)	-	4,916,121	-

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 period/year and that at the end of the period/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	30 June 2024	31 December 2023
Realised gains or losses included in profit or loss for the year		
– Investment income	–	–
Unrealised gains or losses included in profit or loss for the year	–	–
Total	–	–
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	–	3,348,595
– Changes in fair value of entity's own credit risk	–	–
Total	–	3,348,595

6. Reasons for transfers between different levels, and the policy about the timing of those transfers for recurring fair value measurements

As of 30 June 2024, 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

As of 30 June 2024, 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:

	30 June 2024		Fair value measurements as at 30 June 2024 categorised into		
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Long-term loans	7,425,273,588	7,418,446,710	–	7,418,446,710	–
Total	7,425,273,588	7,418,446,710	–	7,418,446,710	–

	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	–

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.

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 (Continued)

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 30 June 2024, the default risk for the long-term loans was evaluated as not significant.

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.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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

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. 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

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
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
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. 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

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
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
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

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
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
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

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
Masteel (Hefei) Industrial Water Supply Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Casting Corporation	Controlled by the ultimate controlling party
Shanghai Baosight Software Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Court Roller Surface Treatment Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Meishan Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party
Anhui Wanbao Mining Limited Co., Ltd.	Controlled by the ultimate controlling party
Baoshan Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party
Baowu Equipment Intelligent Technology Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Roll Science & Technology Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Engineering & Technology Co., Ltd.	Controlled by the ultimate controlling party
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

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
Baowu Huanke Maanshan Resource Utilization Co., Ltd.	Controlled by the ultimate controlling party
Maanshan Magang Mine Geotechnical Engineering Investigation United Company	Controlled by the ultimate controlling party
Nanjing Meishan Enterprise Development Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Engineering Institute	Controlled by the ultimate controlling party
Shanghai Ouyeel Material Technology Co., Ltd.	Controlled by the ultimate controlling party
Ouyeel Cloud Commerce Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Resources International Company Limited	Controlled by the ultimate controlling party
Shanghai Jinyi Inspection Technology Co., Ltd.	Controlled by the ultimate controlling party
Howa Trading Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Stainless Steel Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	Controlled by the ultimate controlling party
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

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
WISCO MCC Industrial Technology Service Co., Ltd.	Controlled by the ultimate controlling party
Taiyuan Iron & Steel (Group) Co., Ltd.	Controlled by the ultimate controlling party
Wugang Group Co., Ltd.	Controlled by the ultimate controlling party
Wuhu Veisko Material Technology Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Baosteel Huazhong Trade Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Weishike Steel Processing and Distribution Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Steel Group Logistics Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Development Co., Ltd.	Controlled by the ultimate controlling party
Hubei Metallurgical Material Analysis and Testing Center Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Ouye Logistics Co., Ltd.	Controlled by the ultimate controlling party
Guangzhou Baosteel Southern Trading Co., Ltd.	Controlled by the ultimate controlling party
Shenyang Baosteel Northeast Trading Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baosteel Trading Co., Ltd.	Controlled by the ultimate controlling party
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

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
Qingdao Bao-Mit Steel Distribution Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baohua International Tendering Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Middle East Fze	Controlled by the ultimate controlling party
Chengdu (Taigang) Sales Co., Ltd.	Controlled by the ultimate controlling party
Hefei Bao Real Estate City Development Co., Ltd.	Controlled by the ultimate controlling party
Anhui Baosteel Steel Distribution Co., Ltd.	Controlled by the ultimate controlling party
Baowu Huanke Nanjing Resources Utilization Co., Ltd.	Controlled by the ultimate controlling party
Chongqing Baosteel Auto Steel Parts Co., Ltd.	Controlled by the ultimate controlling party
Baosteel Construction Co.	Controlled by the ultimate controlling party
Baosteel Special Metals Co., Ltd.	Controlled by the ultimate controlling party
Chengdu Baosteel Auto Steel Parts Processing & Distribution Co., Ltd.	Controlled by the ultimate controlling party
Shanghai Baodi Yangpu Real Estate Development Co., Ltd.	Controlled by the ultimate controlling party
Wuhan Wugang Jiangbei Group Co., Ltd.	Controlled by the ultimate controlling party
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

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
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
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

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 Engineering Technology Co., Ltd.	Associate of the ultimate controlling party
Maanshan Gangchen Industrial Co., Ltd.	Associate of the ultimate controlling party
Taicang Wugang Wharf Co., Ltd.	Associate of the ultimate controlling party
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	Associate of the ultimate controlling party
Qinghai Kaiyuan Metal Material Co., Ltd.	Associate of the ultimate controlling party
Shanghai Baosteel Engineering Consulting Co., Ltd.	Associate of the ultimate controlling party
Shanghai Baoneng Information Technology Co., Ltd.	Associate of the ultimate controlling party
MCC South Wuhan Engineering Consulting Management Co., Ltd.	Associate of the ultimate controlling party
CIMC Baochuang (Wuxi) Steel Processing Co., Ltd.	Associate of the ultimate controlling party
Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd.	Associate of the ultimate controlling party
Yuxi Xinxing Steel Co., Ltd.	Associate of the ultimate controlling party
Changzhou Baoling Heavy Industry Machinery Co., Ltd.	Associate of the ultimate controlling party
Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	Associate of the ultimate controlling party
Wuhan Baozhang Automotive Steel Parts Co., Ltd.	Associate of the ultimate controlling party

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	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Anhui Masteel Mining Resources Group Co., Ltd.*	Purchases of ore	2,729,026,331	2,077,062,345
Baosteel Resources Holdings (Shanghai) Co., Ltd.*	Purchases of ore	832,436,437	1,474,019,826
Baowu Raw Material Supply Co., Ltd.*	Purchases of ore	2,749,428,592	1,127,619,620
Ma Steel International Trade and Economic Co., Ltd. Economic Co., Ltd.*	Purchases of ore	660,449,369	483,324,868
BAOSTEEL RESOURCES INTERNATIONAL COMPANY*	Purchases of ore	769,282,844	466,573,022
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group*	Purchases of ore	306,673,331	402,603,611
Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited*	Purchases of ore	532,928,358	316,153,863
Anhui Qingyang Baohong MINING&RESOURCE Co., Ltd.	Purchases of ore	–	32,143,094
Qinghai Kaiyuan Metal Material Co., Ltd.*	Purchases of ore	–	17,688,565
BAOSTEEL RESOURCES SINGAPORE COMPANY PTE. LTD.*	Purchases of ore	4,340,526	11,336,787

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)*

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Baoshan Iron & Steel Co., Ltd.*	Purchases of ore	91,565	9,720,427
Ruitai Masteel New Material Technology Co., Ltd.*	Purchases of ore	–	3,563,195
Anhui Wanbao Mining Limited Co., Ltd.*	Purchases of ore	–	2,705,688
Shanghai Baochangran Energy Development Co., Ltd.*	Purchases of ore	–	2,695,723
Maanshan Shenma Metallurgical Co., Ltd	Purchases of ore	–	2,168,241
Taicang Wugang Wharf Co., Ltd.	Purchases of ore	–	1,360,513
Sinosteel International Trading Co., Ltd.*	Purchases of ore	403,049	–
Ouyeel Blockchain Finance*	Procurement agency services	–	57,013
Ma Steel International Trade and Economic Co., Ltd.*	Procurement agency services	4,670,586	4,581,519
OBEI Co., Ltd.*	Procurement agency services	57,781,142	–
Magang (Group) Logistics Co., Ltd.*	Purchase services ∙ logistics and other services	616,465,630	631,391,698
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.	Purchase services ∙ logistics and other services	312,851,961	361,923,687
Baowu Water Technology Co., Ltd.*	Purchase services ∙ logistics and other services	309,187,556	295,785,704

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)*

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Anhui Masteel Equipment Maintenance Co., Ltd.*	Purchase services ∙ logistics and other services	284,554,147	264,181,105
Anhui Masteel Holly Industrial Co., Ltd.*	Purchase services ∙ logistics and other services	231,998,846	256,796,947
Masteel Heavy Machinery Manufacturing Co., Ltd.*	Purchase services ∙ logistics and other services	227,503,982	240,089,268
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.*	Purchase services ∙ logistics and other services	240,699,964	191,089,853
Anhui Baoxin Software Co., Ltd.*	Purchase services ∙ logistics and other services	94,673,339	138,187,190
Baowu Huanke Maanshan Resource Utilization Co., Ltd.*	Purchase services ∙ logistics and other services	128,646,965	81,499,115
Magang (Group) Holding Company Limited*	Purchase services ∙ logistics and other services	44,553,389	69,810,364
Shanghai Baosight Software Co., Ltd.*	Purchase services ∙ logistics and other services	47,439,506	58,526,464
Anhui Masteel Surface Engineering Technology Co., Ltd.*	Purchase services ∙ logistics and other services	32,363,371	58,375,344

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)*

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Anhui Zhonglian Shipping Co., Ltd.*	Purchase services ∙ logistics and other services	24,641,598	51,238,811
Masteel Transportation Equipment Manufacturing Co., Ltd.*	Purchase services ∙ logistics and other services	50,851,225	50,437,567
Zhejiang Zhoushan Wugang Terminal Co., Limited*	Purchase services ∙ logistics and other services	25,115,402	24,269,226
Maanshan Xinchuangbaineng Energy Technology Co., Ltd.*	Purchase services ∙ logistics and other services	–	23,432,460
Shanghai Ouyeel Material Technology Co., Ltd.*	Purchase services ∙ logistics and other services	–	21,876,110
Baowu Equipment Intelligent Technology Co., Ltd.*	Purchase services ∙ logistics and other services	1,519,780	15,433,250
Shanghai Jinyi Inspection Technology Co., Ltd.*	Purchase services ∙ logistics and other services	15,677,200	14,309,454
Sinosteel Xingtai Mechanical Rolling Co., Ltd.*	Purchase services ∙ logistics and other services	1,767,686	11,264,396
Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	Purchase services ∙ logistics and other services	3,382,018	9,053,890

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)*

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.*	Purchase services ∙ logistics and other services	6,654,868	8,356,552
Baowu Heavy Industry Co., Ltd.*	Purchase services ∙ logistics and other services	–	6,145,802
Ruitai Masteel New Material Technology Co., Ltd.*	Purchase services ∙ logistics and other services	5,025,793	1,766,102
Masteel Group Design and Research Institute Co., Ltd.*	Purchase services ∙ logistics and other services	–	1,146,155
Ma Steel International Trade and Economic Co., Ltd.*	Purchase services ∙ logistics and other services	4,720,034	1,126,686
China Baowu Steel Group Co., Ltd.*	Purchase services ∙ logistics and other services	26,515	678,612
Maanshan Masteel Electric Repair Co., Ltd.*	Purchase services ∙ logistics and other services	9,584,206	183,641
Baoshan Iron & Steel Co., Ltd.*	Purchase services ∙ logistics and other services	720,160	38,377
Nanjing Meishan Enterprise Development Co., Ltd.*	Purchase services ∙ logistics and other services	25,264,741	–

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)

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Others*	Purchase services of logistics and other services	86,466,814	96,455,303
BAOSTEEL RESOURCES INTERNATIONAL COMPANY*	Paid rental expenses to related parties	–	420,940
Magang (Group) Holding Company Limited Assets Management Company*	Paid rental expenses to related parties	13,207,581	16,997,400
Anhui Maanshan Iron & Steel Mining Resources Group Gushan Mining Co., Ltd.*	Paid rental expenses to related parties	–	264,151
Masteel Group Design and Research Institute Co., Ltd.*	Purchases of fixed assets and construction services	118,792,555	354,991,009
MCC South Continuous Casting Technology Engineering Co., Ltd.*	Purchases of fixed assets and construction services	–	147,498,814
Shanghai Baosight Software Co., Ltd.*	Purchases of fixed assets and construction services	133,713,137	143,172,795
MCC South Engineering Technology Co., Ltd.*	Purchases of fixed assets and construction services	–	111,242,553
Baowu Heavy Industry Co., Ltd.*	Purchases of fixed assets and construction services	86,154,941	76,231,079
Shanghai Baosteel Engineering & Technology Co., Ltd.*	Purchases of fixed assets and construction services	23,980,518	62,855,543

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)*

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Anhui Masteel Equipment Maintenance Co., Ltd.*	Purchases of fixed assets and construction services	21,071,553	59,227,132
Baowu Equipment Intelligent Technology Co., Ltd.*	Purchases of fixed assets and construction services	4,193,833	28,692,170
Maanshan Iron Construction Group Co., Ltd.*	Purchases of fixed assets and construction services	–	12,357,470
Anhui Magang Limin Construction and Installation Co., Ltd.*	Purchases of fixed assets and construction services	2,560,309	6,493,532
Maanshan Jiahua Commodity Concrete Co., Ltd.*	Purchases of fixed assets and construction services	–	5,499,921
Masteel Transportation Equipment Manufacturing Co., Ltd.*	Purchases of fixed assets and construction services	–	5,152,958
Anhui Masteel Surface Engineering Technology Co., Ltd.*	Purchases of fixed assets and construction services	798,754	1,180,000
Others*	Purchases of fixed assets and construction services	28,260,547	21,986,133
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd.*	Purchases of products from related parties	2,152,621,763	4,534,600,699
OBEI Co., Ltd.*	Purchases of products from related parties	50,496,280	2,391,446,906

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)

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Anhui Masteel Gas Technology Co., Ltd.*	Purchases of products from related parties	435,751,035	418,994,552
Maanshan BOC-Ma Steel Gases Company Limited*	Purchases of products from related parties	232,820,419	243,209,595
Shanxi Taigang Stainless Steel Co., Ltd.*	Purchases of products from related parties	21,679,371	30,192,390
Anhui Magang Chemicals & Energy Technology Co., Ltd.*	Purchases of products from related parties	1,416,947	1,176,925
Ruitai Masteel New Material Technology Co., Ltd.*	Purchases of products from related parties	538,499,850	–
Jiangsu Menglida Technology Development Co., Ltd.*	Purchases of products from related parties	142,484,105	–
Henan JinMa Energy Co., Ltd.	Purchases of products from related parties	272,575,323	–
Others*	Purchases of products from related parties	201,194,496	–
Magang (Group) Holding Company Limited*	Interest paid	–	14,598,357
Magang (Group) Investment Co., Ltd.*	Interest paid	–	3,849,691
Masteel Group Kang Tai Land Development Co., Ltd.*	Interest paid	–	2,318,924
Maanshan BOC-Ma Steel Gases Company Limited*	Interest paid	–	1,793,922
Anhui Masteel Zhang Zhuang Mining Co., Ltd.*	Interest paid	–	1,630,019
Anhui Masteel Luo He Mining Co., Ltd.*	Interest paid	–	1,615,415

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)*

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Anhui Masteel Mining Resources Group Co., Ltd.*	Interest paid	–	1,570,345
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd.*	Interest paid	–	911,013
Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.*	Interest paid	–	1,043,106
Magang (Group) Logistics Co., Ltd.*	Interest paid	–	739,714
Baowu Heavy Industry Co., Ltd.*	Interest paid	–	676,717
Anhui Masteel Surface Engineering Technology Co., Ltd.*	Interest paid	–	657,377
Baowu Heavy Industry Co., Ltd. 鋼結構工程分公司*	Interest paid	–	529,557
Anhui Masteel Holly Industrial Co., Ltd.*	Interest paid	–	409,556
Ma Steel International Trade and Economic Co., Ltd.*	Interest paid	–	394,334
Masteel Heavy Machinery Manufacturing Co., Ltd.*	Interest paid	–	360,655

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)*

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Magang (Group) Holding Company Limited Assets Management Company*	Interest paid	–	354,350
Anhui Maanshan Iron & Steel Mining Resources Group Building Materials Technology Co., Ltd.*	Interest paid	–	305,851
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.	Interest paid	–	30,716
Anhui Magang Chemicals & Energy Technology Co., Ltd.*	Interest paid	–	131,249
馬鞍山晨馬氫能源科技有限公司*	Interest paid	–	92,618
Anhui Masteel Gas Technology Co., Ltd.*	Interest paid	–	13
其他*	Interest paid	–	2,377,076
Baowu Group Finance Co., Ltd.*	Interest paid	33,196,452	12,778,014

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	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Ma Steel (Guangzhou) Processing and Distribution Co., Ltd.*	Sales of steel products	846,886,303	679,359,383
Shanghai Ouyeel Material Technology Co., Ltd.*	Sales of steel products	463,550,132	703,063,550
Ma Steel (Jinhua) Processing and Distribution Co., Ltd.*	Sales of steel products	453,146,942	429,547,912
Maanshan Gangchen Steel Supply Chain Co., Ltd.	Sales of steel products	226,625,576	–
Masteel Heavy Machinery Manufacturing Co., Ltd.	Sales of steel products	188,778,324	3,277,034
Shanghai Baosteel Trading Co., Ltd.*	Sales of steel products	176,210,862	14,127,478
Magang (Group) Logistics Co., Ltd. *	Sales of steel products	90,080,747	36,732,919
Anhui Masteel Holly Industrial Co., Ltd. *	Sales of steel products	60,669,588	43,292,771
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.	Sales of steel products	55,870,541	–
Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	Sales of steel products	41,599,730	
Baowu Huanke Maanshan Resource Utilization Co., Ltd.	Sales of steel products	24,435,031	8,965,748
Changchun Baoyou Jiefang Steel Processing & Distribution Co. Ltd.*	Sales of steel products	19,144,758	15,783,243

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)

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Sinosteel Equipment Technology Co., Ltd.*	Sales of steel products	10,895,230	–
Dongguan Baosteel Special Steel Processing and Distribution Co., Ltd.*	Sales of steel products	8,536,857	–
Baowu Special Metallurgy (Ma'anshan) High Gold Technology Co., Ltd.	Sales of steel products	7,591,048	–
OBEI Co., Ltd.*	Sales of steel products	6,437,907	36,297,447
Baosteel Metals Co., Ltd.*	Sales of steel products	2,708,549	–
Baosteel Special Metals Co., Ltd.*	Sales of steel products	2,496,055	2,349,877
Baosteel Europe Co., Ltd.	Sales of steel products	1,948,405	–
Sinosteel Zhengzhou Metal Products Research Institute Co. Ltd.*	Sales of steel products	1,478,481	11,130,787
Yuxi Xinxing Steel Co., Ltd.*	Sales of steel product	–	534,466,645
Baowu Heavy Industry Co., Ltd.*	Sales of steel product	–	222,105,463
Shanghai Baosteel Engineering & Technology Co., Ltd.*	Sales of steel product	–	6,663,286
Masteel Group Kang Tai Land Development Co., Ltd.*	Sales of steel product	–	5,770,229
Others*	Sales of steel product	3,644,662	4,835,132
Anhui Magang Chemicals & Energy Technology Co., Ltd.*	Sales of goods	676,052,288	586,180,358
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.*	Sales of goods	322,464,660	–

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)

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Ma Steel International Trade and Economic Co., Ltd.*	Sales of goods	300,168,107	400,373,338
Anhui Masteel Gas Technology Co., Ltd.*	Sales of goods	214,307,518	226,858,418
Baowu Huanke Maanshan Resource Utilization Co., Ltd.*	Sales of goods	207,985,706	381,416,701
Baowu Water Technology Co., Ltd.	Sales of goods	107,480,447	6,000
Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited*	Sales of goods	101,099,907	12,236,455
Baowu Special Metallurgy (Ma'anshan) High-tech Gold Co., Ltd.	Sales of goods	32,674,410	–
Masteel Heavy Machinery Manufacturing Co., Ltd.	Sales of goods	23,523,628	10,550
Ma Steel Powder Metallurgy Co., Ltd.	Sales of goods	20,795,402	–
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	Sales of goods	8,240,020	–
Anhui Masteel Surface Engineering Technology Co., Ltd.	Sales of goods	2,088,184	–

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)

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd.*	Sales of goods	274,859	55,001,234
Shanghai Ouye Purchasing Information Technology Co., Ltd. *	Sales of goods	–	2,184,764
Sinosteel Equipment Technology Co., Ltd.*	Sales of goods	–	2,018,439
Others*	Sales of goods	9,864,888	3,776,626
Ezhou Pelletizing Co., Ltd. of WISCO Resources Group*	Supply of utilities, services, disposal of intangible assets and sale other goods	2,363,422	–
Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited *	Supply of utilities, services, disposal of intangible assets and sale other goods	1,027,295	93,219,715
Maanshan Limin Metallurgical Solid Waste Comprehensive Utilization Technology Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	260,746	218,917
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	164,562	250,955,866
Anhui Magang Chemicals & Energy Technology Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	15,849	17,760,084

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)

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Baowu Water Technology Co., Ltd. *	Supply of utilities, services, disposal of intangible assets and sale other goods	8,100	106,367,048
Ma Steel (Hefei) Industrial Water Supply Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	3,761	4,638,264
Anhui Masteel Surface Engineering Technology Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	377	2,129,918
Baowu Huanke Maanshan Resource Utilization Co., Ltd. *	Supply of utilities, services, disposal of intangible assets and sale other goods	–	46,674,676
Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	–	23,860,056
Masteel Heavy Machinery Manufacturing Co., Ltd. *	Supply of utilities, services, disposal of intangible assets and sale other goods	–	23,705,577
Ma Steel Powder Metallurgy Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	–	20,730,171

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)

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Ma-Steel OCI Chemical Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	–	11,676,026
Anhui Masteel Equipment Maintenance Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	–	1,041,426
Masteel Transportation Equipment Manufacturing Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	–	812,728
Shanghai Ouyeel Material Technology Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	–	207,101
Maanshan Jiahua Commodity Concrete Co., Ltd.*	Supply of utilities, services, disposal of intangible assets and sale other goods	–	95,091
Others*	Supply of utilities, services, disposal of intangible assets and sale other goods	718,689	7,401,275
Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited	Sale of fixed assets	–	218,606,425
Baowu Group Finance Co., Ltd.*	Financial service	18,206,605.16	21,770,000

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)

The Group (Continued)

Related parties	Nature of transaction	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Magang (Group) Holding Company Limited *	Financial service	–	2,550,000
Ouyeel Blockchain Finance and Metal Recycling Resource Co., Ltd.*	Financial service	–	1,733,403
Anhui Masteel Mining Resources Group Co., Ltd.*	Financial service	–	1,472,500
Anhui Magang Limin Construction and Installation Co., Ltd. *	Financial service	–	933,736
Yichang Yimei Urban Mineral Resources Recycling Co., Ltd.*	Financial service	–	450,333
Anhui BRC & Masteel Weldmesh Co., Ltd.*	Financial service	–	84,375
Others*	Financial service	–	2,906,430
Maanshan Gangchen Industrial Co., Ltd.	Sales of goods or services	391,506,532	661,967,762
Maanshan BOC-Ma Steel Gases Company Limited	Sales of goods or services	143,664,519	135,189,074
Anhui Keda Intelligent Energy Technology Co., Ltd.	Sales of goods or services	14,143,215	14,040,224
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd.	Sales of goods or services	8,958,447	54,024,294
Henan JinMa Energy Co., Ltd.	Sales of goods or services	203,556	150,500

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 the six months ended 30 June 2024	Lease income recognized for the six months ended 30 June 2023
Maanshan BOC-Ma Steel Gases Company Limited	Land lease	–	625,000
Magang Jiahua Commercial Concrete	Land lease	129,083	–
Masteel Gases *	Property lease	4,426,506	4,176,376
Total		4,555,589	4,801,376

(b) As the lessee

The Group

Name of lessor	Type of assets leased	Lease income recognized for the six months ended 30 June 2024	Lease income recognized for the six months ended 30 June 2023
The Holding *	Plant and buildings	6,863,635	8,742,074
BAOSTEEL RESOURCES INTERNATIONAL COMPANY	Plant and buildings	435,918	–
Total		7,299,553	8,742,074

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*

The Group and the Company as the guarantor

For the six months ended 30 June 2024

The Group has not provided guarantees for related for the six months ended 30 June 2024. 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 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.

The Group and the Company as the guarantor

For the six months ended 30 June 2024

The Company had no guarantees as a guaranteed party.

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.

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)

(5) 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 30 June 2024, the balance of the Group's deposits with Baowu Finance was RMB1,465,578,302.

(6) 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.

6. Unsettled items, including receivables from and payables to related parties

(1) Receivables from related parties

The Group

Item	Related parties	30 June 2024		31 December 2023	
		Carrying amount	Provision	Carrying amount	Provision
Trade receivables	Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.	211,837,789	2,118,378	175,832,379	1,758,324
	Maanshan Limin Spark Metallurgical Slag Environmental Protection Technology Development Co., Ltd.	33,396,163	18,501,771	50,601,913	46,826,477
	Baowu Huanke Maanshan Resource Utilization Co., Ltd.	168,570	1,686	13,292,342	132,923
	Ma Steel Powder Metallurgy Co., Ltd.	22,271,569	222,716	18,819,535	188,195
	OBEI Co., Ltd.	–	–	12,571,935	127,246
	Masteel Heavy Machinery Manufacturing Co., Ltd.	12,420,959	137,117	15,903,272	162,906

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)

The Group (Continued)

Item	Related parties	30 June 2024		31 December 2023	
		Carrying amount	Provision	Carrying amount	Provision
	Baowu Water Technology Co., Ltd.	-	-	49,951,875	499,519
	Shanghai Baosteel Trading Co., Ltd.	29,514,255	295,143	24,631,011	246,310
	Ma-Steel OCI Chemical Co., Ltd.	2,535,825	25,358	2,744,889	27,449
	Anhui Keda Intelligent Energy Technology Co., Ltd.	2,808,514	28,085	3,071,663	30,717
	Maanshan Iron & Steel (Hefei) Industrial Water Supply Co., Ltd.	-	-	2,477,174	24,772
	Masteel K. Wah	16,541,312	165,413	1,852,232	18,522
	Anhui Masteel Surface Engineering Technology Co., Ltd.	105,490	1,055	1,356,102	13,561
	Baosteel Special Metals Co., Ltd.	1,616,690	16,167	1,247,072	12,471
	Anhui Masteel Equipment Maintenance Co, Ltd.	-	-	663,582	89,953
	Anhui Baoxin Software Co., Ltd.	2,112,292	1,128,996	2,221,822	1,066,189
	Magang (Group) Holding Company Limited	-	-	29,074	29,074
	China Railway Materials Total East China Resources Technology Co., Ltd.	18,367	184	34,076	341
	Magang (Group) Logistics Co., Ltd.	739,129	8,147	-	-
	Baosteel Metals Co., Ltd.	766,012	7,660	318,764	3,188
	Maanshan Limin Metallurgical Solid Waste Comprehensive Utilization Technology Co., Ltd.	3,708	37	311,320	3,113
	Anhui Masteel Gas Technology Co., Ltd.	671,893	6,719	-	-
	Anhui Baochang United Roll Co., Ltd.	1,865,759	18,658	1,435,378	14,354

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)

The Group (Continued)

Item	Related parties	30 June 2024		31 December 2023	
		Carrying amount	Provision	Carrying amount	Provision
	Anhui Maanshan Iron & Steel Mining Resources Group Nanshan Mining Co., Ltd.	303,368	3,034	303,368	3,034
	Maanshan Bo Li Construction Supervising Co.,Ltd.	–	–	181,260	11,480
	Sinosteel Zhengzhou Metal Products Research Institute Co. Ltd.	6,609,088	66,091	17,991,112	179,911
	Shanghai Ouye Purchasing Information Technology Co., Ltd.	2,929,823	399,616	5,592,603	55,926
	Sinosteel Zhengzhou Metal Products Research Institute Co., Ltd. Maanshan Branch	96,628	966	175,733	1,757
	Maanshan Jiahua Commodity Concrete Co., Ltd.	143,065	1,431	132,719	1,327
	Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited	–	–	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.	789,192	7,892	3,345,372	33,454
	Others	45,215,664	465,633	10,006,629	100,146
	Sub-total	395,481,124	23,627,953	538,100,177	52,872,679

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)

The Group (Continued)

Item	Related parties	30 June 2024		31 December 2023	
		Carrying amount	Provision	Carrying amount	Provision
Prepayments	Shanghai Baosight Software Co.,Ltd.	-	-	6,353	-
	Bsteel Online Co., Ltd.	940,721	-	670,713	-
	Shanghai MA Steel International Trade Company Limited	9,450,650	-	9,450,650	-
	Wuhan Iron & Steel Group Echeng Iron & Steel Co., Ltd.	1,783,387	-	1,783,387	-
	Shanghai Ouyeel Material Technology Co., Ltd.	-	-	990,766	-
	Magang (Group) Logistics Co., Ltd.	-	-	4,392,978	-
	Shanxi Taigang Stainless Steel Co., Ltd.	96,494	-	23,174,586	-
	Wuhan Baozhang Automotive Steel Parts Co., Ltd.	15,901	-	35,143	-
	Masteel Group Kang Tai Land Development Co., Ltd.	923,926	-	923,926	-
	Baosteel Resources International Company Limited	24,760,503	-	-	-
	Others entities controlled by the Holding	7,928	-	19,849	-
	Others companies controlled by the ultimate controlling party	1,964,535	-	1,869,136	-
	Sub-total	39,944,045	-	43,317,487	-

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)

The Group (Continued)

Item	Related parties	30 June 2024		31 December 2023	
		Carrying amount	Provision	Carrying amount	Provision
Other receivables	Baowu Heavy Industry Co., Ltd.	1,775,993	195,359	1,775,993	122,710
	Masteel Group Kang Tai Land Development Co., Ltd.	2,035,509	223,906	2,035,509	223,906
	Magang (Group) Holding Company Limited	–	–	120,000	120,000
	Masteel Group Design and Research Institute Co., Ltd.	24,197	242	76,557	766
	Shanghai Ouyeel Material Technology Co., Ltd.	8,341	83	8,341	83
	Shanghai Baodi Yangpu Real Estate Development Co., Ltd.	5,219	574	5,219	574
	Taiyuan Iron & Steel (Group) Co., Ltd.	2,000	220	2,000	220
	Wuhan Wugang Jiangbei Group Co., Ltd.	700	77	700	77
	Anhui Masteel Equipment Maintenance Co, Ltd.	566,808	5,668	566,808	5,668
	Magang (Group) Logistics Co., Ltd.	–	–	6,700,109	67,001
	Shanghai Meishan Iron & Steel Co., Ltd.	515,280	5,153	515,280	5,153
	Sinosteel Engineering Design & Research Institute Co., Ltd.	1,428,036	14,280	1,428,036	14,280
	Sinosteel Futures Co., Ltd.	32,146,128	–	–	–
	Others	124,591	1,246	55,050	550
	Sub-total	38,632,802	446,808	13,289,602	560,988

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)

The Group (Continued)

Item	Related parties	30 June 2024		31 December 2023	
		Carrying amount	Provision	Carrying amount	Provision
Notes receivable	Magang (Group) Logistics Co., Ltd.	57,149,864	–	37,382,236	–
	Maanshan Steel Chen Special Steel Supply Chain Co., Ltd.	–	–	346,497	–
	OBEI Co., Ltd.	19,906,103	–	–	–
	Ma Steel (Guangzhou) Processing and Distribution Co., Ltd.	–	–	1,177,638	–
	Masteel Heavy Machinery Manufacturing Co., Ltd.	77,507,012	–	29,530,000	–
	Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	13,058,016	–	–	–
	Baosteel Construction Co., Ltd.	13,633,474	–	–	–
	Shanxi Taigang Stainless Steel Co., Ltd.	37,589,055	–	–	–
	Wuhan Yangguang Industrial Co., Ltd. Resource Recycling Technology Branch	13,984,500	–	–	–
	Wuhan Iron and Steel Co., Ltd.	22,940,890	–	–	–
	Others	38,387,104	–	–	–
	Sub-total		294,156,018	–	68,436,371

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)

The Group (Continued)

Item	Related parties	30 June 2024		31 December 2023	
		Carrying amount	Provision	Carrying amount	Provision
Financing receivables	Ma Steel (Guangzhou) Processing and Distribution Co., Ltd.	11,758,336	–	27,205,106	–
	Ma Steel (Jinhua) Processing and Distribution Co., Ltd.	15,550,750	–	34,220,731	–
	Shanghai Ouyeel Material Technology Co., Ltd.	17,075,560	–	–	–
	Bsteel Online Co., Ltd.	865,390	–	5,170,929	–
	Anhui BRC & Masteel Weldmesh Co., Ltd.	–	–	500,000	–
	Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	–	–	1,900,000	–
	Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	9,216,622	–	–	–
	Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited	17,598,577	–	–	–
	Others	9,013,315	–	–	–
	Sub-total	81,078,550	–	68,996,766	–

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	30 June 2024	31 December 2023
Trade payables	OBEI Co., Ltd.	2,380,634,355	1,903,593,084
	Baosteel Resources Holdings (Shanghai) Co., Ltd.	315,487,250	720,938,738
	Anhui Masteel Mining Resources Group Co., Ltd.	1,335,278,342	786,738,228
	Masteel Chengxing Metal Resources Co. Ltd.	423,834,785	417,494,794
	Dongfang Futong Information Technology Co., Ltd.	–	760,000
	Masteel Group Design and Research Institute Co., Ltd.	249,646,548	352,784,703
	Ma Steel International Trade and Economic Co., Ltd.	483,632,971	323,555,931
	Shanghai Baosight Software Co., Ltd.	207,470,529	151,205,098
	Magang (Group) Logistics Co., Ltd.	73,499,453	76,745,394
	MCC South Engineering Technology Co., Ltd.	3,559,800	25,087,111
	MCC South Continuous Casting Technology Engineering Co., Ltd.	31,286,280	34,656,769
	Baowu Heavy Industry Co., Ltd.	160,674,564	247,880,154
	Masteel Lihua Metal Resources Co., Ltd.	215,814,800	160,420,908
	Masteel Heavy Machinery Manufacturing Co., Ltd.	18,435,215	54,384,404
	Anhui Baoxin Software Co., Ltd.	67,551,746	69,748,985
	Anhui Masteel Equipment Maintenance Co, Ltd.	66,367,451	57,409,590
	Anhui Masteel Surface Engineering Technology Co., Ltd.	45,676,085	52,958,322
	Shanghai Baosteel Engineering & Technology Co., Ltd.	30,974,686	64,916,974

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
	Anhui Masteel Gas Technology Co., Ltd.	30,951	26,645
	Anhui Masteel Holly Industrial Co., Ltd.	18,356,155	31,845,481
	Baoshan Iron & Steel Co., Ltd.	3,226,130	13,639,354
	Maanshan BOC-Ma Steel Gases Company Limited	12,533,511	15,317,359
	Baowu Equipment Intelligent Technology Co., Ltd.	14,405,869	31,109,511
Trade payables	Masteel Transportation Equipment Manufacturing Co., Ltd.	10,701,185	7,392,438
	Anhui Maanshan Iron & Steel Metallurgical Industry Technical Service Co., Ltd.	29,099,192	14,463,688
	Ruitai Masteel New Material Technology Co., Ltd.	13,789,742	12,649,844
	Maanshan Shenma Metallurgical Co., Ltd.	–	18,301,188
	Wuhan Guide Electric Co., Ltd.	1,773,490	1,821,200
	Maanshan Iron Construction Group Co., Ltd.	7,362,265	13,112,182
	Anhui Zhonglian Shipping Co., Ltd.	1,289,152	12,028,045
	Baowu Water Technology Co., Ltd.	10,376,530	17,555,425
	Shanghai Baosteel Engineering Consulting Co., Ltd.	5,138,286	3,204,042
	Henan JinMa Energy Co., Ltd.	18,686,554	9,654
	Anhui Masteel Mining Resources Group Taochong Mining Co., Ltd.	1,641,493	1,703,429
	Maanshan Steel Chen Special Steel Supply Chain Co., Ltd.	879,572	2,304,214
	Shanghai Baoneng Information Technology Co., Ltd.	6,403,864	2,154,744

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
	Magang (Group) Holding Company Limited	346,304	30,000
	Changzhou Baoling Heavy Industry Machinery Co., Ltd.	489,968	26,668
	Maanshan Gangchen Industrial Co., Ltd.	187,800	187,800
	Masteel Automobile Transportation Service Co., Ltd.	150,704	150,704
	Jiangsu Gongchang Roll Joint Stock Co., Ltd.	482,800	3,397
	Taicang Wugang Wharf Co., Ltd.	–	3,211,803
	Shenglong Chemical Co., Ltd.	474	8,781,054
	Baowu Raw Material Supply Co., Ltd.	49,764,613	99,670,050
	Shanghai Baosteel Engineering & Technology Co., Ltd.	14,459,250	51,836,500
	Guangdong Shaogang Construction Company	–	7,077,915
	Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	52,166,431	79,311,373
	Zhejiang Zhoushan Wugang Terminal Co., Limited	23,808,032	16,753,730
	Beijing Bestpower Bluesky Engineering Co., Ltd.	7,730,266	9,556,851
	Henan Zhongping Energy Supply Chain Management Co., Ltd.	5,115,925	20,744,504
	Jiangsu Menglida Technology Development Co., Ltd.	2,436,776	55,095,590
	Sinosteel Maanshan General Institute of Mining Research Co., Ltd.	8,087,660	12,858,280
	Sinosteel Xingtai Mechanical Rolling Co., Ltd.	5,896,395	7,479,280

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
	Sinosteel Xi'an Machinery Co., Ltd.	3,777,065	6,846,006
	Other entities controlled by the ultimate controlling party	35,912,850	63,688,751
	Other entities controlled by the Holding	22,084,877	49,035,715
	Other associates of the Holding	9,055,309	4,958,740
	Sub-total	6,507,472,300	6,197,222,341
Other payables	Magang (Group) Logistics Co., Ltd.	25,888,879	30,084,792
	Anhui Zhonglian Shipping Co., Ltd.	500,000	500,000
	Ma Steel International Trade and Economic Co., Ltd.	500,000	500,000
	Shanghai Ouyeel Material Technology Co., Ltd.	–	100,000
	Shanghai Baosteel Engineering & Technology Co., Ltd.	20,000	20,000
	Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	2,000	2,000
	Maanshan Iron Construction Group Co., Ltd.	14,579	21,750
	Qinghai Kaiyuan Metal Material Co., Ltd.	200,000	200,000
	Others	554,380	980,674
	Sub-total	27,679,838	32,409,216

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
Contract liabilities	Ma Steel (Jinhua) Processing and Distribution Co., Ltd.	94,790,936	120,004,777
	Ma Steel (Guangzhou) Processing and Distribution Co., Ltd.	191,274	41,414,662
	Dongguan Baosteel Special Steel Processing and Distribution Co., Ltd.	3,746,718	–
	Shanghai Ouyeel Material Technology Co., Ltd.	30,488,851	61,344,328
	Bsteel Online Co., Ltd.	18,685,661	28,354,757
	Maanshan Gangchen Industrial Co., Ltd.	134,044	118,623
	Shanghai Iron & Steel Exchange Co., Ltd.	3,771,315	8,110,128
	Anhui Masteel Holly Industrial Co., Ltd.	2,800,804	5,993,494
	Anhui Magang Chemicals & Energy Technology Co., Ltd.	19,429,129	10,030,912
	Anhui Masteel Zhang Zhuang Mining Co., Ltd.	2,185,715	1,934,261
	Magang (Group) Logistics Co., Ltd.	4,508,644	7,650,136
	Masteel Group Kang Tai Land Development Co., Ltd.	2,701,901	1,418,688
	Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd.	16,955	11,104
	Anhui Tiankai Road and Bridge Co., Ltd.	163,785	144,943
	Shougang Zhixin Qian'an Electromagnetic Materials Co., Ltd.	115,985	102,642
Anhui Baosteel Steel Distribution Co., Ltd.	28,063	–	

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
	Taiyuan Heavy Industry Railway Transit Equipment Co., Ltd.	355,039	402,146
	Maanshan Shenma Metallurgical Co., Ltd.	4,097	3,626
	Changzhou Baoling Heavy Industry Machinery Co., Ltd.	2,363	2,091
	Suzhou Suma Industry Development Co., Ltd.	793	702
	Masteel Group Kang Cheng Building and Installing Co., Ltd.	–	683,313
	Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.	37,470,504	–
	Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited	31,594,096	–
	Sinosteel Xingtai Mechanical Rolling Co., Ltd.	1,812,388	–
	CIMC Baochuang (Wuxi) Steel Processing Co., Ltd.	–	362,985
	Masteel K. Wah	1,588,600	–
	Masteel Transportation Equipment Manufacturing Co., Ltd.	13,561,393	8,978,133
	Anhui Masteel Heavy Machinery Manufacturing Co., Ltd., Steel Structural Engineering Branch	44,720,771	45,218,797
	Baowu Heavy Industry Co., Ltd.	530,244	57,882,995
	Maanshan Gangchen Steel Supply Chain Co., Ltd.	10,871,855	4,849,191

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
	Maanshan Iron Construction Group Co., Ltd.	742,650	5,023,139
	Maanshan Gangchen Industrial Co., Ltd., Steel Branch	-	21,978,228
	Others	8,674,563	7,232,620
	Sub-total	335,689,136	439,251,421
Notes payable	Shanghai Baosight Software Co.,Ltd.	8,054,819	7,682,012
	Shanghai Baosteel Engineering Consulting Co., Ltd.	-	550,564
	Shanghai Jinyi Inspection Technology Co., Ltd.	137,567	-
	MCC South (Wuhan) Thermal Engineering Co., Ltd.	83,055	-
	MCC South Engineering Technology Co., Ltd.	-	891,300
	Sinosteel Xingtai Mechanical Rolling Co., Ltd.	-	3,011,483
	Anhui Masteel Holly Industrial Co., Ltd.	2,341,621	4,047,837
	Anhui Masteel Mining Resources Group Co., Ltd.	840,738,937	693,020,112
	Anhui Masteel Surface Engineering Technology Co., Ltd.	2,370,480	10,613,357
	Anhui Masteel Equipment Maintenance Co, Ltd.	3,639,250	2,963,734
	Baowu Raw Material Supply Co., Ltd.	1,063,082,587	771,466,955

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
	Shanghai Baosteel Engineering & Technology Co., Ltd.	–	2,798,000
	Baosteel Resources Holdings (Shanghai) Co., Ltd.	34,257,944	73,000,000
	Shanxi Taigang Stainless Steel Co., Ltd.	1,419,600	15,960,000
	Changzhou Baoling Heavy Industry Machinery Co., Ltd.	4,169,700	240,012
	OBEI Co., Ltd.	334,297,170	601,029,562
	Ouye Lianjin Renewable Resources Co., Ltd., East China Branch	–	163,913,064
	Ezhou Pelletizing Co., Ltd. of WISCO Resources Group	–	19,426,038
	Jiangsu Gongchang Roll Joint Stock Co., Ltd.	2,401,852	1,558,722
	Jiangsu Menglida Technology Development Co., Ltd.	142,500,000	114,000,000
	Henan Zhongping Energy Supply Chain Management Co., Ltd.	24,029,994	18,287,468
	Yangtze River Delta (Hefei) Digital Technology Co., Ltd.	371,205	572,400
	Ma Steel International Trade and Economic Co., Ltd.	846,994,945	595,593,258
	Masteel Chengxing Metal Resources Co. Ltd.	205,110,424	366,125,583
	Masteel Group Design and Research Institute Co., Ltd.	4,009,151	61,447,466

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
	Ma'anshan Baozhichun Calcium and Magnesium Technology Company Limited	33,781,753	313,290,380
	Maanshan Masteel Huayang Equipment Diagnosis Engineering Co., Ltd.	71,857	81,360
	Maanshan Masteel Electric Repair Co., Ltd.	–	56,384
	Masteel Transportation Equipment Manufacturing Co., Ltd.	460,193	–
	Anhui Baoxin Software Co., Ltd.	661,050	–
	Baowu Equipment Intelligent Technology Co., Ltd.	81,360	–
	Henan JinMa Energy Co., Ltd.	39,634,502	–
	Masteel Lihua Metal Resources Co., Ltd.	50,000,000	–
	Sub-total	3,644,701,016	3,841,627,051

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	30 June 2024	31 December 2023
Reconstruction of intelligent storage area of intermediate warehouse in cold rolling south area	Shanghai Baosight Software Co., Ltd.	20,180,000	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.	7,498,808	7,498,808
Public Auxiliary Reclaimed Water Reuse Project for Advanced Wastewater Treatment in North Area of Maanshan Iron and Steel Co., Ltd.	Masteel Group Design and Research Institute Co., Ltd.	4,160,050	4,160,050
Masteel Solid Waste Resources Comprehensive Utilisation Industrial Park Project	Masteel Group Design and Research Institute Co., Ltd.	10,655,250	10,655,250
Site and sporadic demolition works of new special steel project	Blasting Engineering Co., Ltd., Maanshan Mine Institute	3,379,942	3,379,942
Centralised control transformation of 1# leveling line of No.4 Steel Rolling Plant	Masteel Group Design and Research Institute Co., Ltd.	11,320,000	11,320,000
Steel Scrap Preheating and Baking System Project of the headquarters of No.4 Steel Rolling Plant	Guangdong Shaogang Construction Company	–	8,197,995
Adaptability Improvement of Large H-beam Rolling Line of Long Products Division	Masteel Group Design and Research Institute Co., Ltd.	20,800,000	20,800,000

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
Self recycling scrap processing base (phase II) project	Maanshan Iron Construction Group Co., Ltd.	1,906,101	1,906,101
Steelmaking and refining of the new special steel project (commencement of the plan)	MCC South Engineering Technology Co., Ltd.	234,595,819	234,595,819
Fine Desulfurisation Transformation Project of 1# Blast Furnace Gas in the Ironmaking General Plant	Baowu Water Technology Co., Ltd.	59,893,100	59,893,100
Public and auxiliary auxiliary works of the filling and leveling project in Masteel North Area	Shanghai Baosteel Engineering & Technology Co., Ltd.	64,683,498	64,683,498
Coke oven overhaul and transformation project of Masteel Coking Plant	Masteel Group Design and Research Institute Co., Ltd.	69,928,235	69,928,235
Environmental protection upgrading and intelligent transformation of Masteel raw material yard engineering	Baowu Heavy Industry Co., Ltd.	127,015,206	127,015,206
Steelmaking and refining of the new special steel project	Shanghai Baosteel Engineering & Technology Co., Ltd.	92,600,424	92,600,424
Intelligent Control Center Project of Special Steel Company	Shanghai Baosight Software Co., Ltd.	52,950,000	66,100,000
Section steel and long material intelligent control phase II project of long material business department	Shanghai Baosight Software Co., Ltd.	92,900,000	92,900,000

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)

The Group (Continued)

Item	Related parties	30 June 2024	31 December 2023
Maanshan Iron & Steel Cold Rolling Product Structure Adjustment – Newly Built No.6 Galvanized Line Project	MCC South Engineering Technology Co., Ltd.	19,274,337	–
Port Raw Materials Factory Solid Waste Comprehensive Utilization System Expansion Project	Masteel Group Design and Research Institute Co., Ltd.	31,621,949	–
Long Products Business Unit Heavy & Irregular Billet Continuous Casting Machine Newly Added BB8 Section Project	Masteel Group Design and Research Institute Co., Ltd.	37,587,800	–
Energy & Environmental Protection Department Maanshan Iron & Steel 110KV Power Supply System	Masteel Group Design and Research Institute Co., Ltd.	40,988,584	–
Optimization and Reconstruction Project	Shanghai Baosteel Engineering & Technology Co., Ltd.	115,084,257	–
Coking and Chemical Company South Area Coke Oven Gas Organic Sulfur Removal Project	Masteel Group Design and Research Institute Co., Ltd.	799,801,835	–
Others	Others	547,261,537	547,254,408
Sub-total		2,466,086,732	1,443,068,836

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XII. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

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 period		Exercised during the period		Unlocked during the period		Forfeited during the period	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Employees	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

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 30 June 2024, 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 30 June 2024, 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	–

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XIII. SHARE BASED PAYMENT (CONTINUED)

3. Expenses recognised during the period arising from share-based payments

Type of grantees	Equity-settled share-based payments <i>(Note)</i>	Cash-settled share-based payments
Employees	(11,146,732)	–
Total	(11,146,732)	–

Note: As of June 30, 2024, the Company expects that the performance assessment objectives of the next period will not be achieved, and the related expenses accrued in the previous period were written back.

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 six months ended 30 June 2024, capital management objectives, policies or procedures of the Group did not change.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XIV. CAPITAL MANAGEMENT (CONTINUED)

The Group uses a gearing ratio to manage its capital. The gearing ratio refers to the percentage of net debt versus total capital attributable to owners of the parent plus net debt, and the target gearing ratio for the Group is between 50% and 70%. Net debt includes customer deposits, bank loans, notes payable, trade payables, payroll and employee benefits payable, and other payables, etc., minus cash and bank balances. Capital refers to total capital attributable to owners of the parent. The Group's gearing ratio at the end of the reporting period was as follows:

Gearing ratio was as follows:

	30 June 2024	31 December 2023
Current liabilities		
Short-term loans	11,411,183,263	9,428,060,223
Notes payable	8,832,039,090	8,631,701,173
Trade payables	12,949,421,007	13,513,640,486
Payroll and employee benefits payable	235,202,904	204,380,835
Other payables	3,308,704,881	3,068,633,198
Other current liabilities	452,187,624	1,028,203,765
Non-current liabilities due within one year	2,901,997,666	3,784,343,228
Non-current liabilities		
Long-term loans	7,425,273,588	6,799,686,232
Lease liabilities	363,336,124	361,507,890
Long-term employee benefits payable	1,554,186	1,554,186
Less: Cash and bank balances	6,594,025,067	5,569,797,722
Net liabilities	41,286,875,266	41,251,913,494
Capital attributable to owners of the parent	26,607,694,236	27,768,582,604
Capital and net liabilities	67,894,569,502	69,020,496,098
Gearing ratio	61%	60%

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XV. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Item	30 June 2024	31 December 2023
Contracted, but not provided for Capital commitments	1,451,595,804	3,774,425,630
Total	1,451,595,804	3,774,425,630

2. Contingencies

Nil

XVI. EVENTS AFTER THE BALANCE SHEET DATE

1. Material non-adjusting post balance sheet date events

Until the approval date of 2024 Semiannual report, there is no significant event after the reporting period need to be disclosed by the Group or the Company.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

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	
	For the six months ended 30 June 2024	For the six months ended 30 June 2023	30 June 2024	31 December 2023
China				
Including: Mainland China	38,048,519,171	45,474,348,091	60,562,681,858	61,659,991,612
Overseas and Hong Kong	3,581,227,565	2,149,317,458	96,015,958	104,308,368
Total	41,629,746,736	47,623,665,549	60,658,697,816	61,764,299,980

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	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Current assets	22,160,542,918	22,041,620,102	14,030,263,980	16,108,550,934
Less: Current liabilities	43,743,696,078	44,054,616,027	38,447,558,083	41,121,827,327
Net current liabilities	(21,583,153,160)	(22,012,995,925)	(24,417,294,103)	(25,013,276,393)

	Group		Company	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Total assets	83,527,981,602	84,552,252,935	70,074,255,328	72,990,019,435
Less: Current liabilities	43,743,696,078	44,054,616,027	38,447,558,083	41,121,827,327
Total assets less current liabilities	39,784,285,524	40,497,636,908	31,626,697,245	31,868,192,108

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	30 June 2024	31 December 2023
Bank acceptance notes	931,780,625	1,271,492,301
Commercial acceptance bills	–	–
Sub-total	931,780,625	1,271,492,301
Less: Provisions for bad debts	–	–
Total	931,780,625	1,271,492,301

All of the above notes are due within one year.

(2) Outstanding endorsed or discounted notes that have not matured at the end of the period:

Item	Amount derecognized at period end	Amount not derecognized at period end
Bank acceptance notes	8,340,876,841	476,485,954
Total	8,340,876,841	476,485,954

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	30 June 2024	31 December 2023
Related parties	1,490,415,065	1,451,721,861
Third party	563,947,269	285,809,912
Sub-total	2,054,362,334	1,737,531,773
Less: Provisions for bad debts	38,576,425	64,444,154
Total	2,015,785,909	1,673,087,619

(2) The age of trade receivables is analysed below:

Age	30 June 2024	31 December 2023
Within one year (inclusive)	1,987,507,464	1,640,750,330
One to two years (inclusive)	28,369,686	18,743,823
Two to three years (inclusive)	10,895,824	23,070,337
Over three years	27,589,360	54,967,283
Sub-total	2,054,362,334	1,737,531,773
Less: Provisions for bad debts	38,576,425	64,444,154
Total	2,015,785,909	1,673,087,619

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 (Continued)

(3) Trade receivables by provisioning method

Item	30 June 2024					31 December 2023				
	Carrying amount		Provision for bad debts		Book value	Carrying amount		Provision for bad debts		Book value
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Assessed bad debt provision individually	1,037,714,035	51	-	-	1,037,714,035	949,840,461	55	-	-	949,840,461
- Receivables from intra-group subsidiaries	1,037,714,035	51	-	-	1,037,714,035	949,840,461	55	-	-	949,840,461
Assessed bad debt provision in portfolios	1,016,648,299	49	(38,576,425)	4	978,071,874	787,691,312	45	(64,444,154)	8	723,247,158
- Assessed bad debt provision in portfolios based on credit risk characteristics	1,016,648,299	49	(38,576,425)	4	978,071,874	787,691,312	45	(64,444,154)	8	723,247,158
Total	2,054,362,334	100	(38,576,425)		2,015,785,909	1,737,531,773	100	(64,444,154)		1,673,087,619

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)

30 June 2024

	Expected credit	Carrying amount	Impairment loss at the end of the period
Within one year	1%	982,728,562	9,827,286
One to two years	16%	5,885,168	941,627
Two to three years	49%	445,209	218,152
Over three years	100%	27,589,360	27,589,360
Total		1,016,648,299	38,576,425

31 December 2023

	Expected credit	Carrying amount	Impairment loss at the end of the period
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

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:

	30 June 2024	31 December 2023
Opening balance	64,444,154	61,074,999
Increase/(reversals)	(25,867,729)	3,369,155
Closing balance	38,576,425	64,444,154

(5) The top five trade receivables classified by debtor were as follows:

30 June 2024	Relationship with the Company	Ending balance	Age	Percentage of Trade receivables	Ending balance of provision
Company 1	Subsidiary	511,847,404	Within one year	25%	–
Company 2	Subsidiary	221,248,102	Within two year	11%	–
Company 3	Related party	211,837,790	Within one year	10%	(2,118,378)
Company 4	Subsidiary	162,225,130	Within two year	8%	–
Company 5	Subsidiary	85,278,544	One to three years	4%	–
Total	/	1,192,436,970	/	58%	(2,118,378)

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)

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 period	Ending balance	Accumulated impairment losses recognised in other comprehensive income
Notes receivable	1,450,677,653	–	1,267,731,583	–
Total	1,450,677,653	–	1,267,731,583	–

4. Other receivables

	Note	30 June 2024	31 December 2023
Dividends receivable	(1)	2,524,778	5,049,555
Other receivables	(2)	133,371,263	153,146,633
Total		135,896,041	158,196,188

(1) Dividends receivable

(a) Dividends receivable by category:

Investee	30 June 2024	31 December 2023
Anhui Xinchuang Energy Saving and Environmental Protection Science and Technology Co., Ltd.	2,524,778	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	30 June 2024	31 December 2023
Related parties	36,656,028	10,196,676
Third party	156,921,158	201,881,341
Sub-total	193,577,186	212,078,017
Less: Provisions for bad debts	60,205,923	58,931,384
Total	133,371,263	153,146,633

(b) An age analysis of the other receivables is as follows:

Age	30 June 2024	31 December 2023
Within one year (inclusive)	104,983,976	120,492,531
One to two years (inclusive)	27,197,580	33,631,218
Two to three years (inclusive)	2,015,334	201,850
Over three years	59,380,296	57,752,418
Sub-total	193,577,186	212,078,017
Less: Provisions for bad debts	60,205,923	58,931,384
Total	133,371,263	153,146,633

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

	30 June 2024				Total	31 December 2023				Total
	Stage I	Stage II	Stage III			Stage I	Stage II	Stage III		
Provision for bad debts	12-month expected credit losses	Not credit-impaired financial assets (Lifetime expected credit losses)	Credit-impaired financial assets (Lifetime expected credit losses)		12-month expected credit losses	Not credit-impaired financial assets (Lifetime expected credit losses)	Credit-impaired financial assets (Lifetime expected credit losses)			
1. Provision for bad debts										
Balance at the beginning of the period/year	6,939,427	-	51,991,957	58,931,384	633,140	10,260,036	51,602,747	62,495,923		
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	-	8,196,071	-	8,196,071	-	-	389,210	389,210		
Reversal	(6,921,532)	-	-	(6,921,532)	(3,953,749)	-	-	(3,953,749)		
Write-off	-	-	-	-	-	-	-	-		
Transfers out	-	-	-	-	-	-	-	-		
Other changes	-	-	-	-	-	-	-	-		
Balance at the end of the period/year	17,895	8,196,071	51,991,957	60,205,923	6,939,427	-	51,991,957	58,931,384		
2. Balance of other receivables at the end of the period/year	27,573,528	114,011,701	51,991,957	193,577,186	96,424,519	63,661,541	51,991,957	212,078,017		
3. Provision percentage	0%	7%	100%		7%	0%	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 period			Opening balance
			Recoveries or reversals	Transfers or write-offs	Other changes	
The group of pledges and deposits	-	-	-	-	-	-
The group of receivables due from other parties	58,931,384	8,196,071	(6,921,532)	-	-	60,205,923
Total	58,931,384	8,196,071	(6,921,532)	-	-	60,205,923

(e) Analysed by nature

Nature of other receivables	30 June 2024	31 December 2023
Due from trading companies	52,275,333	114,855,699
Guarantee for steel futures	86,197,563	81,255,708
Prepayments of custom duties and VAT	400,000	-
Others	54,704,290	15,966,610
Sub-total	193,577,186	212,078,017
Less: Provisions for bad debts	60,205,923	58,931,384
Total	133,371,263	153,146,633

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

30 June 2024

Debtor	Nature	Balance	Age	Ratio to total other receivables (%)	Balance of bad debts
Company 1	Amount from disposal of assets	49,891,137	Within one year	26	(498,911)
Company 2	Due from trading companies	45,390,133	Over three years	23	(45,390,133)
Company 3	Guarantee for steel futures	32,146,128	Within one year	17	–
Company 4	Guarantee for steel futures	27,809,547	Within two years	14	–
Company 5	Guarantee for steel futures	26,239,889	Within two years	14	–
Total		181,476,834		94	(45,889,044)

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 one year	24	(294,358)
Company 2	Due from trading companies	45,390,133	Over three years	21	(45,390,133)
Company 3	Guarantee for steel futures	43,326,088	Within two years	20	(223,351)
Company 4	Guarantee for steel futures	37,927,619	Within two years	18	(223,672)
Company 5	Due from trading companies	6,700,109	Within one year	3	(39,531)
Total		183,235,086		86	(46,171,045)

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	30 June 2024			31 December 2023		
	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	7,019,960,738	(1,196,606,986)	5,823,353,752
Investments in joint ventures and associates	6,756,777,749	–	6,756,777,749	6,702,712,352	–	6,702,712,352
Total	13,776,738,487	(1,196,606,986)	12,580,131,501	13,722,673,090	(1,196,606,986)	12,526,066,104

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

Debtor	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	-	-
Hefei Materials	140,000,000	-	-	140,000,000	-	-
MG-VALDUNES (Note 1)	-	-	-	-	-	(1,196,606,986)
Ma Steel Hangzhou Sales	10,000,000	-	-	10,000,000	-	-
Ma Steel Nanjing Sales	20,000,000	-	-	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	-	-
Total	5,823,353,752	-	-	5,823,353,752	-	(1,196,606,986)

Note 1: As described in Note VIII.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.

Note 2: For information about the subsidiaries of the Company, refer to Note VIII.

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:

For the six months ended 30 June 2024

Name of investee	Opening balance	Increase	Decrease	Investment income under the equity method	Changes during the period				Ending balance	Impairment at the end of the period
					Other comprehensive income	Other equity movement	Cash dividend declared or profit distribution	Provision for impairment		
Joint venture										
Maanshan BOC-Ma Steel Gases Company Limited	297,836,841	-	-	31,264,852	-	-	(19,850,000)	-	-	309,251,693
Sub-total	297,836,841	-	-	31,264,852	-	-	(19,850,000)	-	-	309,251,693
Associates										
Henan JinMa Energy	919,636,537	-	-	(38,485,214)	(107,309)	2,852,887	-	-	-	883,896,901
Shenglong Chemical	1,092,274,893	-	-	(6,930,471)	-	-	-	-	-	1,085,344,422
Xinchuang Environmental Protection	72,174,511	-	-	833,215	-	-	(3,138,807)	-	-	69,868,919
Ouyee Factoring	-	-	-	-	-	-	-	-	-	-
Magang Chemicals & Energy	261,369,153	-	-	862,336	-	-	-	-	-	262,231,489
OBEI	454,016,130	-	-	6,233,561	-	-	-	-	-	460,249,691
Baowu Water Technology Co., Ltd.	666,727,787	-	-	1,478,535	-	(177,634)	-	-	-	668,028,688
Masteel Gases	169,246,073	-	-	12,667,159	-	-	-	-	-	181,913,232
Baowu Finance	2,769,430,427	-	-	64,985,526	1,579,208	(2,447)	-	-	-	2,835,952,714
Sub-total	6,404,875,511	-	-	41,644,647	1,471,899	2,672,806	(3,138,807)	-	-	6,447,526,056
Total	6,702,712,352	-	-	72,909,499	1,471,899	2,672,806	(22,988,807)	-	-	6,756,777,749

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)

2023

投資單位	Opening balance	Increase	Decrease	Investment income under the equity method	Changes during the year			Cash dividend declared or profit distribution	Provision for impairment	Others	Ending balance	Impairment at the end of the year
					Other comprehensive income	Other equity movement	Other income					
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	-
Ouyee 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)

6. Other payables

	30 June 2024	31 December 2023
Dividends payables	6,612,733	6,612,733
Other payables	5,125,579,408	7,010,229,150
Total	5,132,192,141	7,016,841,883

(1) Dividends payables

Item	30 June 2024	31 December 2023
Dividends paid	6,612,733	6,612,733

(2) Other payables

Item	30 June 2024	31 December 2023
Payable for forfeiting	2,042,755,500	1,727,667,239
Special funds	773,239,747	773,239,747
Payable for construction, maintenance and inspection fees	69,640,773	77,011,504
Service fees payable	795,258	21,730
Funds payable under centralised management	1,778,725,433	3,973,718,192
Others	460,422,697	458,570,738
Total	5,125,579,408	7,010,229,150

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XVIII. MAJOR NOTES TO COMPANY FINANCIAL STATEMENTS (CONTINUED)

6. Other payables (Continued)

(2) Other payables (Continued)

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.

7. Revenue and cost of sales

(1) Revenue and cost of sales

Item	Note	For the six months ended 30 June 2024		For the six months ended 30 June 2023	
		Revenue	Cost of sales	Revenue	Cost of sales
Principal operating income		34,856,926,450	35,152,805,021	37,454,253,923	38,470,273,781
Other operating income		2,156,821,153	1,659,928,240	1,345,077,516	1,307,425,660
Total		37,013,747,603	36,812,733,261	38,799,331,439	39,777,699,441
Including: Sales of					
products	XVIII.7(2)	37,008,892,748	36,811,716,230	38,794,384,589	39,776,693,808
Other		4,854,855	1,017,031	4,946,850	1,005,633

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 (Continued)

(2) Disaggregation of operating income and operating costs

Type of contract	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Sales by product		
– Sales from contracts	37,008,892,748	38,794,384,589
– Rental income	4,854,855	4,946,850
Total	37,013,747,603	38,799,331,439

Type of contract	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Item type		
Sales of steel products	34,856,926,450	36,318,962,122
Sales of other products	2,089,989,951	2,452,565,758
Sales of services	14,462,872	9,126,485
Other	47,513,475	13,730,224
Total	37,008,892,748	38,794,384,589
Sales from contracts		
– Recognise at a point in time	36,946,916,401	38,771,527,880
– Recognise over time	61,976,347	22,856,709
Total	37,008,892,748	38,794,384,589

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	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Material and power expenses	258,244,590	300,659,228
Depreciation of property, plant and equipment	21,641,891	15,932,204
Employee benefits	60,899,811	114,513,553
Testing and processing expenses	6,433,477	14,001,245
Outsourced research expenses	4,905,286	2,934,781
Others	5,906,997	7,707,134
Total	358,032,052	455,748,145

According to Accounting Standard for Business Enterprises Interpretation No. 15, the R&D expenses recognized by the Company in its operating costs in connection with the trial production of new product development are as follows:

Item	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Cost of trial production of new product development	839,052,938	908,402,745
Including: Material and power expenses	694,922,976	768,598,206
Depreciation of property, plant and equipment	116,918,408	111,149,435
Testing and processing expenses	25,591,672	23,777,652
Others	1,619,882	4,877,452

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	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Investment income from long-term investments under the cost method	325,809,755	259,151,643
Investment income from long-term investments under the equity method	72,909,499	79,328,873
Gain/(loss) from disposal of associates	3,669,806	(4,370,588)
Disposal of Investment income from long-term equity investments	–	828,121,833
Loss from disposal of financial assets held for trading	4,498,725	32,990,100
Total	406,887,785	1,195,221,861

XIX. BREAKDOWN OF NON-RECURRING GAINS OR LOSSES FOR THE SIX MONTHS ENDED 30 JUNE 2024

Item	Amount
(1) Loss from disposal of non-current assets	73,529,933
(2) 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)	26,491,075
(3) Exchange of non-monetary assets	–
(4) 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	4,498,725
(5) Other items qualified as extraordinary gain and loss	23,349,097
(6) Net non-operating income or expenses other than the above items	(8,779,406)
Sub-total	119,089,424
(7) Income tax effect	(17,438,377)
(8) Non-controlling interests effect (net of tax)	(9,675,600)
Total	91,975,447

Note: Extraordinary gain and loss items (1) to (8) listed above are presented in the amount before taxation.

Notes to the Financial Statements (Continued)

(Expressed in Renminbi Yuan unless otherwise indicated)

XX. RETURN ON NET ASSETS AND EARNINGS PER SHARE (CONTINUED)

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:

For the six months ended 30 June 2024

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	(4.21)	(14.87)	(14.87)
Net loss attributable to owners of the parent excluding non-recurring gains or losses	(4.55)	(16.06)	(16.06)

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 profit attributable to owners of the parent	(4.67)	(17.24)	(17.24)
Net profit attributable to owners of the parent excluding non-recurring gains or losses	(6.05)	(22.33)	(22.33)

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 53.

(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:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Consolidated net loss attributable to owners of the parent	(1,144,779,937)	(2,226,780,506)
Extraordinary gains and losses attributable to ordinary shareholders of the Company	91,975,447	393,481,526
Consolidated net loss attributable to owners of the parent excluding non-recurring gains or losses	(1,236,755,384)	(2,620,262,032)
Weighted average number of ordinary shares in issue during the period	7,700,681,186	7,700,681,186
Basic earnings per share excluding extraordinary gain and loss (cent/share)	(16.06)	(34.03)

(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:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Consolidated net loss attributable to owners of the parent	(1,144,779,937)	(2,226,780,506)
Weighted average amount of consolidated net assets	27,188,138,420	28,018,612,718
Weighted average return on net assets	(4.21)	(7.95)

Calculation of weighted average amount of consolidated net assets is as follows:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Consolidated net assets at the beginning of the period	27,768,582,604	29,194,825,322
Effect of consolidated net loss attributable to ordinary shareholders of the Company	(1,144,779,937)	(2,226,780,506)
Weighted average amount of consolidated net assets at the end of the period	27,188,138,420	28,018,612,718

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 (Continued)

(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:

	For the six months ended 30 June 2024	For the six months ended 30 June 2023
Consolidated net loss excluding extraordinary gain and loss attributable to the Company's ordinary equity shareholders	(1,236,755,384)	(2,620,262,032)
Weighted average amount of consolidated net assets	27,188,138,420	28,018,612,718
Weighted average return on net assets excluding extraordinary gain and loss	(4.55)	(9.35)

Chairman of the Board: Jiang Yuxiang

Approved and submitted by the Board on 29 August 2024



馬 鞍 山 鋼 鐵 股 份 有 限 公 司
Maanshan Iron & Steel Company Limited