

重慶鋼鐵股份有限公司

Chongqing Iron & Steel Company Limited

(H Share Stock Code: 1053) (A Share Stock Code: 601005)

2023

Interim Report



Contents

Section I	Definitions	3
Section II	Company Profile and Major Financial Indicator	4
Section III	Management Discussion and Analysis.	10
Section IV	Corporate Governance	29
Section V	Environmental and Social Responsibility	32
Section VI	Significant Events	38
Section VII	Movement of Shares and the Particulars of Shareholders	64
Section VIII	Relevant Information on Preference Shares	70
Section IX	Relevant Information on Bonds	71
Section X	Financial Report	74

Documents Available for Inspection	A copy of interim report, containing the signature of the current head of the Company and company seal
	A copy of interim financial accounting report, containing signatures of the head of the Company, the person in charge of the accounting function and the person in charge of the accounting department and company seal
	Originals of all documents and announcements of the Company disclosed in the media designated by China Securities Regulatory Commission for information disclosure purpose and on the websites of SSE and the HKEx during the Reporting Period
	Copies of other relevant documents

IMPORTANT NOTICE

I. The Board, the Supervisory Committee and directors, supervisors and senior management of the Company warrant that there are no false representations, misleading statements contained in or material omissions from this interim report and individually and collectively accept full responsibility for the truthfulness, accuracy and completeness of the contents hereof.

II. All directors of the Company attended Board meetings.

III. This interim report has not been audited.

IV. Mr. Xie Zhixiong, head of the Company, and Mr. Zou An, the Chief Financial Officer and Ms. Lei Xiaodan, the Chief Accountant, have declared that they guarantee the truthfulness, accuracy and completeness of the financial statements in the interim report.

V. The profit distribution proposal or proposal to transfer capital reserve to share capital for the Reporting Period as approved by the Board by way of resolution

Nil

VI. Risk warning in respect of forward-looking statements

Applicable Not applicable

The forward-looking statements in this interim report, such as the future plans, are subject to uncertainties and do not constitute the Company's substantive undertakings to investors. Investors should pay attention to investment risks.

VII. Is there any non-operational fund occupancy by the controlling shareholder or its related party?

No

VIII. Is there any provision of external guarantee by the Company in violation of the stipulated decision making procedure?

No

IX. Whether more than half of the directors cannot guarantee the truthfulness, accuracy and completeness of the interim report disclosed by the Company or not

No

X. Major Risk Warning

No

XI. Others

Applicable Not applicable

Section I Definitions

Unless the context otherwise requires, the following expressions have the following meanings in this report:

DEFINITIONS OF COMMON TERMS

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
China Baowu, Baowu Group	China Baowu Steel Group Corporation Limited
Strategic Emerging Fund	Chongqing Strategic Emerging Equity Investment Fund Partnership (Limited Partnership)
Sichuan Desheng, Desheng Group	Sichuan Desheng Group Vanadium & Titanium Co., Ltd.
Changshou Iron & Steel, controlling shareholder	Chongqing Changshou Iron & Steel Company Limited
Company, Chongqing Iron & Steel	Chongqing Iron & Steel Company Limited
Group	Chongqing Iron & Steel Company Limited and its subsidiaries
General Meeting	the general meeting of Chongqing Iron & Steel Company Limited
Board	the board of directors of Chongqing Iron & Steel Company Limited
Supervisory Committee	the supervisory committee of Chongqing Iron & Steel Company Limited
Companies Law	the Companies Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Chongqing Iron & Steel Company Limited
Reporting Period	From 1 January 2023 to 30 June 2023
RMB, RMB'000, RMB0'000, RMB00'000'000	RMB yuan, RMB thousand yuan, RMB ten thousand yuan, RMB hundred million yuan

Section II Company Profile and Major Financial Indicator

I. COMPANY INFORMATION

Chinese name	重慶鋼鐵股份有限公司
Abbreviation of Chinese name	重慶鋼鐵
English name	Chongqing Iron & Steel Company Limited
Abbreviation of English name	CISC
Legal representative	Xie Zhixiong

II. CONTACT INFORMATION

	Secretary to the Board	Securities Representative
Name	Zou An	Peng Guoju
Correspondence address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Telephone	86-23-6898 3482	86-23-6898 3482
Fax	86-23-6887 3189	86-23-6887 3189
E-mail	ir_601005@baowugroup.com	ir_601005@baowugroup.com

III. CHANGES IN BASIC INFORMATION

Registered address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Historical changes in registered address	No. 30 Gangtie Road, Dadukou District, Chongqing No. 1 Gangcheng Avenue, Changshou Economic Development Zone, Chongqing
Office address	No. 2 Jiangnan Avenue, Jiangnan Street, Changshou District, Chongqing
Postal code of office address	401258
Website	http://www.cqgt.cn
E-mail	ir_601005@baowugroup.com
Query index for the change during the Reporting Period	There are no changes incurred during the Reporting Period

Section II Company Profile and Major Financial Indicator (Continued)

IV. CHANGE IN DISCLOSURE OF INFORMATION AND PLACE FOR INSPECTION

Name of newspapers designated by the Company for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website for posting the interim report	http://www.sse.com.cn (SSE) https://www.hkexnews.hk (HKEx)
Place for inspection of the interim report	Secretariat of the Board of the Company
Query index for the change during the Reporting Period	There was no change during the Reporting Period

V. BASIC INFORMATION ABOUT THE SHARES OF THE COMPANY

Class of shares	Place of listing	Abbreviated name	Stock code	Stock name before change
A shares	Shanghai Stock Exchange	Chongqing Iron & Steel	601005	N/A
H shares	The Stock Exchange of Hong Kong Limited	Chongqing Iron	01053	N/A

VI. OTHER RELATED INFORMATION

Applicable Not applicable

Section II Company Profile and Major Financial Indicator (Continued)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Key Accounting Data

Unit: RMB Currency: Renminbi

Key accounting data	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)
Revenue	20,994,831,477.22	18,016,175,802.82	16.53
Net profit attributable to shareholders of the Company	-434,740,206.19	516,416,390.18	-184.18
Net profit attributable to shareholders of the Company after deducting non-recurring profit or loss	-446,804,937.39	546,619,211.44	-181.74
Net cash flow from operating activities	414,520,654.04	936,510,963.14	-55.74

	At the end of the Reporting Period	At the end of last year	Change from the end of last year to the end of the Reporting Period (%)
Net assets attributable to shareholders of the Company	20,909,066,001.41	21,341,917,700.36	-2.03
Total assets	37,951,369,960.61	39,364,800,403.02	-3.59

Section II Company Profile and Major Financial Indicator (Continued)

VII. KEY ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY (CONTINUED)

(II) Key Financial Indicators

Key financial indicators	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)
Basic earnings per share (RMB per share)	-0.05	0.06	-183.33
Diluted earnings per share (RMB per share)	-0.05	0.06	-183.33
Basic earnings per share after non-recurring profit or loss (RMB per share)	-0.05	0.06	-183.33
Weighted average return on net assets (%)	-2.06	2.28	Decreased by 4.34 percentage points
Weighted average return on net assets after deducting non-recurring profit or loss (%)	-2.12	2.41	Decreased by 4.53 percentage points

Explanation on the major financial data and financial indicators

Applicable Not applicable

VIII. DIFFERENCE IN ACCOUNTING DATA BETWEEN THE PRC ACCOUNTING STANDARDS AND OVERSEAS ACCOUNTING STANDARDS

Applicable Not applicable

Section II Company Profile and Major Financial Indicator (Continued)

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS

Applicable Not applicable

Unit: RMB Currency: Renminbi

Non-recurring profit or loss	Amount	Note (if applicable)
Gains or losses on disposal of non-current assets	6,380,758.48	
Tax relief and reduction with approval exceeding authority or without formal approval or of non-recurring nature		
Government grants included in the profit or loss for the period (except for those closely related to the ordinary businesses of the Company, in compliance with the requirements under the State's policies, and continuously entitled to quantitative or qualitative government grants according to certain standards)	6,267,011.94	
Capital occupancy fee from non-financial enterprises recognized through profit or loss	460,608.08	
Gains arising from investment costs for acquisition of a subsidiary, an associate and a joint venture by the enterprise being less than its share of fair value of identifiable net assets of the investee on acquisition		
Gain or loss on exchange of non-monetary assets		
Gain or loss on entrusted investments or assets under management		
Provision for impairment on assets due to force majeure events, such as natural disasters		
Gains or losses on debt restructuring		
Corporate restructuring costs, such as employee redundancy pay and integration costs		
Gain or loss on transactions with obviously unfair transaction price for amount which exceeds fair value		
Net gains or losses of subsidiaries for the current period from the beginning of the period to the date of combination arising from business combination under common control		
Gain or loss on other contingencies which are not related to the Company's normal operations		

Section II Company Profile and Major Financial Indicator (Continued)

IX. NON-RECURRING PROFIT OR LOSS ITEMS AND AMOUNTS (CONTINUED)

Non-recurring profit or loss	Amount	Note (if applicable)
Gains or losses on changes in fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, and derivative financial liabilities and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other equity investments, excluding those arising from effective hedging business related to operating activities		
Reversal of the provision for impairment of receivables and contract assets which are tested individually for impairment		
Gains or losses from entrusted loans		
Gain or loss arising from changes in fair value of investment properties under fair value model on subsequent measurement		
Effect of one-time adjustment to current profit or loss according to the requirements of tax and accounting laws and regulations on current profit or loss		
Entrusted fee income from entrusted operations		
Other non-operating income and expenses apart from the above mentioned	1,085,422.91	
Other gain or loss items meeting the definition of non-recurring gains or losses		
Less: Effects on income tax	2,129,070.21	
Effect of minority interests (after tax)		
Total	12,064,731.20	

Regarding the Company's definition of extraordinary gains or losses items according to the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses, the reasons for the defining of the extraordinary gains or losses items as illustrated in the Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No. 1 – Extraordinary Gains or Losses as recurring profit or loss items should be provided.

Applicable Not applicable

X. OTHERS

Applicable Not applicable

Section III Management Discussion and Analysis

I. EXPLANATION ON THE SITUATION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING PERIOD

(I) Information on the Industry

Since the beginning of 2023, China's economy has shown a rebound to the good situation, the steel industry has shown great development resilience; but in the complex market situation, the steel industry is also facing difficulties and challenges, the industry's overall profit declined year-on-year and continued to be at a lower level.

First, steel production increased year-on-year. In the first half of the year, the national steel production is 536 million tonnes, up 1.3% year-on-year; pig iron production is 452 million tonnes, up 2.7% year-on-year; and steel production is 677 million tonnes, up 4.4% year-on-year.

Second, steel exports increased significantly. In the first half, 43.58 million tonnes of steel was exported, an increase of 31.3%; 3.74 million tonnes of steel was imported, a year-on-year decrease of 35.2%. In the first half, the average price of steel exports in China is of USD1,075 per tonne, down 24.7% year-on-year; average price steel imports of USD1,718 per tonne, up 10.2% year-on-year.

Third, steel prices fell year-on-year. The average value of the china steel price index (CSPI) in the first half of the year was 113.21 points, a year-on-year decrease of 15.4%; the average CRU steel composite price index in the first half of the year was 234.4 points, a year-on-year decrease of 24.5%.

Fourth, the price of imported ore is at a high level. The national imports of iron ore amounted to 576 million tonnes in the first half of the year, an increase of 7.7% year-on-year; the average price of imports was USD114.5 per tonne, a year-on-year decrease of 11.7%. (Source of information: National Bureau of Statistics of China, General Administration of Customs and China Iron and Steel Association)

Section III Management Discussion and Analysis (Continued)

I. EXPLANATION ON THE SITUATION OF THE COMPANY'S INDUSTRY AND MAIN BUSINESS DURING THE REPORTING (CONTINUED)

(II) Explanation on the Main Business

The Company, belonging to the manufacturing industry/ferrous metal smelting and rolling processing industry, is mainly engaged in the production and sale of hot rolled sheets, medium plates, rebars, wire rods, billets, steel by-products and coking and coal chemical products, etc. The Company has the following main production lines: 4,100mm wide and thick plate, 2,700mm medium plate, 1,780mm hot rolled sheet, high speed wire rods and bar materials.

The Company's products are applied in various industries, such as machinery, architecture, engineering, automobile, motorbike, shipbuilding, offshore oil, gas cylinder, boiler as well as oil and gas pipelines. The products of the Company are mainly sold in Chongqing and southwestern regions, and have met the development demands in northwestern regional markets. The products are highly recognized in regional markets.

The Company's steel products used in hull structure, boilers and pressure vessels were rewarded the title of "Chinese brand products" and four other products were rewarded the title of "Chongqing's brand products". The Company successively obtained the following titles of honor: national Labor Day certificate, national implementation of performance excellence model advanced enterprises, Chongqing famous trademark, Chongqing quality benefit enterprise and Chongqing contract-abiding and trustworthy Enterprises. The Company ranks No. 348 in 2023 Fortune China 500.

In 2023, the Company actively practiced the production concept of "benchmarking and finding differences from excellent enterprises comprehensively, paying close attention to reducing costs and increasing efficiency, refining management, minimizing resource consumption" to continuously optimize the production organization. With the mission of "keeping the national strength of steel alive and build a green and wonderful life" and the development goal of "to create a high-quality green intelligent steel manufacturer with an annual output exceeding 10 million tons", the Company is committed to building "Beautiful Chongqing Iron & Steel, Pastoral Chongqing Iron & Steel" and becoming a leader in the steel industry in Southwest China, providing steel support for social development and contributing to the construction of Chengdu-Chongqing Twin Cities Economic Circle, the development of Yangtze River Economic Belt and the Western Development Strategy.

Section III Management Discussion and Analysis (Continued)

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Applicable Not applicable

(I) Flexible system and mechanism advantage

As a company with mixed ownership, the Company gave full play to the advantages of the system and mechanism, established a streamlined and efficient operation system and a market-oriented incentive mechanism for the Company, which resulted in a high level of consistency in respect of interests among staff, management and shareholders, truly allowed the staff to share profits and risks and responsibilities with the Company, and injected vitality and momentum to the sustainable development of the Company.

(II) Relative targeted market and logistic advantages

The Company is strategically located in Chongqing, an important city in Southwest China, close to the gold fairway of Yangtze River with good transport, and owns unique advantages in geographical location. In the face of various opportunities such as “the western development”, “Belt and Road Initiative”, “the Yangtze River Economic Belt” and “the Chengdu-Chongqing economic rim”, the Company is the only iron and steel conglomerate meeting national policies on the industry in Chongqing. With its proximity to the Yangtze River, the Company enjoys favourable logistic conditions of the port for self-owned raw material and finished products transportation with its products mainly sold in Chongqing and southwestern regions. It boasts obvious comparable advantages in regional markets and enjoys bright development prospects.

(III) Brand advantage

With rich production lines, the Company is able to provide a diversified portfolio of products. The products includes the varieties of medium plates, heavy plates, hot coil and long products, which meet the development demands in northwestern regional markets and are highly recognized in regional markets. The Company has established extensive cooperation relationships with various central enterprises such as China State Construction Engineering Chengdu Co, Ltd. (中建科工成都有限公司), China Railway Materials Chengdu Co, Ltd. (中鐵物資成都有限公司) and China Communications Materials.

Section III Management Discussion and Analysis (Continued)

III. DISCUSSION AND ANALYSIS ON OPERATION

In the first half of 2023, the demand for steel in the domestic market was lower than expected, with the prices of steel fluctuating at low levels and the price of imported iron ore remaining at a high level, resulting in the production and operation of iron and steel enterprises suffering from a severe situation. In the face of the complex situation and arduous tasks, the Company responded positively and adopted multiple measures to stabilise its production and operation, unswervingly promoted energy conservation and carbon emission reduction, unremittingly strengthened technological innovation and pursued ultimate efficiency, comprehensively enhancing its competitiveness.

- (1) Strengthening environmental protection through energy saving and carbon emission reduction.

Abiding by the management concept of “maximizing the recovery” of secondary energy, the Company increased the recovery of secondary energy and the self-generated electricity, with the self-generated electricity rate exceeding 85.87%, the best record in history. The Company continued to advance the ultra-low emission transformation and zero wastewater discharge, resulting in a year-on-year decrease of 46% and 41% in the intensity of sulfur dioxide and nitrogen oxides emissions from January to June, and realising the recycling of non-conventional water resources with a reduction of wastewater discharge of approximately 10,000 m³/d.

- (2) Continuously improving various technical and economic indicators in pursuit of excellence.

The Company’s ironmaking centered on cost and consumption reduction of blast furnace and optimised the coal and ore distribution structure. In March, the utilization coefficient and fuel ratio of 4# blast furnace hit the best record in history, securing its leading position among the same type of blast furnaces. Centering on production efficiency and quality stability, based on the principle of maximizing the benefits, the Company advanced the increase of benefits throughout the process. In March, the turnover rate of the second steelmaking ladle set a new monthly record, the cost of the first steelmaking process hit a record low in June, and the energy consumption of the second steelmaking process declined by 0.48kgce/t as compared with that of the previous year, which was a record high. The hot charge ratio of the 1,780mm production line in February and the 4100mm production line in March broke the historical record, and the yield of bar production line in May hit a record high.

- (3) Insisting on ultimate efficiency with the turnover efficiency of the “Two Funds (i.e., inventory funds and accounts receivable funds)” hitting a record low and the comprehensive financing cost continuing to decrease.

“Two Funds” reduction was carried out in an orderly manner, with the number of days of turnover as at the end of June 2023 being 26.65 days, representing a decrease of 11.10 days, and an increase of 29% in the efficiency of the turnover of “Two Funds” as compared with that of 2022, respectively. The Company strengthened benchmarking and identified gap and continued to track the trend of interest rates in the financial market, so as to obtain the funds required for operation at the optimal cost, minimise the Company’s finance costs, and practically realise the cost reduction and benefit increase in the channels of funding. In 2023, the comprehensive financing cost was 12% lower than that as at the beginning of the year, and among the new borrowings secured in 2023, the prime funding costs had decreased to 2.1%.

Section III Management Discussion and Analysis (Continued)

III. DISCUSSION AND ANALYSIS ON OPERATION (CONTINUED)

Material change in the operation of the Company during the Reporting Period and the events occurred in the Reporting Period which have and are expected to have in the future a significant effect on the operation of the Company

Applicable Not applicable

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD

(I) Main business analysis

1. Analysis of changes in certain items from financial statements

Unit: RMB Currency: Renminbi

Item	For the reporting period	For the corresponding period last year	Change (%)
Revenue	20,994,831,477.22	18,016,175,802.82	16.53
Cost of sales	21,128,203,365.30	16,793,108,913.19	25.81
Distribution and selling expenses	43,065,329.07	38,921,169.42	10.65
General and administrative expenses	141,514,648.17	157,960,364.87	-10.41
Finance expenses	117,873,511.59	231,104,884.08	-49.00
Research and development expenses	14,557,677.64	104,831,842.92	-86.11
Net cash flow from operating activities	414,520,654.04	936,510,963.14	-55.74
Net cash flow from investing activities	-340,443,005.21	-1,841,168,179.60	N/A
Net cash flow from financing activities	-1,081,155,780.23	-2,379,298,579.85	N/A

Reasons for change in finance expenses: The exchange losses decreased.

Reasons for change in research and development expenses: The implementation of new accounting policies resulted in the changes in accounting basis.

Reasons for change in net cash flow from operating activities: The net profit decreased.

Reasons for change in net cash flow from investing activities: The decrease in fixed assets investment and technological reform projects resulted in lower investment expenditures.

Reasons for change in net cash flow from financing activities: The size of interest-bearing liabilities decreased, with a year-on-year decrease in repayment of borrowings and interest expenses during the reporting period.

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. *Detailed description of major changes in the Company's type of business, profit structure or profit sources*

Applicable

Not Applicable

In the first half of 2023, the Group realized a total profit of RMB-515 million, representing a year-on-year decrease of RMB1,151 million, which was mainly due to the following reasons: the selling price of commodity billet amounted to RMB3,736/tonne, representing a year-on-year decrease of 17.38% and resulting in a decrease of RMB3,690 million in profit; the sales volume of commodity billet reached 5,420,100 tonnes, representing a year-on-year increase of 44.70%, and recorded a decrease of RMB529 million in sales volume and structure due to the influences by products structure; the decrease in prices of raw materials, such as ore, coal, alloy, scrap steel, etc., resulted in an increase of RMB1,705 million in profit. The Company continued to promote the cost reduction plan, centering on “cost reduction and benefit increase of RMB200 per tonne of steel”, and further promoted the work of reducing costs and tapping potentials, realizing the process cost reduction of RMB1,183 million; insisted on all expenses could be reduced including financial expenses, achieving an increase of RMB113 million in profit.

In the first half of 2023, the Group's revenue from main business amounted to RMB20,945 million, representing a year-on-year increase of 17.53%. In particular, the income from sales of commodity billet amounted to RMB20,248 million, representing an increase of RMB3,311 million as compared with the corresponding period of last year. Firstly, the sales volume of commodity billet was 5,420,100 tonnes, representing a year-on-year increase of 44.70%, resulting in a increase in the sales income of RMB7,001 million; secondly, the average sales price of commodity billet was RMB3,736/tonne, representing a year-on-year decrease of 17.38%, resulting in a decrease in the sales income of RMB3,690 million.

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. *Detailed description of major changes in the Company's type of business, profit structure or profit sources (Continued)*

Composition of revenue from principal operations:

Type	First half of 2023		First half of 2022		Year-on-year growth (%)
	Amount (RMB'000)	Percentage (%)	Amount (RMB'000)	Percentage (%)	
Plates	5,148,282	24.57	5,996,760	33.65	-14.15
Hot rolled coils	9,285,090	44.33	9,346,746	52.45	-0.66
Bars	2,123,215	10.14	128,262	0.72	1,555.37
Double high rods	1,903,169	9.09	1,113,210	6.25	70.96
Wire rods	957,098	4.57	347,681	1.95	175.28
Steel billets	830,707	3.97	3,994	0.02	20,699.34
Sub-total of commodity billets	20,247,561	96.67	16,936,653	95.04	19.55
Others	697,331	3.33	884,242	4.96	-21.14
Total	20,944,892	100.00	17,820,895	100.00	17.53

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Detailed description of major changes in the Company's type of business, profit structure or profit sources (Continued)

Sales prices of steel products:

Item	Sales price in the first half of 2023 (RMB/tonne)	Sales price in the first half of 2022 (RMB/tonne)	Year-on-year growth (%)	Income increase (RMB'000)
Plates	4,089	4,743	-13.79	-823,451
Hot rolled coils	3,709	4,449	-16.63	-1,852,590
Bars	3,528	3,979	-11.33	-271,457
Double high rods	3,479	4,153	-16.23	-368,745
Wire rods	3,701	4,393	-15.75	-178,951
Steel billets	3,325	4,105	-19.00	-194,922
Total	3,736	4,522	-17.38	-3,690,116

Sales volumes of steel products:

Item	Sales volume for the first half of 2023 (Ten thousand tonnes)	Sales volume for the first half of 2022 (Ten thousand tonnes)	Year-on-year growth (%)	Income increase (RMB'000)
Plates	125.91	126.44	-0.42	-25,027
Hot rolled coils	250.35	210.09	19.16	1,790,934
Bars	60.19	3.223	1,767.51	2,266,410
Double high rods	54.71	26.81	104.10	1,158,704
Wire rods	25.86	7.92	226.52	788,368
Steel billets	24.99	0.10	24,890.00	1,021,635
Total	542.01	374.58	44.70	7,001,024

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Detailed description of major changes in the Company's type of business, profit structure or profit sources (Continued)

Principal operations by sectors, products and regions:

Unit: RMB'000 Currency: RMB

Main operations by sectors						
By sectors	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Iron and steel	20,944,892	21,086,070	-0.67	17.53	26.98	-7.49

Main operations by products						
By products	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Steel products	20,247,561	20,387,557	-0.69	19.55	29.65	-7.84
Others	697,331	698,513	-0.17	-21.14	-20.65	-0.62

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(I) Main business analysis (Continued)

2. Detailed description of major changes in the Company's type of business, profit structure or profit sources (Continued)

By regions	Main operations by regions					
	Revenue	Cost of sales	Gross Margin (%)	Year-on-year increase/decrease in revenue (%)	Year-on-year increase/decrease in cost of sales (%)	Year-on-year increase/decrease in gross margin (%)
Southwest region	16,933,308	17,091,412	-0.93	38.20	48.70	-7.13
Other regions	4,011,584	3,994,658	0.42	-27.95	-21.85	-7.78
Total	20,944,892	21,086,070	-0.67	17.53	26.98	-7.49

(II) Explanation on material change in profit due to non-principal business

Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities

Applicable Not applicable

1. Assets and liabilities

Unit: RMB Currency: Renminbi

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Cash and bank balances	3,088,667,503.34	8.14	3,995,675,679.90	10.15	-22.70	-
Trade receivables	34,776,082.96	0.09	38,789,243.44	0.10	-10.35	-
Inventories	2,631,639,085.83	6.93	2,592,756,838.00	6.59	1.50	-
Property, plant and equipment	26,388,840,864.17	69.53	26,281,780,445.68	66.76	0.41	-
Construction in progress	886,818,439.98	2.34	894,154,698.17	2.27	-0.82	-
Right-of-use assets	323,948,938.00	0.85	388,738,725.76	0.99	-16.67	-
Short-term borrowings	606,003,134.28	1.60	1,106,441,170.84	2.81	-45.23	Repayment of borrowings
Long-term borrowings	4,019,245,100.00	10.59	2,751,945,100.00	6.99	46.05	New borrowings
Lease liabilities	211,167,760.21	0.56	278,352,825.03	0.71	-24.14	-
Receivables financing	417,375,048.47	1.10	799,686,555.46	2.03	-47.81	Bill discounting
Prepayments	623,370,496.19	1.64	845,432,996.80	2.15	-26.27	-
Other receivables	20,409,857.95	0.05	34,846,186.58	0.09	-41.43	Immediate refund of VAT receivable
Other current assets	148,015,814.46	0.39	207,034,907.16	0.53	-28.51	-
Long-term equity investments	111,227,095.30	0.29	111,123,058.00	0.28	0.09	-
Other equity investments	60,364,499.70	0.16	-	-	N/A	Capital injection of Baowu Water

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Amount at the end of the period	Percentage of the amount at the end of the period in total assets (%)	Amount at the end of the previous period	Percentage of the amount at the end of the previous period in total assets (%)	Year-on-year change (%)	Explanation
Intangible assets	2,477,830,158.58	6.53	2,514,367,788.86	6.39	-1.45	-
Goodwill	328,054,770.34	0.86	328,054,770.34	0.83	-	-
Long-term expenses to be amortized	220,513.01	-	237,486.45	-	-7.15	-
Deferred income tax assets	409,075,197.48	1.08	327,989,203.45	0.83	24.72	-
Other non-current assets	735,594.85	-	4,131,818.97	0.01	-82.20	Decrease in advance payment related to fixed investment
Bills payable	519,225,451.64	1.37	609,367,940.00	1.55	-14.79	-
Trade payables	3,926,453,144.80	10.35	3,115,966,628.22	7.92	26.01	-
Contract liabilities	1,867,621,535.43	4.92	2,645,569,472.47	6.72	-29.41	-
Employee benefits	122,059,965.01	0.32	144,905,310.06	0.37	-15.77	-
Tax payable	30,721,010.73	0.08	22,974,352.75	0.06	33.72	Increase in VAT payable
Other payables	2,959,593,877.11	7.80	2,720,896,934.96	6.91	8.77	-
Non-current liabilities due within one year	1,297,960,606.25	3.42	2,352,484,115.99	5.98	-44.83	Repayment of borrowings
Other current liabilities	242,791,457.53	0.64	343,924,031.42	0.87	-29.41	-
Long-term payables	1,080,466,022.15	2.85	1,730,677,459.72	4.40	-37.57	Repayment of borrowings
Long-term employee benefits payable	66,885,636.10	0.18	107,663,455.08	0.27	-37.88	Repayment of termination benefits
Provisions for liabilities	-	-	5,540,444.09	0.01	-100.00	Implementation of onerous contracts
Deferred income	86,058,402.13	0.23	79,742,929.39	0.20	7.92	-
Deferred income tax liabilities	6,050,855.83	0.02	6,430,532.64	0.02	-5.90	-

Other explanation

Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

2. Overseas assets

Applicable Not applicable

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

Applicable Not applicable

Unit: RMB'000 Currency: Renminbi

Item	Closing carrying amount	Opening carrying amount	Reason for restriction
Cash and bank balances	146,709,582.59	57,742,846.62	As at 30 June 2023, the Group had cash and bank balances amounted to RMB146,709,582.59 (31 December 2022: RMB57,742,846.62) restricted for bank acceptance notes and letter of credit.
Receivables financing	117,502,637.12	100,119,944.03	As at 30 June 2023, the Group pledged bank acceptance notes with a carrying amount of RMB117,502,637.12 (31 December 2022: RMB100,119,944.03) for issuing bank acceptance.

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

3. Major restricted assets at the end of the Reporting Period (Continued)

Item	Closing carrying amount	Opening carrying amount	Reason for restriction
Property, plant and equipment	2,697,607,851.25	3,205,875,127.07	As at 30 June 2023, the plants and buildings with a carrying amount of RMB93,124,029.36 (31 December 2022: RMB94,398,773.70) and machineries and other equipment with a carrying amount of RMB2,604,483,821.89 (31 December 2022: RMB3,111,476,353.37) were pledged to banks to secure the bank loans and facilities granted to the Group.
Intangible assets	285,012,648.40	289,098,468.82	As at 30 June 2023, the Group's land use rights with a carrying amount of RMB285,012,648.40 (31 December 2022: RMB289,098,468.82) were pledged to secure bank borrowings. The amortisation of land use rights for January to June 2023 was RMB4,085,820.42 (2022: RMB8,171,640.84).
Equity	837,609,884.19	837,609,884.19	As at 30 June 2023, the equity interest with a carrying amount of RMB837,609,884.19 (31 December 2022: RMB837,609,884.19) was pledged to secure the bank loans of RMB215,000,000.00 (31 December 2022: RMB335,000,000.00).
Total	4,084,442,603.55	4,490,446,270.73	

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

4. Others

Applicable Not applicable

(IV) Investment Analysis

1. General analysis of external equity investment

Applicable Not applicable

On 28 December 2022, the Resolution in relation to External Investment and Related Party Transactions was deliberated and passed at the 20th meeting of the ninth session of the board of directors of the Company, pursuant to which, the Company was approved to join hands with seven companies affiliated to China Baowu, the de facto controller of the Company, including Guangdong Zhongnan Iron & Steel Co., Ltd., Baowu Group Echeng Iron and Steel Co., Ltd., Shanxi Taigang Stainless Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd., Xinjiang Bayi Iron & Steel Co., Ltd., Xinjiang Yili Iron & Steel Co., Ltd. and Xinjiang Bagang Nanjiang Steel Baicheng Co., Ltd., to increase capital shares of Baowu Water Technology Limited (Baowu Water) affiliated to China Baowu. The Company intended to increase its capital contribution in kind in this related transaction to the asset value of RMB60,364,499.70 on the date of capital contribution, accounting for 1.334% of the general capital of Baowu Water.

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(IV) Investment Analysis (Continued)

1. *General analysis of external equity investment (Continued)*

(1) *Significant Equity Investment*

Applicable Not applicable

(2) *Significant Non-Equity Investment*

Applicable Not applicable

(3) *Financial Assets Measured at Fair Value*

Applicable Not applicable

Unit: RMB Currency: Renminbi

Asset type	Opening balance	Gains or losses on changes in fair value during the period	Accumulated fair value changes taken to equity	Impairment charged during the period	Purchase amount during the period	Amount sold/ redeemed during the period	Other changes	Closing balance
Others	-	-	-	-	60,364,499.70	-	-	60,364,499.70
Total	-	-	-	-	60,364,499.70	-	-	60,364,499.70

Securities investment

Applicable Not applicable

Explanation on securities investment

Applicable Not applicable

Private equity investment

Applicable Not applicable

Derivatives investment

Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

IV. MAJOR OPERATIONS DURING THE REPORTING PERIOD (CONTINUED)

(V) Major Assets and Equity Disposal

Applicable Not applicable

(VI) Analysis of principal controlled and investee companies

Applicable Not applicable

Name of subsidiary/investee	Principal place of business	Place of registration	Business nature	Shareholding percentage (%)	Acquisition method
Chongqing Iron & Steel Energy Environmental Protection Company Limited (重慶鋼鐵能源環保有限公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Electricity production and sales	100	Acquisition of equity
Chongqing Xin Gang Chang Long Logistics Company Limited (重慶新港長龍物流有限責任公司)	Changshou Economic Development Zone, Chongqing	Changshou Economic Development Zone, Chongqing	Transportation and warehouse	100	Acquisition of equity
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd. (寶武環科重慶資源循環利用有限公司)	Changshou District, Chongqing	Changshou District, Chongqing	Comprehensive utilization of waste resources	49	Establishment by capital
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. (寶武精成(舟山)礦業科技有限公司)	China (Zhejiang) Pilot Free Trade Zone	China (Zhejiang) Pilot Free Trade Zone	Mining professional and auxiliary activities	19	Establishment by capital
Chongqing Baocheng Carbon Co., Ltd. (重慶寶丞炭材有限公司)	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing	10	Acquisition of equity
Baowu Raw Material Supply Co., Ltd.* (寶武原料供應有限公司)	Pilot Free Trade Zone, Shanghai	Pilot Free Trade Zone, Shanghai	Trading	8	Establishment by capital

(VII) Structured entities under the control of the Company

Applicable Not applicable

Section III Management Discussion and Analysis (Continued)

V. OTHER DISCLOSURE

(I) Potential Risks

Applicable Not applicable

1. Global inflation is still at a high level, the growth momentum of world economic and trade is weakening, uncertain and unpredictable factors are increasing, the supply-demand contradiction in the steel market is difficult to fundamentally improve, and the competition in the industry is further aggravated, which may pose certain impact on the Company's operation. The Company's response measures: first, further explore the implementation of organisational reform to establish a streamlined, efficient, professional and consistent management mechanism; second, continue to optimise the human resources structure to guide the shaping of the concept of "value-oriented, duty-bearing, the pursuit of excellence" of the performance of the practical; third, promote scientific and technological innovation and improve the mechanism of innovation to make continuous progress on the path of informatization, digitization, and intelligence; four, implement the product structure of "efficiency + variety" to enhance the manufacturing capacity of "efficiency + excellence"; and five, continue to push forward the market-oriented synergy and cooperation between production and efficiency to maximize overall benefits.
2. "Dual control" of environmental protection and energy consumption will remain a hard requirement for the development of the iron and steel industry, and the "dual-carbon" process will be accelerated. Both will continue to increase pressure on environmental protection. The Company's response measures: first, improve the key indicators of energy consumption and reduce the comprehensive energy consumption per ton of steel; second, deeply explore the potential of energy conservation and carbon reduction and pursue the ultimate and efficient use of energy; third, vigorously promote green and low-carbon technological innovation, and implement the "6C" carbon reduction (carbon reduction by planning, carbon reduction by efficiency, carbon reduction by process, carbon reduction by technology, carbon reduction by greenness, carbon reduction by chain circle). Four, implement the Yangtze River protection plan, rapidly promote the "Three Treatments (ultra-low emission of waste gas, zero discharge of waste water and zero discharge of solid waste) and the Four Aspects (cleanness, greenness, beauty and culture), strive to create a national 3A-level tourist attraction, consolidate the achievements which are "Higher than Standards, Better than Urban Areas and Integrated into City").

Section III Management Discussion and Analysis (Continued)

V. OTHER DISCLOSURE (CONTINUED)

(I) Potential Risks (Continued)

- Influenced by macroeconomic or industry supply and demand factors, steel prices fluctuated at a low level, the imported price of iron ore remained high, market competition was fierce, the overall benefits of the steel industry declined significantly, and the operation faced greater challenges. The Company's response measures: first, focus on value creation, adhere to the concept of "cash is the top priority", based on the ultimate efficiency, the ultimate cost, from resource expansion, structural optimisation, channel optimisation, logistics optimisation, model innovation in five aspects of the planning, through the expansion of cost-effective resource channels and other means, to promote the raw materials of full-calibre inventory refinement management; second, accelerate the development of end-users, strengthen cooperation among regional steel plants, rationally allocate regional resources, continuously optimise marketing channels, enhance customer viscosity, and further increase the regional market share.

(II) Other disclosure

Applicable Not applicable

Section IV Corporate Governance

I. INTRODUCTION OF GENERAL MEETINGS

Meeting	Date	Website designated for publication of resolutions	Date of publication of resolutions	Resolutions
2022 Annual General Meeting	28 June 2023	Announcement of Resolutions Passed at the 2022 Annual General Meeting (Ann. No.: 2023-017) published on the official website of SSE (http://www.sse.com.cn)	29 June 2023	Considering and passing the following resolutions: <ol style="list-style-type: none">1. The report of the board of directors for the year 20222. The report of the supervisory committee for the year 20223. The final financial accounts report for the year 20224. The 2022 annual report (full text and summary)5. The profit distribution plan for the year 20226. The proposal for the 2023 annual plan7. The proposal for the appointment of the auditor for annual audit for the year 20238. The proposal on the election of Mr. Lin Changchun as a director of the ninth session of the board of directors9. The proposal on the amendments to the Articles of Association and its appendices

Preferred shareholders with restored voting rights request convening extraordinary general meetings

Applicable Not applicable

Explanation on general meeting

Applicable Not applicable

Section IV Corporate Governance (Continued)

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Applicable Not applicable

Name	Position	Change
Lin Changchun	Director	Election
Xia Tong	Employee representative supervisor	Election
Lei Yougao	Employee representative supervisor	Election
Lai Xiaomin	Director	Resigned
Zhou Yaping	Employee representative supervisor	Resigned
Yao Xiaohu	Employee representative supervisor	Resigned

Details on changes in directors, supervisors and senior management of the Company

Applicable Not applicable

1. On 20 March 2023, the Company received a written resignation tendered by Mr. Lai Xiaomin, a director. Mr. Lai Xiaomin resigned as a director of the ninth session of the board of directors and a member of the Strategy Committee under the board of directors of the Company due to work reallocation. After his resignation, he will no longer hold any positions in the Company.
2. On 28 June 2023, the Company convened the 2022 Annual General Meeting, at which Mr. Lin Changchun was elected as a director of the ninth session of the board of directors of the Company for the same term as the ninth session of the board of directors.
3. On 30 June 2023, the Company received the written resignations tendered by Mr. Yao Xiaohu and Mr. Zhou Yaping, the employee representative supervisors. Mr. Yao Xiaohu resigned as the employee representative supervisor of the ninth session of the board of supervisors of the Company due to work reallocation, and remained as the deputy secretary to the Party committee, the secretary of the disciplinary committee and chairman of the labour union of the Company. Mr. Zhou Yaping resigned as the employee representative supervisor of the ninth session of the board of supervisors of the Company due to reaching the statutory retirement age. After his resignation, he will no longer hold any positions in the Company. On the same date, the Company held the 23rd joint meeting of the first session of Workers and Employees' Congress, at which Mr. Xia Tong and Mr. Lei Yougao were elected as the employee representative supervisors of the ninth session of the board of supervisors of the Company for the same term as the ninth session of the board of supervisors.

Section IV Corporate Governance (Continued)

III. SCHEME FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

Interim proposals on profit distribution and the proposal on transferring capital reserve to share capital

Profit distribution or transfer of capital reserve to share capital	No
Number of bonus shares for every 10 shares (<i>share</i>)	/
Dividends for every 10 shares (<i>RMB</i>) (tax inclusive)	/
Number of shares transferred for every 10 shares (<i>share</i>)	/
Relevant explanation on proposals on profit distribution and transfer of capital reserve to share capital	Not applicable

IV. EQUITY INCENTIVE PLAN, EMPLOYEE SHARE OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

(I) Relevant incentive events disclosed in extraordinary announcements but without subsequent development or changes during implementation

Applicable Not applicable

(II) Incentive events not disclosed in extraordinary announcements or with subsequent development

Equity incentive

Applicable Not applicable

Other explanations

Applicable Not applicable

Employee share ownership plan

Applicable Not applicable

Other incentive measures

Applicable Not applicable

Section V Environmental and Social Responsibility

I. ENVIRONMENTAL INFORMATION

(I) Explanation on the performance of environmental protection of companies and its key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department

Applicable Not applicable

1. Pollutant discharging

Applicable Not applicable

The Company has strictly implemented the permit management system for pollutant discharging, fully carried out the enterprise self-monitoring and information disclosure, and discharged sewage according to the law and regulations and with permit. The Company has strictly implemented pollutant reduction and discharging control by strengthening the operation and management of environmental protection facilities. In the first half of 2023, the total amount of pollutant discharging did not exceed the total permitted index. During the Reporting Period, there was no incident caused by the Company which was subject to environmental protection administrative penalty. The major pollutants discharged by the Company are as follows:

No.	Major pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm ³)	Total emissions (tonnes)	Pollutant emission standards implemented	Approved total emissions	Are there excessive emissions
1	Particulate matter	Continuous	10	Goods transportation	Less than Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	221.1	Emission Standard of Air Pollutants for Ironmaking Industry GB28663-2012	Nil	No
2	Particulate matter	Continuous	41	Coking	Less than Emission Standard of	417.7	Emission Standard for Pollutants	Nil	No
3	Sulfur dioxide	Continuous			Pollutants for Coking Chemical Industry GB16171-2012	392.12	for Coking Chemical Industry GB16171-2012	Nil	No
4	Nitrogen oxides	Continuous				575.1		Nil	No
5	Particulate matter	Continuous	20	Sintering	Less than Emission Standard of Air	860.5	Emission Standard of Air Pollutants	Nil	No
6	Sulfur dioxide	Continuous			Pollutants for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	340.74	for Iron and Steel Sintering and Pelletizing Industry GB28662-2012	Nil	No
7	Nitrogen oxides	Continuous				1,269.32		Nil	No
8	Particulate matter	Continuous	36	Ironmaking	Less than Emission Standard of Air	512.7	Emission Standard of Air Pollutants for	Nil	No
9	Sulfur dioxide	Continuous			Pollutants for Ironmaking Industry GB28663-2012	312.93	Ironmaking Industry GB28663-2012	Nil	No
10	Nitrogen oxides	Continuous				515.78		Nil	No

Section V Environmental and Social Responsibility (Continued)

I. INTRODUCTION OF GENERAL MEETINGS (CONTINUED)

(I) Explanation on the performance of environmental protection of companies and its key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)

1. Pollutant discharging (Continued)

No.	Major pollutants	Emission method	Number of vent ports	Distribution	Emission concentration (mg/Nm ³)	Total emissions (tonnes)	Pollutant emission standards implemented	Approved total emissions	Are there excessive emissions
11	Particulate matter	Continuous	21	Steelmaking	Less than Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	563.8	Emission Standard of Air Pollutants for Steelmaking Industry GB28664-2012	Nil	No
12	Particulate matter	Continuous	11	Steel Rolling	Less than Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012	226	Emission Standard of Air Pollutants for Steel Rolling Industry GB28665-2012	Nil	No
13	Sulfur dioxide	Continuous				321.6		Nil	No
14	Nitrogen oxides	Continuous				482.6		Nil	No
15	COD	Continuous	1	Central wastewater treatment station	Less than Emission Standard of Water Pollutant for Iron and Steel Industry GB13456-2012	53.26	Emission Standard of Water Pollutant for Iron and Steel Industry GB13456-2012	Nil	No
16	Ammonia nitrogen	Continuous				3.08		Nil	No
17	Total	Particulate matter: 2,814 tonnes, Sulfur dioxide: 1,426.39 tonnes, Nitrogen oxides: 2,918.8 tonnes, COD: 53.26 tonnes, Ammonia nitrogen: 3.08 tonnes							
18	Permitted emissions under the pollutant discharging permit	Particulate matter: 15,167.314 tonnes, Sulfur dioxide: 7,774.523 tonnes, Nitrogen oxides: 14,871.436 tonnes, COD: 481.991 tonnes, Ammonia nitrogen: 48.199 tonnes							

2. Construction and operation of pollution control facilities

Applicable Not applicable

The Company's existing environmental protection facilities include: 11 wastewater treatment facilities, 127 exhaust gas and dust treatment facilities, of which main outlets of waste water and exhaust gas are installed with online monitoring and supervisory facilities, and networking has been implemented in accordance with government requirements. Blast furnace water slag, converter steel slag, iron dust and other industrial solid waste disposal facilities are available. All production processes of the Company have facilities such as noise elimination, noise reduction, sound insulation and isolation, which effectively control environmental noise. The Company strengthens the management and control of environmental protection facilities, clarifies the main body of responsibility, implements synchronous operation and maintenance of environmental protection facilities and main facilities, and promptly organizes emergency repairs for abnormalities or failures. The environmental protection facilities are under sound operating condition.

Section V Environmental and Social Responsibility (Continued)

I. ENVIRONMENTAL INFORMATION (CONTINUED)

(I) Explanation on the performance of environmental protection of companies and its key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)

2. *Construction and operation of pollution control facilities (Continued)*

The Company has completed the construction of special wastewater treatment system, with the processing capacity for 10,000m³/d of wastewater containing ammonia nitrogen and COD, and the quality of the treated water meets the industrial water standard. The desulphurisation and denitrification project, dust removal and other wastewater treatment facilities of the Company are under sound operating condition with the external pollutant discharging up to the standard. The hazardous waste and solid waste warehouses of the Company are in normal use, achieving compliant hazardous waste and solid waste storage. All of the existing pollution control facilities are under sound operating condition with a stable emission up to the standard.

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

Applicable Not applicable

In the first half of 2023, the Company completed the acceptance of the upgrading of No. 2 wharves and berths for raw material in terms of environmental protection.

Section V Environmental and Social Responsibility (Continued)

I. ENVIRONMENTAL INFORMATION (CONTINUED)

(I) Explanation on the performance of environmental protection of companies and its key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)

4. *Environmental emergency plan*

Applicable Not applicable

In order to implement the requirements of the laws and regulations on strengthening the environmental protection of enterprises promulgated by the central and local government, and establish a sound environmental risk prevention system, the Company has formulated the Environmental Emergency Plan (《突發環境事件應急預案》) and carried out environmental protection filing with a period of validity until 17 June 2025 and filling No. of 500115-2022-041-H. During the Reporting Period, in accordance with the approach of “prevention is first” and the principle of “unified command, being unhurried in the face of danger, buying time for emergencies, reduction of hazards”, the Company, together with the ecology and environment bureau of Changshou District and other departments, completed the 2023 emergency drill for environmental emergencies in Changshou District.

5. *Self-monitoring program on environmental protection*

Applicable Not applicable

According to the requirements of the Measures for Self-monitoring and Information Disclosure by the Enterprises Subject to Intensive Monitoring and Control of the State (Trial Implementation) (《國家重點監控企業自行監測及信息公開辦法(試行)》) and the General Rules for Technical Guidance on Self-monitoring of Pollutant Discharging Organizations (《排污單位自行監測技術指南總則(發佈稿)》), in order to regulate the self-monitoring and information disclosure of the Company and ensure the conscious fulfillment of its legal obligations and social responsibilities, the Company has completed its self-monitoring annual report and information disclosure for 2022, and formulated the Measures for Environmental Monitoring Management (《環境監測管理辦法》) and the Self-monitoring Program on Environmental Protection in 2023 (《2023年環境自行監測方案》) and organized daily monitoring covering water, gas, soil and noise in accordance with the monitoring program to ensure that the environmental risks of the Company’s plants are controllable. The Self-monitoring Program on Environmental Protection in 2023 was filed with the ecology and environment bureau of Changshou District.

6. *Any administrative penalties caused by environmental problems during the Reporting Period*

Applicable Not applicable

Section V Environmental and Social Responsibility (Continued)

I. ENVIRONMENTAL INFORMATION (CONTINUED)

(I) Explanation on the performance of environmental protection of companies and its key subsidiaries under the classification of key pollutant discharging entity as published by the environmental protection department (Continued)

7. *Other environmental information required to be disclosed*

Applicable Not applicable

(II) Explanation on environmental protection of companies beyond the classification of key pollutant discharging entity

Applicable Not applicable

(III) Explanation on subsequent development or changes in environmental information disclosed during the Reporting Period

Applicable Not applicable

(IV) Relevant information conducive to ecological protection, pollution control and fulfillment of environmental responsibilities

Applicable Not applicable

In 2023, the Company formulated the Working Plan for “Great Protection of the Yangtze River” of Chongqing Iron & Steel for 2023, the Working Plan for Energy and Environmental Protection of Chongqing Iron & Steel for 2023, clarified work objectives and specific measures of implementation of Great Protection of the Yangtze River by the Company, and the treatment projects of waste gas, waste water and solid waste shall be moved forward and implemented as planned. In terms of waste gas, the Company launched key projects such as the fine desulphurisation of coke oven gas, etc. After the completion of the projects, the concentration of pollutant emissions will be significantly reduced; in terms of waste water, the Company completed the projects such as special wastewater reuse treatment system, rainwater reuse treatment system, vigorously promoted the replacement of new water with reclaimed water, promoted multi-stage and cascade water use, reducing the amount of external drainage of the recycling system and improving the water recycling rate; in terms of solid waste, the Company continued to consolidate the achievement of zero discharge of solid waste.

Section V Environmental and Social Responsibility (Continued)

I. ENVIRONMENTAL INFORMATION (CONTINUED)

(V) Measures taken to reduce carbon emissions and its results during the Reporting Period

Applicable Not applicable

In the first half of 2023, the Company actively promoted the recovery of residual heat and enhanced the efficiency of residual energy utilization. In the first half of the year, the Company achieved zero emissions of coke oven gas, the release rate of blast furnace gas dropped significantly, and the self-power generation capacity amounted to 2,016 million kWh, with the self-generation rate reaching 84.38%. The Company accelerated the on-schedule commencement of energy-saving projects such as the 2# mean pressure recovery of blast furnace gas, vacuum efficiency improvement of steam turbines, and the elimination of high energy consumption outdated electrical and mechanical equipment. The Company prepared a program of key process energy efficiency benchmarking action to actively reduce the energy consumption of coke oven and converter processes. In the first half of the year, the energy consumption of 5# and 6# coke ovens reached the benchmarking level at 107.79kgce/t; the energy consumption of blast furnace processes dropped by 18kgce/t compared with that of 2022, supporting the green and low-carbon development of the Company.

II. DETAILS OF CONSOLIDATION AND EXPANSION OF ACHIEVEMENTS IN POVERTY ALLEVIATION AND OTHER WORKS SUCH AS RURAL REVITALIZATION

Applicable Not applicable

To fulfill corporate social responsibility, actively participate in social welfare undertakings, promote rural revitalization, and enhance the Company's social image and influence, the Company used its own funds to make external donations, mainly for the purpose of rural revitalization and education assistance, of which, RMB100,000 was donated to the Chongqing Education Development Foundation for the construction of "information classrooms" in rural schools in Chongqing. Through procurement and assisting of sales, the Company purchased poverty-alleviation materials from Guangnan County in Yunnan Province in two batches, with a worth of more than RMB2.2 million.

Section VI Significant Events

I. FULFILLMENT OF COMMITMENTS

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period

Applicable Not applicable

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not	Failure to perform in time should be accompanied by specific reasons	Next plan should be indicated in the case of failure to perform in time
Commitment made in acquisition report or equity change report	To solve the horizontal competition	China Baowu	1. In view of the overlap of the business of Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司) ("Baosteel"), WISCO Echeng Steel Company Limited (武漢鋼鐵集團鄂城鋼鐵有限公司) ("Echeng Steel") and Chongqing Iron & Steel upon completion of the acquisition, in accordance with the requirements of current laws and regulations and relevant policies, China Baowu will, within five years from the date of this commitment letter or within a shorter period of time, and in accordance with the requirements of the relevant securities regulatory authorities and subject to the applicable laws and regulations and relevant regulatory rules at that time, steadily promote the integration of relevant business to solve the problem of the horizontal competition by comprehensively using various methods such as asset reorganization, business adjustment and entrusted management based on the principle of facilitating the development of the Company and safeguarding the interests of shareholders, minority shareholders in particular.	16 September 2020	No	Yes		

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not	Failure to perform in time should be accompanied by specific reasons	Next plan should be indicated in the case of failure to perform in time
			<p>The aforesaid settlement methods include, but are not limited to:</p> <p>(1) Asset reorganization: to gradually sort out and reorganize the assets of the overlapping business of Baosteel, Echeng Steel and Chongqing Iron & Steel by way of asset purchase at cash consideration, share issuance consideration or other methods as permitted by relevant laws and regulations, or by way of assets swap, assets transfer or other feasible reorganization methods, so as to eliminate some of the overlapping business;</p> <p>(2) Business adjustment: to sort out the business boundaries of Baosteel, Echeng Steel and Chongqing Iron & Steel, and to try its best to achieve differentiated operations among the three listed companies. For example, business differentiation can be realized in different ways, such as asset trading and business division, including but not limited to differentiation in terms of business composition, product grade, application areas and customer groups;</p> <p>(3) Entrusted management: one party entrusts the decision-making and management rights related to the operation of certain relevant assets of the overlapping business to the other party for unified management through the signing of an entrustment agreement;</p> <p>(4) Other feasible solutions within the scope permitted by laws and regulations and relevant policies.</p>					

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not	Failure to perform in time should be accompanied by specific reasons	Next plan should be indicated in the case of failure to perform in time
			<p>The implementation of the above solutions is subject to the fulfillment of the necessary procedures for consideration by listed companies and approval by the securities regulatory authorities and relevant competent authorities in accordance with relevant laws and regulations.</p> <p>2. The company has not yet formulated specific implementation plans or time schedule for solving the overlapping business between Baosteel, Echeng Steel and Chongqing Iron & Steel. The company will fulfill its information disclosure obligations in accordance with the relevant laws and regulations in a timely manner after specific feasible plans are formulated;</p> <p>3. In addition to the above, when the company or other subsidiaries are offered business opportunities that may compete with the business of Chongqing Iron & Steel, the company will try its best to give Chongqing Iron & Steel the right of priority to develop such opportunities and the right of first refusal to acquire the projects, promote the price of the relevant transactions to be fair and reasonable, and take the commercial practices followed for conducting normal commercial transactions with independent third parties as its pricing basis;</p> <p>4. The company undertakes to strictly comply with the laws and regulations as well as the provisions of the articles of association of the Company and its relevant management system and not to use its position as an indirect controlling shareholder of the Company to seek unjustified benefits which may further impair the rights and interests of other shareholders of the Company;</p> <p>5. The above commitments shall remain in force during the period when China Baowu has de facto control over Chongqing Iron & Steel.</p>					

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not	Failure to perform in time should be accompanied by specific reasons	Next plan should be indicated in the case of failure to perform in time
To solve the horizontal competition	Strategic Emerging Fund	1. During the period when Strategic Emerging Fund and China Baowu are acting in concert and China Baowu has de facto control over Chongqing Iron & Steel, Strategic Emerging Fund will not take advantage of China Baowu's control over the Company to obtain unjustified benefits and will not prejudice the legitimate interests of the Company and other shareholders;	16 September 2020	No	Yes			
		2. After the completion of change in equity, Strategic Emerging Fund will reasonably integrate the business development direction of its wholly-owned and holding subsidiaries and other enterprises under its de facto control in accordance with the main business development characteristics of each enterprise, and avoid itself and enterprises under its control from engaging in business that is in substantial horizontal competition with the main business of Chongqing Iron & Steel;						
		3. If, during the period when Strategic Emerging Fund and China Baowu are acting in concert and China Baowu has de facto control over Chongqing Iron & Steel, Strategic Emerging Fund and the enterprises under its control obtain business opportunities that may constitute horizontal competition with the Company, Strategic Emerging Fund will facilitate the transfer of such business opportunities to the Company. If such business opportunities are not yet available for transfer to the Company, or if for other reasons the Company is temporarily unable to obtain such business opportunities, the Company shall have the right to request the Strategic Emerging Fund to adopt other means permitted by laws, regulations and the CSRC to solve the problem.						

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not	Failure to perform in time should be accompanied by specific reasons	Next plan should be indicated in the case of failure to perform in time
To solve the horizontal competition		Changshou Iron & Steel	<ol style="list-style-type: none"> As of 1 December 2017, Changshou Iron & Steel has not engaged in any business that is the same as or similar to the existing core business of Chongqing Iron & Steel. During the period when Changshou Iron & Steel is the controlling shareholder of Chongqing Iron & Steel, if Changshou Iron & Steel obtains a business opportunity of engaging in the same business as Chongqing Iron & Steel, Changshou Iron & Steel shall concede the business opportunity to Chongqing Iron & Steel and can invest only after Chongqing Iron & Steel has given up such business opportunity. ("engaged/engaging in" refers to any situations in which the business is conducted directly or indirectly through a controlling entity, excluding minority equity investments that do not generate a controlling position.) 	1 December 2017	No	Yes		

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not	Failure to perform in time should be accompanied by specific reasons	Next plan should be indicated in the case of failure to perform in time
	To solve the related party transactions	China Baowu	<ol style="list-style-type: none"> China Baowu will ensure the business independence and asset integrity of Chongqing Iron & Steel, as well as independent and integral production, supply and marketing system and other auxiliary and supporting systems. China Baowu and other enterprises under its control will not seek the priority to conclude transactions with Chongqing Iron & Steel and its subsidiaries by utilizing its control over Chongqing Iron & Steel. China Baowu and other enterprises under its control will avoid and reduce unnecessary transactions with Chongqing Iron & Steel and its subsidiaries. In the case of indeed necessary and unavoidable transactions, China Baowu and other enterprises under its control and Chongqing Iron & Steel and its subsidiaries shall enter into agreement by following the principles of justice, fairness, valuable consideration, etc., according to law, perform legal procedures, and in accordance with the requirements of laws, regulations and regulatory documents and the provisions of the Articles of Association of Chongqing Iron & Steel, perform the obligation of information disclosure according to law and related procedures for internal decision-making and reporting for approval, and undertake to neither conduct transactions with Chongqing Iron & Steel and its subsidiaries on unfair terms as compared with market prices, nor engage in activities impairing the legitimate interests of Chongqing Iron & Steel and its shareholders by utilizing such transactions. In case of violation of any of the above commitments, China Baowu will undertake the liability according to law and compensate Chongqing Iron & Steel for loss caused thereby. 	16 September 2020	No	Yes		

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not	Failure to perform in time should be accompanied by specific reasons	Next plan should be indicated in the case of failure to perform in time
	To solve the related party transactions	Strategic Emerging Fund	<ol style="list-style-type: none"> The Strategic Emerging Fund will ensure the business independence and asset integrity of Chongqing Iron & Steel, as well as independent and integral production, supply and marketing system and other auxiliary and supporting systems. Strategic Emerging Fund and the enterprises under its control will not seek the priority to conclude transactions with Chongqing Iron & Steel and its subsidiaries by utilizing the concerted action relationship between Strategic Emerging Fund and China Baowu and China Baowu's control over Chongqing Iron & Steel. Strategic Emerging Fund and the enterprises under its control will avoid and reduce unnecessary transactions with Chongqing Iron & Steel and its subsidiaries. In the case of indeed necessary and unavoidable transactions, Strategic Emerging Fund and the enterprises under its control and Chongqing Iron & Steel and its subsidiaries shall enter into agreement by following the principles of justice, fairness, valuable consideration, etc., according to law, perform legal procedures, and in accordance with the requirements of laws, regulations and regulatory documents and the provisions of the Articles of Association of Chongqing Iron & Steel, perform the obligation of information disclosure according to law and related procedures for internal decision-making and reporting for approval, and undertake to neither conduct transactions with Chongqing Iron & Steel and its subsidiaries on unfair terms as compared with market prices, nor engage in activities impairing the legitimate interest of Chongqing Iron & Steel and its shareholders by utilizing such transactions. 	16 September 2020	No	Yes		

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not	Failure to perform in time should be accompanied by specific reasons	Next plan should be indicated in the case of failure to perform in time
			4. In case of violation of any of the above commitments, Strategic Emerging Fund will undertake the liability according to law and compensate Chongqing Iron & Steel for loss caused thereby.					
To solve the related party transactions		Changshou Iron & Steel	<p>1. After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, Changshou Iron & Steel will, in strict accordance with the requirements of laws and regulations such as the Company Law and the relevant provisions of the Articles of Association of Chongqing Iron & Steel, exercise the rights of shareholders, or urge the directors nominated by Changshou Iron & Steel to exercise the rights of directors according to law and to fulfill the obligation to abstain from voting when the general meeting and the Board vote on the related party transactions involving Changshou Iron & Steel.</p> <p>2. After the implementation of the bankruptcy reorganisation plan of Chongqing Iron & Steel, for the possible related party transactions arising from various reasonable reasons, Changshou Iron & Steel will, according to applicable laws and regulations and on the principles of justice and equity, sign agreements according to law, perform relevant procedures, and perform its obligation of information disclosure in a timely manner, so as to ensure that such transactions will not harm the legitimate rights and interests of Chongqing Iron & Steel and other shareholders.</p>	1 December 2017	No	Yes		

Section VI Significant Events (Continued)

I. FULFILLMENT OF COMMITMENTS (CONTINUED)

(I) Commitment of de facto controller, shareholders, related parties, acquirer and the Company during or sustained to the Reporting Period (Continued)

Background	Type	Commitment party	Contents	Time and term of commitment	Performance term or not	Performed in time and strictly or not	Failure to perform in time should be accompanied by specific reasons	Next plan should be indicated in the case of failure to perform in time
	Others	China Baowu and Strategic Emerging Fund	<p>1. China Baowu and its concerted party, Strategic Emerging Fund, undertake to maintain separation from Chongqing Iron & Steel in terms of assets, personnel, finance, organization and business, and to strictly comply with the relevant provisions of the CSRC regarding the independence of listed companies, and not to use their controlling position to violate the regulated operating procedures of Chongqing Iron & Steel, interfere with the operating decisions of Chongqing Iron & Steel or harm the legitimate interests of Chongqing Iron & Steel and other shareholders. The promisees and other subsidiaries under their control guarantee that they will not misappropriate the funds of Chongqing Iron & Steel and its subsidiaries under its control in any way.</p> <p>2. The above commitments shall remain in force during the period when China Baowu has control over Chongqing Iron & Steel and Strategic Emerging Fund is acting in concert with China Baowu. In the event of any loss to Chongqing Iron & Steel as a result of the failure to perform the above undertakings by the promisees, the promisees will bear the corresponding liability for compensation.</p>	16 September 2020	No	Yes		
	Others	Changshou Iron & Steel	During the period when Changshou Iron & Steel holds the shares of Chongqing Iron & Steel, Changshou Iron & Steel will, in strict compliance with the rules of CSRC, Stock Exchanges, as well as those of the management system of Chongqing Iron & Steel such as the Articles of Association, exercise the shareholders' rights and fulfill the shareholders' obligations in the same manner as other shareholders. Changshou Iron & Steel will not seek improper interests by using the position of shareholders but respect the independence of Chongqing Iron & Steel in terms of its personnel, assets, business, finance, and organization.	1 December 2017	No	Yes		

Section VI Significant Events (Continued)

II. USE OF CAPITAL BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES FOR NON-OPERATING PURPOSES DURING THE REPORTING PERIOD

Applicable Not applicable

III. GUARANTEE IN VIOLATION OF REGULATION

Applicable Not applicable

IV. AUDIT ON INTERIM REPORT

Applicable Not applicable

V. CHANGES AND HANDLING OF MATTERS INVOLVED IN NON-STANDARD AUDIT OPINIONS OF 2022 ANNUAL REPORT

Applicable Not applicable

Section VI Significant Events (Continued)

VI. MATTERS RELATING TO INSOLVENCY OR RESTRUCTURING

Applicable Not applicable

VII. MATERIAL LITIGATION AND ARBITRATION

Material litigations and arbitrations occurred during the Reporting Period No material litigations and arbitrations occurred during the Reporting Period

VIII. SUSPECTED VIOLATIONS OF LAWS AND REGULATIONS OF, PUNISHMENTS TO AND RECTIFICATION OF THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDERS, AND DE FACTO CONTROLLERS

Applicable Not applicable

IX. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS DURING THE REPORTING PERIOD

Applicable Not applicable

X. MATERIAL RELATED PARTY TRANSACTIONS

(I) Related party transactions related to day-to-day operation

1. *Events disclosed in provisional announcements but without subsequent development or changes during implementation*

Applicable Not applicable

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

On 19 March 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement from 2021 to 2023 between the Company and China Baowu and the Continuing Related Party Transactions (Including the Annual Cap) was considered and approved at the 35th meeting of the eighth session of the Board of the Company, pursuant to which, the total amount of products provided by the Company and its subsidiaries (the “Group”) to China Baowu and its subsidiaries (“China Baowu Group”) and the total amount of products, materials and services provided by China Baowu Group to the Group shall not exceed RMB49,741,000,000 and RMB87,990,000,000, respectively, for the period from 1 April 2021 to 31 December 2023. On 1 April 2021, the Company and China Baowu entered into the Service and Supply Agreement. For details, please refer to the Announcement on 2021–2023 Continuing Related Party Transactions (Announcement No.: 2021–021) and the Announcement on the Progress of 2021–2023 Continuing Related Party Transactions (Announcement No.: 2021–024) disclosed by the Company on 20 March 2021 and 2 April 2021, respectively.

In view of the enlarged production scale of the Company and the increase of China Baowu’s demand, the Company intends to enter into the Supplemental Service and Supply Agreement with China Baowu, which agreed that the item “pig iron” shall be added to the products sold by the Group to China Baowu Group, and the total amount from provision of services and/or materials by the Group to China Baowu Group shall not exceed RMB2,537,100,000 for the period from the effective date of the Original Agreement to 31 March 2021. Save for the changes aforesaid, all other terms under the Original Agreement remain unchanged. On 29 January 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement and its Supplemental Agreement between the Company and China Baowu and the Continuing Related Party Transaction (Including the Proposed Cap thereunder) entered into was considered and approved at the 33rd meeting of the eighth session of the Board of the Company, and on the same day, the Company entered into the Supplemental Service and Supply Agreement with China Baowu. For details, please refer to the Announcement on the Progress of Continuing Related Party Transactions (Announcement No.: 2021–008) disclosed by the Company on 30 January 2021.

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation (Continued)*

In order to ensure the stable and continuous running of the production and operation of the Company, on 19 March 2021, the Resolution in relation to the Entering into of the Service and Supply Agreement from 2021 to 2023 between the Company and China Baowu and the Continuing Related Party Transactions (Including the Annual Cap) was considered and approved at the 35th meeting of the eighth session of the Board of the Company, pursuant to which, the Company was approved to enter into the Service and Supply Agreement (the “Agreement”) with China Baowu, and the total amount of products provided by the Company and its subsidiaries (the “Group”) to China Baowu and its subsidiaries (“China Baowu Group”) and the total amount of products, materials and/or services provided by China Baowu Group to the Group shall not exceed RMB49,741,000,000 and RMB87,990,000,000, respectively, for the period from 1 April 2021 to 31 December 2023. For details, please refer to the Announcement on 2021–2023 Continuing Related Party Transactions (Announcement No.: 2021–021) disclosed by the Company on 20 March 2021. On 1 April 2021, the Company and China Baowu entered into the Service and Supply Agreement for a period from 1 April 2021 to 31 December 2023.

Due to the development of the Company's innovative business model and the professional integration of China Baowu, it is necessary to increase the types and amounts of transactions for the products supplied by the Group to the China Baowu Group in 2022 and 2023 under the original agreement, and to increase the amounts of raw materials, production materials and services provided by the China Baowu Group to the Group. On 8 July 2022, at the 15th Meeting of the ninth session of the Board of the Company, the Resolution in relation to the Entering into of the Supplemental Service and Supply Agreement between the Company and China Baowu and the Continuing Related Party Transactions (Including the Revision of the Proposed Cap) was voted on and passed, pursuant to which the Company was approved to enter into a supplemental agreement with China Baowu. On the same date, the two parties entered into the supplemental agreement. For details, please refer to the Announcement on the Progress of 2021–2023 Continuing Related Party Transactions (Announcement No.: 2022–022) disclosed by the Company on 9 July 2022.

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

2. Events disclosed in provisional announcements with subsequent development or changes during implementation (Continued)

During the Reporting Period, the actual amount of the related party transaction was within the annual caps, the details of which are as follows:

Type of related party transaction	Pricing principle	Transaction amount <i>(Unit: RMB)</i>
Procurement of goods and acceptance of services	Market price	7,717,663,263.99
Sale of goods	Market price	4,372,111,338.10

3. Matters not disclosed in provisional announcements

Applicable Not applicable

Unit: RMB Currency: Renminbi

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Guangdong Guangwu Zhongnan Construction Materials Group Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	1,541,775,120.15	7.44	/	/	/
Shanghai Ouyeel Material Technology Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	1,495,626,410.48	7.22	/	/	/
Shanghai Ouyeel Supply Chain Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	460,680,171.40	2.22	/	/	/
Xingang International Trading Co., Ltd.* (新鋼國際貿易有限公司)	Other related party	Sales of goods	Sales of goods	With reference to market price	/	293,760,537.79	1.42	/	/	/

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

3. Matters not disclosed in provisional announcements (Continued)

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between transaction price and market reference price
Chongqing Baocheng Carbon Co., Ltd.	Other related party	Sales of goods	Sales of goods, energy medium, rendering of services	With reference to market price	/	253,218,698.17	1.21	/	/	/
Baowu Environmental Science Chongqing Resource Recycling Co., Ltd.	Other related party	Sales of goods	Sales of goods, energy medium	With reference to market price	/	166,598,439.04	0.80	/	/	/
Baowu Group Echeng Steel Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	105,839,220.84	0.51	/	/	/
WISCO Jiangbei Cold-Formed Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	44,467,015.64	0.21	/	/	/
Baosteel Chemical (Zhangjiagang Free Trade Zone) International Trade Co., Ltd.	Other related party	Sales of goods	Sales of goods	With reference to market price	/	3,313,273.44	0.02	/	/	/
Guangdong Building Materials Co., Ltd.* (廣東省建材有限公司)	Other related party	Sales of goods	Sales of goods	With reference to market price	/	3,174,079.17	0.02	/	/	/
Baowu Heavy Industry Co., Ltd.	Other related party	Sales of goods	Sales of goods, energy medium	With reference to market price	/	2,351,963.89	0.01	/	/	/
Dongguan Baosteel Special Steel Processing & Distribution Co., Ltd.* (東莞寶鋼特殊鋼加工配送有限公司)	Other related party	Sales of goods	Sales of goods	With reference to market price	/	1,176,423.45	0.01	/	/	/
Others	Other related party	Sales of goods	Sales of energy medium	With reference to market price	/	129,984.64	0.06	/	/	/
Shanghai Ouyee Logistics Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	159,375,691.87	4.50	/	/	/
Shanghai Baoding Energy Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	46,745,480.40	1.32	/	/	/
Baosteel Engineering & Technology Group Co., Ltd.	Other related party	Receipt of services	Receiving of services, project construction	With reference to market price	/	154,706,273.93	3.82	/	/	/

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

3. Matters not disclosed in provisional announcements (Continued)

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Baowu Equipment Intelligent Technology Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	54,492,032.61	1.54	/	/	/
Baowu Heavy Industry Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	35,441,248.41	1.00	/	/	/
Shanghai Baosight Software Co., Ltd.	Other related party	Receipt of services	Receiving of services, project construction	With reference to market price	/	34,193,769.95	0.84	/	/	/
Baowu Water Technology Limited	Other related party	Receipt of services	Receiving of services, project construction	With reference to market price	/	24,414,201.81	0.60	/	/	/
Taicang Wugang Terminal Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	21,684,142.46	0.61	/	/	/
Shanghai Baosteel Shipping Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	20,419,244.47	0.58	/	/	/
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd.	Other related party	Receipt of services	Project construction	With reference to market price	/	11,785,114.80	2.32	/	/	/
Guangdong Baodi Nanhua Industrial City Development Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	7,439,878.87	0.21	/	/	/
Zhejiang Zhoushan Wugang Terminal Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	6,734,255.94	0.19	/	/	/
Ouyeel Industrial Products Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	6,223,436.04	0.18	/	/	/
Baowu Environmental Science Chongqing Resource Recycling Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	5,106,987.80	0.14	/	/	/
Baoshan Iron and Steel Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	3,894,195.38	0.11	/	/	/
Baosteel Development Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	3,356,277.94	0.09	/	/	/
Shanghai Baosteel Xinyue Talent Technology Co., Ltd.	Other related party	Receipt of services	Receiving of services	With reference to market price	/	2,608,000.00	0.07	/	/	/
Shanghai Baosteel Engineering Consulting Co., Ltd.	Other related party	Receipt of services	Project construction	With reference to market price	/	980,302.00	0.19	/	/	/

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

3. Matters not disclosed in provisional announcements (Continued)

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Reason for the difference between Market price and transaction price
Shanghai Baosteel Building Engineering Design Co., Ltd.* (上海寶鋼建築工程設計有限公司)	Other related party	Receipt of services	Project construction	With reference to market price	/	800,000.00	0.16	/	/
Others	Other related party	Receipt of services	Receiving of services, project construction	With reference to market price	/	2,811,540.19	0.07	/	/
Baosteel Resources International Co., Ltd.	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	2,384,925,085.62	19.20	/	/
Baosteel Resources Holdings (Shanghai) Co., Ltd.	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	1,218,139,806.63	9.81	/	/
Baowu Raw Material Supply Co., Ltd.	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	962,277,869.56	7.75	/	/
Shanghai Baoding Energy Co., Ltd.	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	777,081,452.76	6.26	/	/
Ouyeel Industrial Products Co., Ltd.	Other related party	Purchase of goods	Purchasing of spare parts	With reference to market price	/	776,741,904.39	88.41	/	/
Ma Steel International Trade and Economic Co., Ltd.	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	412,843,320.29	3.32	/	/
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd.	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	190,973,993.27	1.54	/	/
Baowu Group Echeng Steel Co., Ltd.	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	87,995,615.70	0.71	/	/
Wugang Resources Group Ezhou Pelletizing Co., Ltd.	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	71,599,699.17	0.58	/	/
Ouyeel Blockchain Finance Renewable Resources Co., Ltd.	Other related party	Purchase of goods	Purchasing of steel scrap	With reference to market price	/	66,357,176.42	2.61	/	/
Yichang Yimei City Mineral Resources Recycling Co., Ltd.* (宜昌宜美城市礦產資源循環利用有限公司)	Other related party	Purchase of goods	Purchasing of steel scrap	With reference to market price	/	51,725,947.17	2.03	/	/
SPIC Guizhou Jinyuan Suiyang Industry Co., Ltd.* (國家電投集團貴州金元綏陽產業有限公司)	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	42,044,851.16	0.34	/	/
Guangdong Building Materials Co., Ltd.* (廣東省建材有限公司)	Other related party	Purchase of goods	Purchasing of steel scrap	With reference to market price	/	30,967,651.08	1.22	/	/

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(I) Related party transactions related to day-to-day operation (Continued)

3. Matters not disclosed in provisional announcements (Continued)

Related party	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Transaction price of related party	Transaction amount of related party	As a percentage of the amount of similar transactions (%)	Settlement method of related party transaction	Market price	Reason for the difference between Transaction price and market reference price
Baowu Equipment Intelligent Technology Co., Ltd.	Other related party	Purchase of goods	Purchasing of spare parts	With reference to market price	/	29,054,492.80	3.31	/	/	/
Baoshan Iron & Steel Co., Ltd.	Other related party	Purchase of goods	Purchasing of raw materials	With reference to market price	/	11,171,836.12	0.09	/	/	/
Shanghai Baosight Software Co., Ltd.	Other related party	Purchase of goods	Purchasing of spare parts	With reference to market price	/	550,486.98	0.06	/	/	/
Total				/	/	12,089,774,602.09		/	/	/

Particulars of substantial sales return

Nil

Explanation on related party transactions

They enabled the Company to obtain stable and reliable service supply at a reasonable price, which is vital to the Company to keep stable production, improve production efficiency and increase production output

(II) Connected transactions related to acquisition of assets or acquisition or disposal of equity interests

1. Events disclosed in provisional announcements but without subsequent development or changes during implementation

Applicable Not applicable

2. Events disclosed in provisional announcements with subsequent development or changes during implementation

Applicable Not applicable

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(II) Connected transactions related to acquisition of assets or acquisition or disposal of equity interests (Continued)

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

4. *Disclosure of the performance of the results relating to the results agreement during the Reporting Period*

Applicable Not applicable

(III) Material connected transactions related to joint external investment

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

Applicable Not applicable

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

On 28 December 2022, the Resolution in relation to External Investment and Related Party Transactions was considered and approved through voting at the 20th meeting of the ninth session of the board of directors of the Company, pursuant to which, the Company was approved to join hands with seven companies affiliated to China Baowu, the de facto controller of the Company, including Guangdong Zhongnan Iron & Steel Co., Ltd., Baowu Group Echeng Iron and Steel Co., Ltd., Shanxi Taigang Stainless Steel Co., Ltd., Baosteel Desheng Stainless Steel Co., Ltd., Xinjiang Bayi Iron & Steel Co., Ltd., Xinjiang Yili Iron & Steel Co., Ltd. and Xinjiang Bagang Nanjiang Steel Baicheng Co., Ltd., to increase capital shares of Baowu Water Technology Limited (“Baowu Water”) affiliated to China Baowu. The Company intended to increase its capital contribution in kind in this related transaction to the asset value of RMB60,679,500 on the date of capital contribution, accounting for 1.339% of the general capital of Baowu Water.

On 30 January 2023, all parties related to the transaction entered into the Capital Increase and Share Enlargement Agreement. Due to the change of the time of capital contribution, the asset value of the Company’s capital contribution to the general capital of Baowu Water on the date of capital contribution has changed from RMB60,679,500 to RMB60,364,500, representing a change of the Company’s contribution from 1.339% to 1.334%.

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(III) Material connected transactions related to joint external investment (Continued)

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

(IV) Amounts due to or from related parties

1. *Events disclosed in provisional announcements without subsequent development or changes during implementation*

Applicable Not applicable

2. *Events disclosed in provisional announcements with subsequent development or changes during implementation*

Applicable Not applicable

3. *Events not disclosed in provisional announcements*

Applicable Not applicable

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Financial businesses between the Company and related financial companies, the Company's controlling financial companies and related parties

Applicable Not applicable

1. *Deposit business*

Applicable Not applicable

Unit: RMB Currency: Renminbi

Related party	Related relationship	Maximum daily deposit limit	Range of deposit interest rate	Opening balance	Amount incurred during the period		Closing balance
					Total amount deposited during the period	Total amount withdrawn during the period	
Baowu Finance	Other related party	200,000,000.00	0.46%-1.65%	1,228,168,091.66	5,012,926,780.93	5,379,240,614.19	861,854,258.4
Total	/	/	/	1,228,168,091.66	5,012,926,780.93	5,379,240,614.19	861,854,258.4

2. *Loan business*

Applicable Not applicable

Section VI Significant Events (Continued)

X. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(V) Financial businesses between the Company and related financial companies, the Company's controlling financial companies and related parties (Continued)

3. Credit granting business or other financial services

Applicable Not applicable

Unit: RMB Currency: Renminbi

Related party	Related relationship	Business type	Total amount	Actual amount occurred
Baowu Finance	Other related party	Comprehensive credit facilities	1,800,000,000.00	-

4. Others

Applicable Not applicable

(VI) Other material related party transactions

Applicable Not applicable

(VII) Others

Applicable Not applicable

Section VI Significant Events (Continued)

XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION

1 Trust, contracted businesses and leasing affairs

Applicable Not applicable

(1) Trust

Applicable Not applicable

(2) Contracted businesses

Applicable Not applicable

(3) Leasing affairs

Applicable Not applicable

Unit: RMB Currency: Renminbi

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Expiry date of lease	Gain on lease	Basis of determination of such gain	Effect of gain on lease on the Company	Whether a related party transaction	Connected relationship
Chongqing Iron & Steel Company (Group) Limited	Chongqing Iron & Steel Company Limited	Equipment	/	2021.01.01	2025.12.31	73,008,849.36	Contract	Affecting the costs	No	

Explanations on leasing affairs

Not applicable

Section VI Significant Events (Continued)

XI. MATERIAL CONTRACTS AND THE IMPLEMENTATION (CONTINUED)

2 Significant guarantees that were performed or not yet performed during the Reporting Period

Applicable Not applicable

3 Other significant contracts

Applicable Not applicable

XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS

Applicable Not applicable

(I) Relevant disclosure made according to the Rules Governing the Listing of Securities on the HKEx

1. *Compliance of Corporate Governance Code*

To the best of knowledge of the Board, the Company had complied with the requirements of the “Corporate Governance Code” as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the Reporting Period, and was not aware of any deviation from the Code.

2. *Model Code for Securities Transactions by Directors*

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code for trading of the Company’s securities by directors. All directors of the Company confirmed upon specific enquiries that they had complied with the required standards as set out in the Model Code for the six months ended 30 June 2023.

Section VI Significant Events (Continued)

XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

(I) Relevant disclosure made according to the Rules Governing the Listing of Securities on the HKEx (Continued)

3. *Interim dividend*

Given the fact that the accumulated undistributed profit of the Company remained negative as of the end of the Reporting Period, the Company does not recommend distribution of any interim dividend for the six months ended 30 June 2023 pursuant to the provision of Article 250 of the Articles of Association.

4. *Purchase, sale or redemption of listed securities of the Company*

No purchase, sale and redemption of the listed securities of the Company during the Reporting Period.

5. *Major acquisition and disposal of subsidiaries and affiliates*

No major acquisition and disposal of subsidiaries and affiliates occurred during the Reporting Period.

6. *Audit Committee*

The Audit Committee is comprised of three independent non-executive directors and one non-executive director, namely, Mr. Zhang Jinruo, Mr. Sheng Xuejun, Mr. Guo Jiebin and Mr. Zhou Ping with Mr. Zhang Jinruo acting as the chairman of the Audit Committee.

The unaudited interim financial report of the Company for the six months ended 30 June 2023 had been reviewed by the members of the Audit Committee before being submitted to the Board for approval.

Section VI Significant Events (Continued)

XII. EXPLANATION OF OTHER SIGNIFICANT EVENTS (CONTINUED)

Applicable Not applicable

(I) Relevant disclosure made according to the Rules Governing the Listing of Securities on the HKEx (Continued)

7. Interests or short positions

As at 30 June 2023, the interests or short positions (including interests or short positions which they were taken or deemed to have under relevant provisions of the Securities and Futures Ordinance (“SFO”)) of the directors, supervisors or senior management members of the Company in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Name	The Company/ associated corporations	Capacity	Nature of interests	Total number of interested shares held <i>(share)</i>	Percentage in the share capital of A shares of the Company <i>(%)</i>	Percentage in the total share capital of the Company <i>(%)</i>	Class of shares
Zou An	The Company	Director, Senior Vice President, Secretary to the Board	Beneficial interests	1,684,600 <i>(long position)</i>	0.020	0.019	A share
Lei Yougao <i>(Appointed on 30 June)</i>	The Company	Supervisor representing staff	Beneficial interests	430,000 <i>(long position)</i>	0.005	0.005	A share
Xia Tong <i>(Appointed on 30 June)</i>	The Company	Supervisor representing staff	Beneficial interests	534,100 <i>(long position)</i>	0.006	0.006	A share
Zhou Yaping <i>(Resigned on 30 June)</i>	The Company	Supervisor representing staff	Beneficial interests	755,400 <i>(long position)</i>	0.009	0.008	A share
Yao Xiaohu <i>(Resigned on 30 June)</i>	The Company	Supervisor representing staff	Beneficial interests	919,400 <i>(long position)</i>	0.011	0.010	A share
Xie Chao	The Company	Senior Vice President	Beneficial interests	1,057,400 <i>(long position)</i>	0.013	0.012	A share

Section VII Movement of Shares and the Particulars of Shareholders

I. INFORMATION ON CHANGES IN SHARE CAPITAL

(I) Table of movement of shares

1. *Table of movement of shares*

During the Reporting Period, the total number of shares and the structure of the share capital of the Company remained unchanged.

2. *Explanation on movement of shares*

Applicable Not applicable

3. *Impact on financial indicators such as earnings per share and net assets per share from change in shares occurred from the Reporting Period up to the disclosure date of the interim report (if applicable)*

Applicable Not applicable

4. *Other information considered necessary by the Company or required by regulators to be disclosed*

Applicable Not applicable

(II) Information on changes in lock-up shares

Applicable Not applicable

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of shareholders:

Total number of ordinary shareholders as of the end of the Reporting Period 167,651

Total number of preferential shareholders with resumed voting rights as of the end of the Reporting Period 0

Section VII Movement of Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period

Unit: share

Shareholdings of top ten shareholders

Name of shareholder (full name)	Increase/ Decrease during Reporting Period	Number of shares held as at the end of the Reporting Period	Percentage (%)	Pledged, marked or frozen		
				Number of shares held subject to trading moratorium	Status of shares	Type of shareholder
Chongqing Changshou Iron & Steel Company Limited	0	2,096,981,600	23.51	0	Nil	0 State-owned legal person
HKSCC NOMINEES LIMITED	330,000	532,911,221	5.98	0	Unknown	- Foreign legal person
Chongqing Qianxin Group Co., Ltd.	0	427,195,760	4.79	0	Pledged	427,190,070 State-owned legal person
Chongqing Rural Commercial Bank Co., Ltd.	0	289,268,939	3.24	0	Nil	0 State-owned legal person
Chongqing Guochuang Investment and Management Co., Ltd.	0	278,288,059	3.12	0	Nil	0 State-owned legal person
Bank of Chongqing Co., Ltd.	0	226,042,920	2.53	0	Nil	0 State-owned legal person
Baowu Group Zhongnan Steel Co., Ltd.	0	224,831,743	2.52	0	Nil	0 State-owned legal person
Industrial Bank Co., Ltd. Chongqing Branch	0	219,633,096	2.46	0	Nil	0 Unknown
Agricultural Bank of China Limited Chongqing Branch	0	216,403,628	2.43	0	Nil	0 State-owned legal person
China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司)	0	211,461,370	2.37	0	Nil	0 State-owned legal person

Section VII Movement of Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period (Continued)

Shareholdings of Top Ten Shareholders Without Trading Limitations

Name of shareholder	Shareholdings of tradable shares without trading limitations	Type and number of shares	
		Type	Number
Chongqing Changshou Iron & Steel Company Limited	2,096,981,600	RMB denominated ordinary shares	2,096,981,600
HKSCC NOMINEES LIMITED	532,911,221	Overseas listed foreign shares	532,911,221
Chongqing Qianxin Group Co., Ltd.	427,195,760	RMB denominated ordinary shares	427,195,760
Chongqing Rural Commercial Bank Co., Ltd.	289,268,939	RMB denominated ordinary shares	289,268,939
Chongqing Guochuang Investment and Management Co., Ltd.	278,288,059	RMB denominated ordinary shares	278,288,059
Bank of Chongqing Co., Ltd.	226,042,920	RMB denominated ordinary shares	226,042,920
Baowu Group Zhongnan Steel Co., Ltd.	224,831,743	RMB denominated ordinary shares	224,831,743
Industrial Bank Co., Ltd. Chongqing Branch	216,899,843	RMB denominated ordinary shares	216,899,843
Agricultural Bank of China Limited Chongqing Branch	216,403,628	RMB denominated ordinary shares	216,403,628
China Shipbuilding Industry Complete Logistics Co., Ltd. (中船工業成套物流有限公司)	211,461,370	RMB denominated ordinary shares	211,461,370
Description of accounts designated for share repurchase among the top ten shareholders	N/A		
Description of the entrusting/being entrusted voting rights or waiving voting rights of the above shareholders	N/A		

Section VII Movement of Shares and the Particulars of Shareholders (Continued)

II. PARTICULARS OF SHAREHOLDERS (CONTINUED)

(II) Table of Shareholdings of the Top Ten Shareholders, Top Ten Tradable Share Holders (or Shareholders Without Trading Limitations) as of the End of the Reporting Period (Continued)

Name of shareholder	Shareholdings of tradable shares without trading limitations	Type and number of shares	
	Number	Type	Number

The above shareholders' connected relationship or concerted action

Chongqing Changshou Iron & Steel Company Limited is the controlling shareholder of the Company, Chongqing Changshou Iron & Steel Company Limited and Baowu Group Zhongnan Steel Co., Ltd. are under common control by China Baowu Steel Group Corporation Limited, a de facto controller of the Company, thus the two are related parties, and has no associated relationship with the other 8 shareholders and they are not parties acting in concert as stipulated in the Measures for the Administration of the Takeover of Listed Companies. The Company is also not aware of whether there is any associated relationship among the other 8 shareholders or whether they are parties acting in concert.

Preferential shareholders with resumed voting rights and their shareholding N/A

Shareholdings and Trading Limitations of Top Ten Shareholders with Trading Limitations

Applicable Not applicable

(III) Strategic investors or ordinary legal persons who became top ten shareholders due to placing of new shares

Applicable Not applicable

Section VII Movement of Shares and the Particulars of Shareholders (Continued)

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period

Applicable Not applicable

Unite: share

Name	Title	Shareholding at the beginning of the Reporting Period	Shareholding at the end of the Reporting Period	Increase/Decrease in shareholding during the Reporting Period	Reason for changes in shareholding
Zhou Yaping	Staff Representative Supervisor	755,400	755,400	0	/
Yao Xiaohu	Staff Representative Supervisor	919,400	919,400	0	/
Xie Chao	Senior Vice President	1,057,400	1,057,400	0	/
Zou An	Director, Senior Vice President, Secretary to the Board	1,684,600	1,684,600	0	/
Xia Tong	Staff Representative Supervisor	534,100	534,100	0	/
Lei Yougao	Staff Representative Supervisor	430,000	430,000	0	/

III. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

(I) Changes in shareholdings of directors, supervisors and senior management currently holding office or having resigned during the Reporting Period (Continued)

Other information

Applicable Not applicable

On 30 June 2023, the Company received written resignations tendered by Mr. Yao Xiaohu and Mr. Zhou Yaping, the staff representative supervisors of the Company. Due to work adjustment, Mr. Yao Xiaohu resigned as a staff representative supervisor of the ninth session of the Supervisory Committee of the Company and still served as the deputy secretary of the Party Committee, secretary of the disciplinary committee and chairman of the labour union. Due to reaching the statutory age for retirement, Mr. Zhou Yaping resigned as a staff representative supervisor of the ninth session of the Supervisory Committee of the Company and he will no longer hold any post in the Company after his resignation. On the same date, the Company convened the 23rd meeting of the first session of staff congress, at which Mr. Xia Tong and Mr. Lei Yougao were elected as the staff representative supervisors of the ninth session of the Supervisory Committee of the Company, with the same term of office as the ninth session of the Supervisory Committee.

(II) Information on incentive share option granted to directors, supervisors and senior management during the Reporting Period

Applicable Not applicable

(III) Other information

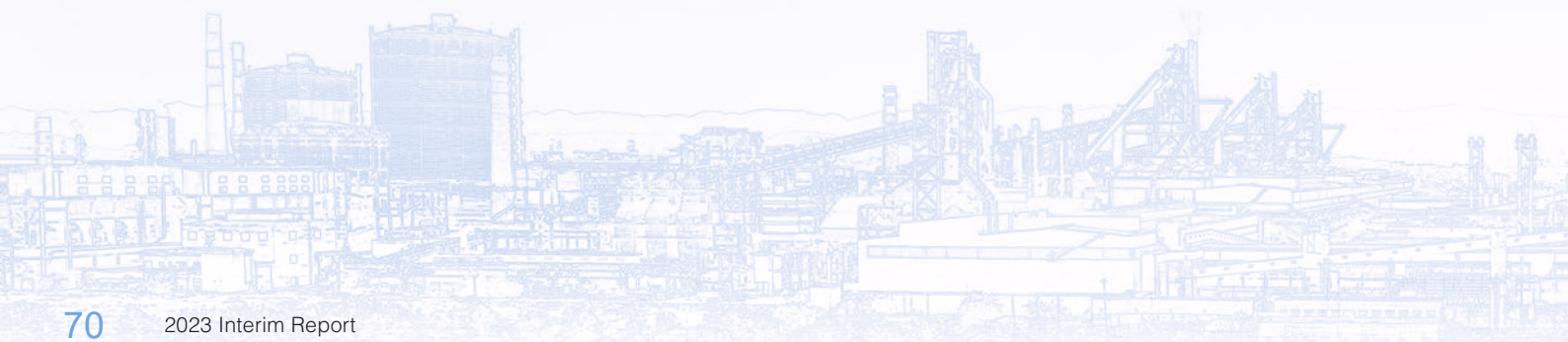
Applicable Not applicable

IV. CHANGES IN THE CONTROLLING SHAREHOLDER OR THE DE FACTO CONTROLLER

Applicable Not applicable

Section VIII Relevant Information on Preference Shares

Applicable Not applicable



Section IX Relevant Information on Bonds

I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES

Applicable Not applicable

(I) Corporate bonds

Applicable Not applicable

(II) Company bonds

Applicable Not applicable

(III) Debt financing instruments of non-financial enterprises in inter-bank bond market

Applicable Not applicable

1. Basic information on debt financing instruments of non-financial enterprises

Unit: RMB Currency: Renminbi

Name of bond	Abbreviated name	Stock code	Issuance date	Value date	Due date	Balance of bonds	Interest rate (%)	Method of principal and interest payment	Trading market	Eligibility arrangement of investors (if any)	Trading mechanism	Whether there is risk of termination of listing for trading
Chongqing Iron & Steel Company Limited 2020 first tranche of medium-term notes (Type 2)	20 Chongqing Iron & Steel	102000391 MTN001B	19 March 2020	19 March 2020	19 March 2023	0	5.13	Payment of interest every year and prepayment of principal on due date	National inter-bank bond market	N/A	Inter-bank bond market trading mechanism	No

Section IX Relevant Information on Bonds (Continued)

I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(III) Debt financing instruments of non-financial enterprises in inter-bank bond market (Continued)

1. *Basic information on debt financing instruments of non-financial enterprises (Continued)*

Measures taken by the Company to respond to the risk of termination of bond listing for trading

Applicable Not applicable

Overdue and outstanding bonds

Applicable Not applicable

Notes on overdue debts

Applicable Not applicable

2. *Information on the trigger and implementation of issuer or investor option articles and investor protection articles*

Applicable Not applicable

3. *Information on the adjustment to credit rating results*

Applicable Not applicable

Other explanation

Not applicable

4. *Information on the implementation of and changes in guarantees, debt repayment plans and other measures to ensure repayment during the Reporting Period and their impact*

Applicable Not applicable

Other explanation

Not applicable

5. *Other information on debt financing instruments of non-financial enterprises*

Applicable Not applicable

Section IX Relevant Information on Bonds (Continued)

I. CORPORATE BONDS, COMPANY BONDS AND DEBT FINANCING INSTRUMENTS OF NON-FINANCIAL ENTERPRISES (CONTINUED)

(IV) Loss in consolidated statements of the Company for the Reporting Period exceeds 10% of the net assets at the end of last year

Applicable Not applicable

(V) Major accounting data and financial indicators

Applicable Not applicable

Unit: RMB Currency: Renminbi

Major Indicators	At the end of the Reporting Period	At the end of last year	Change from the end of last year to the end of the Reporting Period (%)	Reasons
Current ratio	0.60	0.65	-7.69	-
Quick Ratio	0.37	0.45	-17.78	-
Gearing Ratio (%)	44.91	45.78	Decreased by 0.87 percentage points	-

	This Reporting Period (January to June)	Same period last year	Change from the same period of last year to this Reporting Period (%)	Reasons
Net profit after deducting non-recurring profit or loss	-446,804,937.39	546,619,211.44	-181.74	A decrease in selling price of commodity billet
Debt-to-EBITDA ratio	0.06	0.19	-68.42	A decrease in profits
Interest coverage (times)	-2.51	4.28	-158.64	A decrease in profits
Cash interest coverage (times)	3.17	8.73	-63.69	YOY decrease in net cash flow from operating activities
EBITDA interest coverage (times)	3.17	8.73	-63.69	A decrease in profits
Loan repayment ratio	100	100	0.00	-
Interest payment ratio	100	100	0.00	-

II. PARTICULARS OF CONVERTIBLE BOND OF THE COMPANY

Applicable Not applicable

Section X Financial Report

Consolidated Balance Sheets

As at 30 June 2023

I. AUDITOR'S REPORT

Applicable Not applicable

II. FINANCIAL STATEMENTS

Unit: RMB

Assets	Note V	30 June 2023	31 December 2022
Current assets			
Cash and bank balances	1	3,088,667,503.34	3,995,675,679.90
Including: Deposits in finance company		861,854,258.40	1,228,168,091.66
Trade receivables	2	34,776,082.96	38,789,243.44
Receivables financing	3	417,375,048.47	799,686,555.46
Prepayments	4	623,370,496.19	845,432,996.80
Other receivables	5	20,409,857.95	34,846,186.58
Inventories	6	2,631,639,085.83	2,592,756,838.00
Other current assets	7	148,015,814.46	207,034,907.16
Total current assets		6,964,253,889.20	8,514,222,407.34
Non-current assets			
Long-term equity investments	8	111,227,095.30	111,123,058.00
Other equity investments	9	60,364,499.70	–
Fixed assets	10	26,388,840,864.17	26,281,780,445.68
Construction in progress	11	886,818,439.98	894,154,698.17
Right-of-use assets	12	323,948,938.00	388,738,725.76
Intangible assets	13	2,477,830,158.58	2,514,367,788.86
Goodwill	14	328,054,770.34	328,054,770.34
Long-term deferred expenditures	15	220,513.01	237,486.45
Deferred tax assets	16	409,075,197.48	327,989,203.45
Other non-current assets	17	735,594.85	4,131,818.97
Total non-current assets		30,987,116,071.41	30,850,577,995.68
Total assets		37,951,369,960.61	39,364,800,403.02

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Balance Sheets (Continued)

As at 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

Liabilities and shareholders' equity	Note V	30 June 2023	31 December 2022
Current liabilities			
Short-term borrowings	18	606,003,134.28	1,106,441,170.84
Notes payable	19	519,225,451.64	609,367,940.00
Trade payables	20	3,926,453,144.80	3,115,966,628.22
Contract liabilities	21	1,867,621,535.43	2,645,569,472.47
Employee benefits payable	22	122,059,965.01	144,905,310.06
Taxes payable	23	30,721,010.73	22,974,352.75
Other payables	24	2,959,593,877.11	2,720,896,934.96
Non-current liabilities due within one year	25	1,297,960,606.25	2,352,484,115.99
Other current liabilities		242,791,457.53	343,924,031.42
Total current liabilities		11,572,430,182.78	13,062,529,956.71
Non-current liabilities			
Long-term borrowings	26	4,019,245,100.00	2,751,945,100.00
Bonds payable	27	-	-
Lease liabilities	28	211,167,760.21	278,352,825.03
Long-term payables	29	1,080,466,022.15	1,730,677,459.72
Long-term employee benefits payable	30	66,885,636.10	107,663,455.08
Provisions for liabilities	31	-	5,540,444.09
Deferred income	32	86,058,402.13	79,742,929.39
Deferred tax liabilities	16	6,050,855.83	6,430,532.64
Total non-current liabilities		5,469,873,776.42	4,960,352,745.95
Total liabilities		17,042,303,959.20	18,022,882,702.66

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Balance Sheets (Continued)

As at 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

Liabilities and shareholders' equity	Note V	30 June 2023	31 December 2022
Shareholders' equity			
Share capital	33	8,918,602,267.00	8,918,602,267.00
Capital reserves	34	19,282,146,606.55	19,282,146,606.55
Other comprehensive income	35	(2,664,805.29)	(2,664,805.29)
Special reserves	36	9,263,073.57	7,374,566.33
Surplus reserves	37	606,990,553.42	606,990,553.42
Unappropriated profit	38	(7,905,271,693.84)	(7,470,531,487.65)
Total shareholders' equity		20,909,066,001.41	21,341,917,700.36
Total liabilities and shareholders' equity		37,951,369,960.61	39,364,800,403.02

The financial statements have been signed by:

Legal Representative:
Xie Zhixiong

Chief accountant:
Zou An

Head of the accounting department:
Lei Xiaodan

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Income Statement

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	<i>Note V</i>	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Revenue	39	20,994,831,477.22	18,016,175,802.82
Less: Cost of sales	39	21,128,203,365.30	16,793,108,913.19
Taxes and surcharges	40	77,037,536.23	75,110,557.61
Distribution and selling expenses	41	43,065,329.07	38,921,169.42
General and administrative expenses	42	141,514,648.17	157,960,364.87
R&D expenses	43	14,557,677.64	104,831,842.92
Finance expenses	44	117,873,511.59	231,104,884.08
Including: Interest expenses		146,802,269.13	157,544,541.84
Interest income		21,195,656.06	(39,580,989.90)
Add: Other income	45	22,159,817.23	29,472,403.53
Investment income	46	6,903,528.26	26,764,824.70
Gain/(loss) from disposal of assets		6,380,758.48	-
Operating profit/(loss)		(491,976,486.81)	671,375,298.96
Add: Non-operating income	47	7,064,920.90	750,812.49
Less: Non-operating expenses	48	30,166,611.83	36,287,796.31
Total profit/(loss)		(515,078,177.74)	635,838,315.14
Less: Income tax expenses/(credit)	49	(80,337,971.55)	119,421,924.96

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Income Statement (Continued)

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	Note V	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Net profit/(loss)		(434,740,206.19)	516,416,390.18
Breakdown by continuity of operations			
Net profit/(loss) from continuing operations		(434,740,206.19)	516,416,390.18
Breakdown by attributable interests			
Net profit/(loss) attributable to shareholders of the parent company		(434,740,206.19)	516,416,390.18
Non-controlling interests		-	-
Other comprehensive income after tax		-	-
Total comprehensive income		(434,740,206.19)	516,416,390.18
Including:			
Total comprehensive income attributable to shareholders of the parent company		(434,740,206.19)	516,416,390.18
Total comprehensive income attributable to non-controlling interests		-	-
Earnings/(loss) per share	50		
Basic earnings/(loss) per share		(0.05)	0.06
Diluted earnings/(loss) per share		(0.05)	0.06

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	For the six months ended 30 June 2023							
	Share capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602,267.00	19,282,146,606.55	-	(2,664,805.29)	7,374,566.33	606,990,553.42	(7,470,531,487.65)	21,341,917,700.36
II. Changes in the current period								
(I) Total comprehensive income	-	-	-	-	-	-	(434,740,206.19)	(434,740,206.19)
(II) Special reserves								
1. Amount established during the period	-	-	-	-	23,875,443.43	-	-	23,875,443.43
2. Amount utilized during the period	-	-	-	-	(21,986,936.19)	-	-	(21,986,936.19)
III. Closing balance for the period	8,918,602,267.00	19,282,146,606.55	-	(2,664,805.29)	9,263,073.57	606,990,553.42	(7,905,271,693.84)	20,909,066,001.41

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	For the six months ended 30 June 2022							
	Share capital	Capital reserves	Less: Treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	Total shareholders' equity
I. Closing balances of the preceding year and opening balances of the current year	8,918,602,267.00	19,282,146,606.55	-	-	18,593,416.52	606,990,553.42	(6,451,122,133.31)	22,375,210,710.20
II. Changes in the current period								
(I) Total comprehensive income	-	-	-	-	-	-	516,416,390.18	516,416,390.18
(II) Special reserves								
1. Amount established during the period	-	-	-	-	18,941,435.46	-	-	18,941,435.46
2. Amount utilized during the period	-	-	-	-	(14,565,446.18)	-	-	(14,565,446.18)
III. Closing balance for the period	8,918,602,267.00	19,282,146,606.55	-	-	22,969,405.80	606,990,553.42	(5,934,705,743.13)	22,896,003,089.66

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

Note V	Six months ended 30 June 2023	Six months ended 30 June 2022
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	21,177,692,087.03	19,674,054,088.32
Receipts of taxes refunds	41,606,203.71	8,601,217.90
Other cash received relating to operating activities	51 61,824,472.58	63,283,901.89
Sub-total of cash inflows from operating activities	21,281,122,763.32	19,745,939,208.11
<hr style="border-top: 1px dashed #000;"/>		
Cash paid for purchase of goods and services	20,031,077,189.02	17,577,200,863.44
Cash paid to and on behalf of employees	666,584,942.49	791,678,953.96
Cash paid for all types of taxes	149,278,606.67	376,656,351.88
Other cash paid relating to operating activities	51 19,661,371.10	63,892,075.69
Sub-total of cash outflows from operating activities	20,866,602,109.28	18,809,428,244.97
<hr style="border-top: 1px dashed #000;"/>		
Net cash flows from operating activities	52 414,520,654.04	936,510,963.14

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	Six months ended 30 June 2023	Six months ended 30 June 2022
<i>Note V</i>		
II. Cash flows from investing activities:		
Cash received from disposal of investments	–	600,000,000.00
Cash received from return on investments	6,799,490.96	28,606,919.90
Sub-total of cash inflows from investing activities	6,799,490.96	628,606,919.90
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	347,242,496.17	2,420,875,099.50
Cash paid for investments	–	48,900,000.00
Sub-total of cash outflows from investing activities	347,242,496.17	2,469,775,099.50
Net cash flows from investing activities	(340,443,005.21)	(1,841,168,179.60)

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

		Six months ended 30 June 2023	Six months ended 30 June 2022
III. Cash flows from financing activities:			
Cash received from borrowings		1,600,000,000.00	395,000,000.00
Other cash received relating to financing activities	51	–	20,765.32
<hr/>			
Sub-total of cash inflows from financing activities		1,600,000,000.00	395,020,765.32
<hr style="border-top: 1px dashed #000;"/>			
Cash repayments of borrowings		1,845,900,000.00	2,194,164,840.43
Cash paid for distribution of dividends or profits, and for interest expenses		164,422,446.93	189,309,047.00
Other cash paid relating to financing activities	51	670,833,333.30	390,845,457.74
<hr/>			
Sub-total of cash outflows from financing activities		2,681,155,780.23	2,774,319,345.17
<hr style="border-top: 1px dashed #000;"/>			
Net cash flows from financing activities		(1,081,155,780.23)	(2,379,298,579.85)
<hr/>			
IV. Effect of changes in exchange rate on cash and cash equivalents		11,103,218.87	24,528,160.22
<hr/>			
V. Net increase in cash and cash equivalents		(995,974,912.53)	(3,259,427,636.09)
Add: Cash and cash equivalents at the beginning of the year		3,937,932,833.28	5,832,238,132.54
<hr/>			
VI. Cash and cash equivalents at the end of the year	52	2,941,957,920.75	2,572,810,496.45

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Balance Sheet

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

Assets	Note XII	30 June 2023	31 December 2022
Current assets			
Cash and bank balances		3,078,657,178.52	3,994,801,171.12
Including: Deposits in finance company		861,854,258.40	1,228,168,091.66
Trade receivables	1	144,909,884.76	181,294,862.78
Receivables financing		417,375,048.47	799,686,555.46
Prepayments		612,076,159.26	839,401,303.56
Other receivables	2	140,803,667.12	133,345,845.02
Inventories		2,613,736,123.73	2,574,096,616.38
Other current assets		130,622,317.42	189,302,364.07
Total current assets		7,138,180,379.28	8,711,928,718.39
Non-current assets			
Long-term equity investments	3	1,103,515,089.98	1,103,411,052.68
Other equity investments		60,364,499.70	–
Fixed assets		25,402,034,829.54	25,255,209,027.99
Construction in progress		885,882,706.55	894,154,698.17
Right-of-use assets		323,948,938.00	388,738,725.76
Intangible assets		2,410,735,655.72	2,443,935,942.71
Long-term prepaid expenses		220,513.01	237,486.45
Deferred tax assets		373,785,308.72	292,699,314.69
Other non-current assets		735,594.85	4,131,818.97
Total non-current assets		30,561,223,136.07	30,382,518,067.42
Total assets		37,699,403,515.35	39,094,446,785.81

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Balance Sheet (Continued)

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

Liabilities and shareholders' equity	30 June 2023	31 December 2022
Current liabilities		
Short-term borrowings	606,003,134.28	1,106,441,170.84
Notes payable	519,225,451.64	609,367,940.00
Trade payables	3,950,416,026.34	3,100,744,371.99
Contract liabilities	1,867,616,700.78	2,645,569,472.47
Employee benefits payable	121,411,479.00	140,976,377.94
Taxes payable	25,784,694.16	16,713,145.35
Other payables	2,896,729,995.53	2,670,230,920.49
Non-current liabilities due within one year	1,297,960,606.25	2,352,484,115.99
Other current liabilities	242,790,171.11	343,924,031.42
Total current liabilities	11,527,938,259.09	12,986,451,546.49
Non-current liabilities		
Long-term borrowings	4,019,245,100.00	2,751,945,100.00
Lease liabilities	211,167,760.21	278,352,825.03
Long-term payables	1,080,466,022.15	1,730,677,459.72
Long-term employee benefits payable	65,509,733.95	106,550,937.54
Provisions for liabilities	–	5,540,444.09
Deferred income	86,058,402.13	79,742,929.39
Total non-current liabilities	5,462,447,018.44	4,952,809,695.77
Total liabilities	16,990,385,277.53	17,939,261,242.26

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Balance Sheet (Continued)

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	30 June 2023	31 December 2022
Liabilities and shareholders' equity		
Shareholders' equity		
Share capital	8,918,602,267.00	8,918,602,267.00
Capital reserves	19,313,089,864.55	19,313,089,864.55
Other comprehensive income	(2,664,805.29)	(2,664,805.29)
Surplus reserves	577,012,986.42	577,012,986.42
Unappropriated profit	(8,097,022,074.86)	(7,650,854,769.13)
Total shareholders' equity	20,709,018,237.82	21,155,185,543.55
Total liabilities and shareholders' equity	37,699,403,515.35	39,094,446,785.81

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Income Statement

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	Note XII	Six months ended 30 June 2023	Six months ended 30 June 2022
Revenue	4	21,432,546,885.73	18,224,540,821.52
Less: Operating cost	4	21,569,174,763.31	17,119,582,992.36
Taxes and surcharges		73,167,243.33	68,786,596.26
Distribution and selling expenses		43,065,329.07	38,921,169.42
General and administrative expenses		134,361,172.54	151,325,116.18
R&D expenses		14,557,677.64	104,831,842.92
Finance expenses		117,867,270.42	226,246,840.57
Including: Interest expenses		146,802,269.13	152,624,172.27
Interest income		21,190,578.73	(39,474,732.54)
Add: Other income		1,895,275.01	2,925,488.65
Investment income	5	6,903,528.26	26,764,824.70
Gain/(loss) from disposal of assets		6,380,758.48	–
Operating profit/(loss)		(504,467,008.83)	544,536,577.16
Add: Non-operating income		7,064,920.90	733,812.49
Less: Non-operating expenses		29,851,211.83	36,293,762.05
Total profit/(loss)		(527,253,299.76)	508,976,627.60
Less: Income tax expenses/(credit)		(81,085,994.03)	105,587,009.00
Net profit/(loss)		(446,167,305.73)	403,389,618.60
Including: Net profit/(loss) from continuing operations		(446,167,305.73)	403,389,618.60
Other comprehensive income after tax		–	–
Total comprehensive income		(446,167,305.73)	403,389,618.60

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Statement of Changes in Equity

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	Six months ended 30 June 2023							Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	
I. Closing balances of the preceding year and opening balances of the current year	8,918,602,267.00	19,313,089,864.55	-	(2,664,805.29)	-	577,012,986.42	(7,650,854,769.13)	21,155,185,543.55
II. Changes in the current period								
(I) Total comprehensive income	-	-	-	-	-	-	(446,167,305.73)	(446,167,305.73)
(II) Special reserves								
1. Amount established during the period	-	-	-	-	20,608,765.69	-	-	20,608,765.69
2. Amount utilized during the period	-	-	-	-	(20,608,765.69)	-	-	(20,608,765.69)
III. Closing balance for the period	8,918,602,267.00	19,313,089,864.55	-	(2,664,805.29)	-	577,012,986.42	(8,097,022,074.86)	20,709,018,237.82

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Statement of Changes in Equity (Continued)

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	Six months ended 30 June 2022							Total shareholders' equity
	Share capital	Capital reserves	Less: treasury shares	Other comprehensive income	Special reserves	Surplus reserves	Unappropriated profit	
I. Closing balances of the preceding year and opening balances of the current year	8,918,602,267.00	19,313,089,864.55	-	-	13,365,206.21	577,012,986.42	(6,613,166,393.46)	22,208,903,930.72
II. Changes in the current period								
(I) Total comprehensive income	-	-	-	-	-	-	403,389,618.60	403,389,618.60
(II) Special reserves								
1. Amount established during the period	-	-	-	-	16,950,000.00	-	-	16,950,000.00
2. Amount utilized during the period	-	-	-	-	(14,181,571.22)	-	-	(14,181,571.22)
III. Closing balance for the period	8,918,602,267.00	19,313,089,864.55		-	16,133,634.99	577,012,986.42	(6,209,776,774.86)	22,615,061,978.10

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Statement of Cash Flows

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	Six months ended 30 June 2023	Six months ended 30 June 2022
I. Cash flows from operating activities:		
Cash received from sale of goods and rendering of services	21,177,299,366.76	19,672,486,511.06
Receipts of taxes refunds		
Other cash received relating to operating activities	61,293,963.05	63,125,101.22
Sub-total of cash inflows from operating activities	21,238,593,329.81	19,735,611,612.28
Cash paid for purchase of goods and services	20,041,110,948.81	17,781,842,410.25
Cash paid to and on behalf of employees	649,268,345.81	761,218,985.73
Cash paid for all types of taxes	123,390,459.48	345,321,066.57
Other cash paid relating to operating activities	19,438,737.71	36,824,438.91
Sub-total of cash outflows from operating activities	20,833,208,491.81	18,925,206,901.46
Net cash flows from operating activities	405,384,838.00	810,404,710.82
II. Cash flows from investing activities:		
Cash received from disposal of investments	–	600,000,000.00
Cash received from return on investments	6,799,490.96	28,606,919.90
Sub-total of cash inflows from investing activities	6,799,490.96	628,606,919.90
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	347,242,496.17	2,420,875,099.50
Cash paid for investments	–	48,900,000.00
Sub-total of cash outflows from investing activities	347,242,496.17	2,469,775,099.50
Net cash flows from investing activities	(340,443,005.21)	(1,841,168,179.60)

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

II. FINANCIAL STATEMENTS (CONTINUED)

Unit: RMB

	Six months ended 30 June 2023	Six months ended 30 June 2022
III. Cash flows from financing activities:		
Cash received from borrowings	1,600,000,000.00	395,000,000.00
Other cash received relating to financing activities		
Sub-total of cash inflows from financing activities	1,600,000,000.00	395,000,000.00
Cash repayments of borrowings	1,845,900,000.00	2,194,164,840.43
Cash paid for distribution of dividends or profits, and for interest expenses	164,422,446.93	183,406,502.49
Other cash paid relating to financing activities	670,833,333.30	270,833,333.34
Sub-total of cash outflows from financing activities	2,681,155,780.23	2,648,404,676.26
Net cash flows from financing activities	(1,081,155,780.23)	(2,253,404,676.26)
IV. Effect of changes in foreign exchange rate on cash and cash equivalents	11,103,218.87	24,528,160.22
V. Net increase in cash and cash equivalents	(1,005,110,728.57)	(3,259,639,984.82)
Add: Cash and cash equivalents at the beginning of the year	3,937,058,324.50	5,832,114,415.58
VI. Cash and cash equivalents at the end of the year	2,931,947,595.93	2,572,474,430.76

The accompanying notes form an integral part of these financial statements

Section X Financial Report

Notes to Financial Statements

For the six months ended 30 June 2023

I. BASIC INFORMATION

According to the approval of Ti Gai Sheng Zi [1997] No. 127 issued by the State Commission for Restructuring Economic Systems and the approval of Guo Zi Qi Fa [1997] No. 156 issued by the State-owned Assets Administration Bureau, Chongqing Iron & Steel Company Limited (the “Company”) was established as a limited liability company by Chongqing Iron & Steel (Group) Co., Ltd. (“CISG”) as the sole promoter. The Company was incorporated and registered with Chongqing Municipal Administration of Industry and Commerce on 11 August 1997, whose headquarter is located in Changshou Economic Development Zone of Chongqing. The Company holds the business license with unified social credit code of 91500000202852965T, with the registered capital of RMB8,918,602,000 and the sum of 8,918,602,000 shares with par value of RMB1 each, including 8,380,475,000 A shares without any restricted condition and 538,127,000 H shares. The Company’s shares were listed on the Stock Exchange of Hong Kong Ltd. and listed on Shanghai Stock Exchange on 17 October 1997 and 28 February 2007, respectively.

Pursuant to the reorganization plan, 2,096,981,600 shares of the Company held by CISG were transferred to Chongqing Changshou Iron and Steel Co., Ltd. (重慶長壽鋼鐵有限公司) (“Changshou Iron & Steel”) on 27 December 2017, and the share transfer procedures were completed with China Securities Depository and Clearing Corporation Limited. Subsequent to the completion of the share transfer, Changshou Iron & Steel holds 2,096,981,600 shares of the Company, with a shareholding percentage of 23.51%, and became the controlling shareholder of the Company. China Baowu Steel Group Corporation Limited (中國寶武鋼鐵集團有限公司) (“Baowu Group”), the parent company of Changshou Iron & Steel, and other subsidiaries acquired 366,868,446 ordinary shares of the Company, with a shareholding percentage of 4.11%. As of 30 June 2023, Baowu Group directly and indirectly held a total of 2,463,850,046 ordinary shares of the Company, with a shareholding percentage of 27.63%.

The Company and its subsidiaries (collectively the “Group”) are mainly engaged in the production, processing and sale of steel plates, steel sections, wire rods, bar materials, billets and thin plates, and in the production and sale of coking and coal chemical products, pig iron & grain slag, steel slag, and steel scrap.

The financial statements were approved by the Board of Directors of the Company on 30 August 2023. Pursuant to the Articles of Association, the financial statements will be submitted to the General Meeting for consideration.

The scope of consolidation of the consolidated financial statements is determined on the basis of control, and there is no change during the year.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” promulgated by the Ministry of Finance and the specific accounting standards, subsequent practice notes, interpretations and other relevant regulations as subsequently announced and revised (collectively “CAS”).

These financial statements are prepared on a going concern basis.

As at 30 June 2023, the Group's current liabilities exceeded its current assets by RMB4,608,176,293.58. The management of the Company has comprehensively considered the funding available obtained by the Group, including but not limited to the unused bank facility of RMB7,069,347,947.20 as of 30 June 2023 as well as the expected net cash inflow from operating activities for the next twelve months, and believes that the Group has sufficient working capital to continue as a going concern about the future, which is at least twelve months from the end of the reporting period. Therefore, the financial statements have been prepared on a going concern basis.

Other than certain financial instruments, these financial statements have been prepared at historical cost convention. If the assets are impaired, corresponding provisions for impairment shall be made according to relevant provisions.



Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The Group has determined the specific accounting policies and accounting estimates based on the characteristics of the operation, especially those related to provision for bad debt of receivables, inventory pricing method, depreciation of property, plant and equipment ("PPE"), amortization of intangible assets, and recognition and measurement of revenue, etc.

1. Statement of compliance

These financial statements have been prepared in accordance with CAS, and present truly and completely the financial position of the Company and the Group as at 30 June 2023 and the results of their operations and cash flows for the six months ended 30 June 2023.

2. Accounting period

The accounting year of the Group is from 1 January to 31 December of each calendar year. The current accounting period starts on 1 January 2023 and ends on 30 June 2023.

3. Functional currency

The functional currency of the Group and the currency used in preparing the financial statements are Renminbi("RMB"). The amounts in the financial statements were denominated in RMB Yuan, unless otherwise stated.

4. Business combination

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

Business combination 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 combination, and that control is not transitory.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4. Business combination (Continued)

Business combination involving entities under common control (Continued)

Assets and liabilities that are obtained by the absorbing party in a business combination involving entities under common control, including goodwill arising from the acquisition of the party being absorbed by the ultimate controller, shall be accounted for on the basis of the carrying amounts on the financial statements of the ultimate controller at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital reserves and the balance transferred from capital reserves under the old accounting system. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combination not involving entities under common control

A business combination not involving entities 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 combination.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination not involving entities under common control at their fair values on the acquisition date. The excess of the fair value of the sum of the consideration paid (or the fair value of equity securities issued) for business combination and equity interests in the acquiree held prior to the date of acquisition over the share of the attributable net identifiable assets of the acquiree, measured at fair value, was recognized as goodwill, which is subsequently measured at cost less cumulative impairment loss. In case the fair value of the sum of the consideration paid (or fair value of equity securities issued) and equity interests in the acquiree held prior to the date of acquisition is less than the fair value of the share of the attributable net identifiable assets of the acquiree, a review of the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities, the consideration paid for the combination (or fair value of equity securities issued) and the equity interests in the acquiree held prior to the date of acquisition is conducted. If the review indicates that the fair value of the sum of the consideration paid (or the fair value of equity securities issued) and equity interests in the acquiree held prior to the date of acquisition is indeed less than the fair value of the share of the attributable net identifiable assets of the acquiree, the difference is recognized in current profit or loss.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

5. Consolidated financial statements

The consolidation scope of consolidated financial statements is determined on the basis of control, including the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity that is controlled by the Company, including separable parts of an enterprise or investee and structured entities controlled by the Company, etc.

In preparation of consolidated financial statements, the subsidiaries use the same accounting year and accounting policies as those of the Company. All intra-group assets, liabilities, equity interests, income, expenses and cash flow are eliminated in full on consolidation.

Where the amount of losses of a subsidiary attributable to the non-controlling shareholders in the current period exceeds their share of the opening balance of owner's equity of the subsidiary, the excess shall be allocated against non-controlling interests.

For subsidiaries acquired through business combinations not involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements, from the day on which the Group gains control, till the Group ceases the control of it. While preparing the consolidated financial statements, the acquirer shall adjust the subsidiary's financial statements, on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities recognized on the acquisition date.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the comparative consolidated financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination has been existing since the ultimate controller begins to exercise control.

The Group's control over an investee is re-assessed if change in relevant facts and situations causes changes in one or more of the control substances.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

6. Classification of joint arrangement and joint operation

A joint arrangement is classified as either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint operators have rights to the net assets of the arrangement.

A joint operator recognizes the following items in relation to its interest in a joint operation: its solely-held assets, and its share of any assets held jointly; its solely-assumed liabilities, and its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; its solely-incurred expenses, and its share of any expenses incurred jointly.

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are short-term, highly liquid investments held by the Group, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency translation and translation of foreign currency statements

The Group translates the amount of foreign currency transactions occurred into its functional currency.

Foreign currency transactions are recorded, on initial recognition, in the functional currency, by applying to the foreign currency amount the spot exchange rate prevailing on the transaction dates. At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate prevailing on the balance sheet date. All the resulting differences on settlement and monetary item translation are taken to profit or loss in the current period, except for those relating to foreign currency borrowings specifically for acquisition and construction of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs. Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date on which the fair values are determined. The difference thus resulted are recognized in profit or loss or as other comprehensive income based on the nature of the non-monetary items.

Foreign currency cash flows are translated using the average exchange rate for the period during which the cash flows occur (unless this is inappropriate due to exchange rate fluctuations, in which case the spot exchange rates prevailing on the dates of cash flows are used). The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments

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

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

The Group derecognizes and writes off a financial asset (or part of a financial asset, or part of a group of similar financial assets) from its account and balance sheet when the following conditions are met:

- (1) the rights to receive cash flows from the financial asset have expired;
- (2) the Group has transferred its rights to receive cash flows from the financial asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through arrangement”; and either (a) the Group has transferred substantially all the risks and rewards of the financial asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the financial asset, but has transferred control of the financial asset.

If the underlying obligation of a financial liability has been discharged or cancelled or has expired, the financial liability is derecognized. If an existing financial liability is replaced by the same creditor with a new financial liability that has substantially different terms, or if the terms of an existing financial liability are substantially revised, such replacement or revision is accounted for as the derecognition of the original liability and the recognition of a new liability, and the resulting difference is recognized in profit or loss.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Recognition and derecognition of financial instruments (Continued)

Regular way purchases or sales of financial assets are recognized and derecognized on the trade date. Regular way purchases or sales of financial assets mean that the financial assets are received or delivered under the terms of a contract within a period established by regulations or conventions in the marketplace. Trade date is the date that the Group commits to purchase or sell the financial asset.

Contract changes led by benchmark interest rate reform

As a result of the benchmark interest rate reform, the terms of some of the Group's financial instruments have been modified to replace the original benchmark interest rate with an alternative benchmark interest rate, to change the calculation method of the reference benchmark interest rate and to make other modifications to the terms of the financial instruments.

For financial instruments calculated according to the actual interest rate method, the Group will not evaluate whether the change leads to the derecognition or the book value adjustment of the financial instruments, only if the change of the benchmark interest rate directly causes the change of the determination basis of the contract cash flow, and the determination basis before and after the change is economically equivalent. The Group recalculates the effective interest rate according to the future cash flow after the change, and carries out subsequent measurement on this basis.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets

According to the Group's corporate business model for managing financial assets and the contractual cash flow characteristics of the financial assets, the Group's financial assets are, on initial recognition, classified into the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. Only when the business model for managing financial assets is changed by the Group, the Group will reclassify the related financial assets affected.

A financial asset is recognized initially at fair value. The trade receivables or notes receivable generated from sales of goods or services, which do not contain significant financing component or do not consider financing component over one year, initially are measured at trading price.

In the case of financial assets at fair value through profit or loss, relevant transaction costs are directly charged to profit or loss; transaction costs relating to financial assets of other categories are included in the amounts initially recognized.

The subsequent measurement of financial assets depends on their classification as follows:

Debt instrument investment at amortized cost

Financial assets are classified as financial assets at amortized cost if the financial assets meet the following conditions: the objective of the Group's business model for managing such financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payment of the principal and the interest based on the outstanding principal amount. Such financial assets recognize interest income by using the effective interest rate method. The gains or losses arising from derecognition, adjustment or impairment are recognized in profit or loss.

Debt instrument investment at fair value through other comprehensive income

Financial assets are classified as financial assets at fair value through other comprehensive income if the financial assets meet the following conditions: the objective of the Group's business model for managing such financial assets is both to collect contractual cash flows and to dispose of the financial assets; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are solely payment of the principal and the interest based on the outstanding principal amount. Such financial assets recognize interest income by using the effective interest rate method. Except for interest income, impairment losses and exchange difference recognized as profit or loss, other changes in fair value are recognized as other comprehensive income. When such financial asset is derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to profit or loss.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Equity instrument investment at fair value through other comprehensive income

The Group irrevocably elects to designate certain equity instrument investments not held for trading as financial assets at fair value through other comprehensive income, such that only relevant dividend income (excluding the dividends recovered as part of the investment cost) is recognized as profit or loss and the subsequent changes in fair value are recognized as other comprehensive income, and the provision for impairment is not accrued. When such financial asset is derecognized, the accumulated gain or loss previously recognized in other comprehensive income is transferred from other comprehensive income to retained earnings.

Financial assets at fair value through profit or loss

Apart from the financial assets at amortized cost and financial assets at fair value through other comprehensive income mentioned above, other financial assets are classified as financial assets at fair value through profit or loss. Such financial assets are subsequently measured at fair value. All changes in fair value are recognized in profit or loss.

Classification and measurement of financial liabilities

Except for financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or continuing involvement in the transferred financial assets, the Group's financial liabilities are, on initial recognition, classified into financial liabilities at amortized cost, and the related transaction costs are included in the amounts initially recognized. Such kinds of financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

Impairment of financial instruments

On the basis of expected credit losses ("ECLs"), the Group makes impairment provisions and recognizes loss provisions for the financial assets carried at amortized cost and investments on debt instrument at fair value through other comprehensive income.

For trade receivables that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provision based on the amount of ECLs throughout the lifetime.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Impairment of financial instruments (Continued)

In addition to the abovementioned financial assets for which the simplified measurement method are used, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. Financial instruments for which credit risk has not increased significantly since initial recognition, at stage 1, and for which the loss allowance is measured at an amount equal to 12-month ECLs, calculated by carrying amount and effective interest rate; financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets, at stage 2, and for which the loss allowance is measured at an amount equal to lifetime ECLs, calculated by carrying amount and effective interest rate; financial instruments that are credit-impaired since initial recognition, at stage 3, and for which the loss allowance is measured at an amount equal to lifetime ECLs, calculated at amortized cost and by effective interest rate. For these financial instruments with lower credit risk on the balance sheet date, the Group assumes the related credit risk has not increased significantly since initial recognition.

The Group assesses the ECLs of financial instruments by individual or group. Considering the characteristics of different customers' credit risk, the Group assesses the ECLs of trade receivables and other receivables based on the ageing portfolio.

The disclosure of the criteria for judging significant increase in credit risk and the definition of credit-impaired assets, please refer to Note VII. 3.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognised by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

When the Group no longer reasonably expects to be able to recover, in full or in part, the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

Offset of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet to the extent that there is a currently enforceable legal right to offset the recognized amounts and that there is an intention to settle on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

Financial guarantee contracts

Financial guarantee contracts are those contracts that require a payment to be made by the issuer to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. For financial guarantee contracts that are not designated as at fair value through profit or loss, they are, after initial recognition, subsequently measured at the higher of: the amount of the ECLs settled at the balance sheet date, and the amount initially recognized less the cumulative amortization recognized in accordance with the guidance for revenue recognition.

Transfers of financial assets

If the Group transfers substantially all the risks and rewards of ownership of the financial asset, the Group derecognizes the financial asset; if the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group does not derecognize the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it accounts for the transactions as follows: if the Group has not retained control, it derecognizes the financial asset and recognizes any resulting assets or liabilities; if the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability.

10. Inventories

Inventories include hold-for-sale stock goods in the ordinary course of business, working in progress in the process of production, raw materials to be consumed in the production process or in the rendering of services, lower valued consumables and repaired spare parts, etc.

Inventories are initially carried at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other costs. The actual cost of inventories transferred out is assigned by using weighted average method. Revolving materials comprise lower valued consumables and packing materials and others, lower valued consumables and packing materials shall be amortized on the amortization in stages or immediate written-off basis.

The Group adopts the perpetual inventory system.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for decline in value of inventories is recognized in profit or loss. Net realizable 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 amounts after taxes. The provision for decline in value of inventories is made on an individual basis.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments

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

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

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

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

When the cost method is adopted, long-term equity investments are recorded at initial investment cost. Adjusting the cost of long-term equity investment by adding or withdrawing investment. Cash dividends or profits declared to be distributed by the investee should be recognized as investment income for the period.

The equity method is adopted when the Group has joint control, or exercises significant influence over the investee. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the excess is included in the initial investment cost. Where the initial investment cost is less than the investing entity's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss, and the cost of the long-term equity investment is adjusted accordingly.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

11. Long-term equity investments (Continued)

When the equity method is adopted, the investor recognizes its investment profit or loss and other comprehensive income and adjusts the carrying amount of the investment based on the post-acquisition change in the investor's share of net profit or loss and other comprehensive income of the investee. The recognition of the investee's results should be based on the fair values of the individual identifiable assets of the investee at the acquisition date according to the Group's accounting policies and accounting period. The gains and losses resulting from inter-company transactions with its associates and joint ventures should be eliminated to the extent of the amount attributable to the investor according to the shareholding (but if the losses from intergroup transactions belong to asset impairment losses, they should be entirely recognized). The recognition should be based on the adjusted net profit of the investee, except for that the assets investment or disposal constitutes a business. The investor's share of profit distributions or cash dividends declared by the investee is deducted from the carrying amount of the long-term equity investment. The Group recognizes net losses incurred by the investee to the extent that the carrying amount of the long-term equity investment and other long-term equity interests that are net investment in the investee in substance is reduced to zero, except for which the Group has an extra obligation to assume loss of it. For the changes of equity in an investee other than net profit or loss, other comprehensive income and profits appropriation, the investor adjusts the carrying amount of the investment and recognized it in shareholders' equity.

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

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

12. Property, plant and equipment

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

PPE are initially recorded taking discard expenses into consideration. The purchase cost of PPE comprises its purchase price, related taxes, and any directly attributable expenditure for bringing the asset to its working condition for its intended use.

Except for the source from work safety fund, the depreciation of PPE is calculated on the straight-line basis. The useful lives, estimated residual values, and the annual depreciation rates of each category of PPE are as follows:

	Useful life (years)	Estimated residual rate	Annual depreciation rate
Plant and buildings	25-50	3%-5%	1.90%-3.88%
Machinery equipment	5-22	3%-5%	4.32%-19.40%
Motor vehicles	6-8	3%-5%	11.88%-16.17%

If the various components of fixed assets have different useful lives or provide economic benefits to the enterprise in different ways, different depreciation rates and depreciation methods are applicable.

The Group reviews the useful life and estimated net residual value of a PPE and the depreciation method applied at least at the end of each year and makes adjustments if necessary.

13. Construction in progress

The cost of construction in progress is determined according to the actual expenditure for the construction, including all necessary construction expenditure incurred during the construction period, borrowing costs that should be capitalized before the construction reaches the condition for intended use and other relevant expenses.

Construction in progress is transferred to PPE or long-term prepaid expense when the asset is ready for its intended use.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

14. Borrowing costs

All the borrowing costs that are directly attributable to construction or production of all qualifying assets are capitalized and other borrowing costs are charged in profit or loss. A qualifying asset is defined as a PPE, investment property or inventory and other assets that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs commences only when all of the following conditions are satisfied:

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

The capitalization of borrowing costs ceases when the asset being acquired or constructed or produced is substantially ready for its intended use or sale and borrowing costs incurred thereafter are charged to profit or loss.

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

- (1) For specific borrowings, the borrowing costs eligible for capitalization are the actual interest expenses incurred during the current period after deducting any temporary interest or investment income;
- (2) For general borrowings, the borrowing costs eligible for capitalization are determined by multiplying the weighted average of capital expenditure that exceeds the specific borrowings and weighted average interest rate of the general borrowings.

Capitalization of borrowing costs is suspended during extended periods in which the acquisition or construction or production of a PPE is interrupted abnormally and the interruption lasts for more than three months until the acquisition or construction is resumed. The borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

15. Right-of-use assets

At the commencement date of the lease, the Group recognises a right-of-use asset, which is initially measured at cost. The cost of the right-of-use asset comprises: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date of the lease less any lease incentives received; any initial direct cost incurred; an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. If the Group remeasures the lease liability to reflect changes to the lease payments, it recognises an adjustment to the carrying amount of the right-of-use asset. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

16. Intangible assets

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

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

The useful life of each intangible asset is as follows:

	Useful life (years)
Land use rights	50
Patent and non-patent technology	3.4
Software	5-10

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

16. Intangible assets (Continued)

Land use rights that are acquired by the Group are generally accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Group, and relevant land use rights and buildings, are accounted for as intangible assets and PPE, respectively. Payments for the land and buildings acquired are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as PPE.

Intangible assets with finite useful lives are amortized over the useful lives on the straight-line basis. The Group reviews the useful lives and amortization method of intangible assets with finite useful lives, and adjusts them if appropriate, at least at the end of each year.

The Group classifies the expenditure on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognized in profit or loss in which it is incurred. Expenditure on the development phase is capitalized when the Group can demonstrate all of the following: the technical feasibility of completing the intangible asset so that it will be available for use or sale; the intention to complete the intangible asset and use or sell it; how the intangible asset will generate probable future economic benefits. Among other things, the Group 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; the availability of adequate technical, financial and other resources aids to complete the development and the ability to use or sell the intangible asset; and its ability to measure reliably the expenditure attributable to the intangible asset during its development. Expenditure in the development phase that does not meet the above criteria is recognized in profit or loss in which it is incurred.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

17. Impairment of assets

Except for inventories, deferred tax assets and financial assets, the Group determines the impairment of assets according to the following method: The Group assesses whether an indication of impairment exists at the end of each reporting period, and performed impairment test on estimation of the asset's recoverable amount if such indications exist. Goodwill arising from a business combination, intangible asset with indefinite useful life and intangible asset not yet ready for use tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired.

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

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

For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis, to each of the related asset groups unless it is impossible to allocate to the related asset groups, in which case it is allocated to each of the related sets of asset groups. Each of the related asset groups or sets of asset groups is an asset group or a set of asset groups that is expected to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group.

When testing an asset group to which goodwill has been allocated for impairment, if there is any indication of impairment, the Group firstly tests the asset group, excluding the amount of goodwill allocated, for impairment, i.e., the Group determines and compares the recoverable amount with the related carrying amount and recognises any impairment loss. After that, the Group tests the asset, including goodwill, for impairment, the carrying amount of the related asset group is compared to its recoverable amount. If the carrying amount of the asset group is higher than its recoverable amount, the amount of the impairment loss is firstly used to reduce the carrying amount of the goodwill allocated to the asset group, and then used to reduce the carrying amount of other assets (other than the goodwill) within the asset group, on a pro-rata basis of the carrying amount of each asset.

Impairment losses of assets cannot be reversed in subsequent accounting periods upon recognition.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

18. Long-term prepaid expenses

Long-term prepaid expenses are amortised using the straight-line method as follows:

	Amortisation period
Leasehold improvement	The shorter period of the lease term and the economic service life of the leased assets

19. Payroll and employee benefits payable

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

Short-term employee benefits payable

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

Post-employment benefits (defined contribution plans)

Expenditures for employees' endowment insurance and unemployment insurance managed by the local government, as well as enterprise annuity established by the Group are capitalized in the related assets or charged to profit or loss.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

19. Payroll and employee benefits payable (Continued)

Post-employment benefits (defined benefit plan)

The Group operates a defined benefit pension plan, which includes providing retirees of the Group with living allowance monthly, and the amount of benefit allowance is based on the period the employee serves the Group and the related allowance policy. No capital has been injected into the plan. The benefits cost under the defined benefit plan is calculated using the projected accumulative benefit unit method.

The items to be remeasured as a result of the defined benefit pension plan, which include actuarial gains or losses, are immediately recognized in the balance sheet, and are included in shareholders' equity through other comprehensive income during the period in which they are incurred. They will not be reversed to profit or loss in subsequent periods.

The past service costs are recognized as expenses for the current period when the defined benefit plan is modified or when the Group recognizes relevant restructuring costs or termination benefits, whichever occurs earlier.

Net interest is calculated by multiplying net liabilities or net assets of the defined benefit plan by the discount rate. The Group recognizes changes in net liabilities of the defined benefit plan under cost of sales, general and administrative expenses, selling expenses and finance expenses in the income statement: Service costs include current service costs, past service costs and gains or losses on settlement; net interest includes interest expenses on plan obligations.

Termination benefits

Termination benefits provided by the Group to its employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following two dates: when the entity cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or when the entity recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

Other long-term employee benefits

When other long-term employee benefits provided by the Group to the employees satisfied the conditions for classifying as post-employment benefits, the Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relation to post-employment benefits. And all changes in the carrying amount of liabilities for other long-term employment benefits are recognized in profit or loss, or included in the cost of a relevant asset.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

20. Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. Lease payments include fixed payments and in-substance fixed lease payments after deduction of lease incentives, variable lease payments depending on indexes or ratios, payments expected to be made based on residual value guarantee, and also include the exercise price of the purchase option or payments to exercise the option to terminate the lease (provided that the Group is reasonably certain that the option will be exercised or that the lease period reflects that the Group will exercise the option to terminate the lease).

In calculating the present value of the lease payments, the Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognises such interest expenses in profit or loss, except those in the costs of the related asset as required. Variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss as incurred, except those in the costs of the related asset as required.

After the start of the lease term, the Group will increase the carrying amount of the lease liability when recognizing interest and reduce the carrying amount of the lease liability when paying the lease payment. When the actual fixed payment changes, the expected amount payable of the guarantee residual value changes, the index or ratio used to determine the lease payment changes, the purchase option, the renewal option, or the evaluation of the termination option. When the result or actual exercise situation changes, the Group remeasures the lease liability based on the present value of the lease payment after the change.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

21. Provisions for liabilities

Except for contingent considerations or contingent liabilities assumed for business combination not under common control, a provision for liabilities is recognized if:

- (1) The obligation is a present obligation assumed by the Group;
- (2) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- (3) A reliable estimate can be made of the amount of the obligation.

Provisions for liabilities are initially measured at the best estimate of the expenditure required to settle the present obligation, after considering risks, uncertainties, time value of currency, etc. related to the contingencies. Book value of provisions for liabilities shall be reviewed at each balance sheet date. If there is a conclusive evidence indicating that the book value does not reflect the current best estimate, then adjustment shall be made accordingly to the book value based on the current best estimate.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

22. Revenue from contracts with customers

The revenue is recognized when the Group has fulfilled its performance obligations of the contract, i.e. when the customers take control of the relevant goods or services. Taking control of the relevant goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits from them.

Contracts for the sale of goods

Sales contracts of goods between the Group and its customers generally include the performance obligation of transferred products such as steel or steel billets only. Generally, upon taking account of all the following factors, namely, receipt of the current payment rights of goods, transfer of major risks and rewards in relation to the ownership of goods, transfer of the legal ownership of goods, transfer of physical assets of goods and receipt of delivery of such goods by the customers, the Group recognizes it as revenue when customers sign the receipts.

Variable consideration

Some of the contracts between the Group and customers include sales rebates (future price reductions based on cumulative sales), which form variable consideration. The Group determines the best estimate of the variable consideration by using the expected value method or the most likely amount method. However, the transaction price including variable consideration is only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Royalty income

According to terms of relevant contracts or agreements, the Group has transferred the use right of trade mark to customers, and settles based on the customers' actual steel production, and recognizes royalty income accordingly.

Principal/agent

When the Group obtains control of raw materials from a third party and then transfers it to the customer by providing a significant service of integrating the raw materials with other goods or services into a combined output, i.e., steel billets and steel products, the Group is entitled to determine the transaction price of the goods or services on its own, i.e., the Group controls steel billets and steel products before those are transferred to the customer. Thus, the Group is a principal and recognises revenue in the gross amount of consideration 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 from the customer. The amount is the net amount of the gross consideration received or receivable after paying the other party the consideration received in exchange for the goods or services to be provided by that party or determined by the agreed-upon amount or proportion of commissions, etc.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

23. Contract liabilities

The Group recognizes a contract liability based on the relationship between performance of obligations and customer payments.

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration or an amount of consideration that is due from the customer, in the case that the entity has received the consideration before transferring the promised goods or services.

24. Government grants

Government grants are recognized, when all the conditions attached are fulfilled and they are highly probable to be received. 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 grants. If the fair value cannot be reliably determined, it is measured at the nominal amount.

Asset-related government grants are recognized when the government document designates that the government grants are used for constructing or forming long-term assets through other methods other than constructing. If the government document is inexplicit, the Company should make a judgement based on the basic conditions to obtain the government grants, and recognizes them as asset-related government grants if the conditions are to form long-term assets through construction or other method. Otherwise, the government grants should be income-related.

A government grant related to income is accounted for as follows: if the grant is a compensation for related costs or expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss or offset against relevant costs over the periods in which the related costs or losses are recognized; if the grant is a compensation for related costs or expenses or losses already incurred, it is recognized immediately in profit or loss or offset against relevant costs for the current period.

A government grant related to asset is recognized as deferred income, and evenly amortized systematically and reasonably to profit or loss over the useful life of the related asset (government grants measured at the nominal amount should be recognized in profit or loss immediately for the period). When the asset is sold, transferred, discarded or destroyed within the useful life, the undistributed deferred income should be recognized in profit or loss of assets disposal immediately for the period.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Deferred income tax

Based on the differences between the carrying amount of an asset or liability on the balance sheet date and its tax base, and the differences between the carrying amounts of some items that have a tax base according to the taxation laws and regulations, but are not recognized as assets and liabilities and their tax base, the Group adopts the balance sheet liability method for the provision of deferred tax.

A deferred tax liability is recognized in respect of all taxable temporary differences except those arising from:

- (1) the initial recognition of goodwill; or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit, taxable profit nor deductible losses;
- (2) as to temporary differences associated with investments in subsidiaries, joint ventures and associates: the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

As to deductible temporary differences, deductible losses that can be carried forward for future years and tax credits, the deferred tax asset is recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except:

- (1) is not a business combination, and at the time of the transaction, affects neither accounting profit, taxable profit nor deductible losses;
- (2) as to deductible temporary differences associated with investments in subsidiaries, joint ventures and associates: a deferred tax asset is recognized to the extent that it is probable that the temporary difference will reverse in the foreseeable future, and taxable profit will be available against which the temporary difference can be utilized.

At the end of each reporting period, deferred tax assets and liabilities are measured, based on taxation laws and regulations, at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, taking into account the income tax effect of expected asset realization or liability settlement at the end of each reporting period.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

25. Deferred income tax (Continued)

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 in future periods to allow the related tax benefit to be utilized. At each balance sheet date, the Group reassesses the unrecognized deferred tax assets and recognizes deferred tax assets to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be reversed.

Deferred tax assets and liabilities should be offset and disclosed in net after offsetting if and only if: the entity has a legally enforceable right to set off current income tax assets and income tax liabilities on a net basis; and the deferred tax assets and liabilities concerned related to income taxes raised by the same authority on the same taxable entity, or different taxable entities which intend, in each future period in which significant amounts of deferred tax assets and liabilities are expected to be recovered, to settle their current income tax assets and liabilities either on a net basis or obtain assets and pay off the debts simultaneously.

26. Leases

At the commencement date, the Group assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys a right to control the use of one or more identified asset for a period of time in exchange for consideration.

As a lessee

The Group recognizes the use right assets and lease liabilities for lease except for the short-term lease. The accounting treatment is shown in Note III.15 and Note III.20.

Short-term lease

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contains any purchase option as a short-term lease. The Group chooses not to recognize a right-of-use asset or lease liability of the short-term lease of machinery and motor vehicles. It will include into the costs of the related asset or current profit or loss on a straight-line basis during each period in the lease term.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

26. Leases (Continued)

As a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset at the inception date, except that a lease is classified as an operating lease.

As lessor of an operating lease

Rent income under an operating lease is recognized on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred. Initial direct expenses are capitalized and are apportioned on the same basis as rental income recognition during the lease term and booked into current profit and loss in stages.

Leaseback transactions

The Group determines whether the transfer of assets in a leaseback transaction should be classified as sales in accordance with Note III. 22.

As lessee

If the transfer of assets in a leaseback transaction is classified as sales, the Group, as lessee, measures the right-of-use assets formed by the leaseback based on the portion of the original book value of the assets relating to the right-of-use acquired in the leaseback and recognises profit or loss only to the extent of the rights transferred to the lessor. If the transfer of assets in a leaseback transaction is not classified as sales, the Group, as lessee, continues to recognise the transferred assets and at the same time also recognises financial liabilities equivalent in amount to the transfer income. Such financial liabilities are accounted for in accordance with Note III. 9.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

27. Safety reserve fund

The safety reserve fund extracted by the Group in accordance with the provisions shall be recognized as the cost of the related products or included in profit or loss for the period, while be recognized as special reserves. When using safety reserve fund, it shall be distinguished whether it will form PPE or not and shall be treated separately. The expenditure shall write down the special reserves; the capital expenditure shall be recognized as PPE when meet the expected conditions for use, and write down the special reserves while recognizing accumulated depreciation with the same amount.

28. Fair value measurement

The Group measures held financial assets held for trading, receivables financing and other equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 inputs – Quoted (unadjusted) market prices in active markets that are available 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 the assets or liabilities; Level 3 inputs – Inputs that are unobservable for the assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group reassesses them and determines whether transfers have occurred between levels in the hierarchy at each balance sheet date.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the balance sheet date. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have a significant effect on the amounts recognised in the financial statements:

Business model

The classification of financial assets on initial recognition is based on the Group's business model for managing the financial assets. When assessing the business model, the Group considers matters including how the performance of the financial assets is evaluated and reported to the key management personnel, the risks that affect the performance of the financial assets and the way those risks are managed, and how managers of the business are compensated. When evaluating whether the objective is to collect contractual cash flows, the Group needs to analyze and evaluate the reasons, time, frequency and value of sales before the maturity date of the financial assets.

Characteristic of the contractual cash flow

The classification of financial assets on initial recognition is based on the contractual cash flow characteristics of the financial assets. When assessing whether the contractual cash flows are solely payments of the principal and the interest based on the outstanding principal amount, including assessing the modification of the time value of money element, it needs to assess whether there is a significant difference when compared with the benchmark cash flow. For the financial assets including the prepayment feature, it needs to assess whether the fair value of the prepayment feature is insignificant.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Significant accounting judgements and estimates (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future accounting periods, are discussed below.

Impairment of financial instruments

The Group uses ECLs model to conduct assessment on the impairment of financial instruments. The application of ECLs model requires significant judgement and estimation and takes into account all reasonable and reliable information, including forward looking information. When making such judgement and estimation, the Group predicts the expected changes in credit risk of the obligor based on its historical data of repayment together with factors such as economic policy, macroeconomic indicators and industry risk. The different estimates may impact the impairment assessment, and the provision for impairment may also not be representative of the actual impairment loss in the future.

Impairment of non-current assets other than financial assets (other than goodwill)

The Group assesses whether there are any indications of impairment for all non-current assets other than financial assets at the balance sheet date. Intangible assets with indefinite useful lives are tested for impairment annually and at other times when such an indication exists. Other non-current assets other than financial assets are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or asset group exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from it. The calculation of the fair value less costs of disposal based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the assets. When the calculations of the present value of the future cash flows expected to be derived from an asset or asset group are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future cash flows expected to be derived from the asset to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are included in Note V. 14.

Deferred tax assets

Deferred tax assets are recognized for all unused deductible losses to the extent that it is probable that taxable profit will be available against which the deductible losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with tax planning strategies.

Net realisable values of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value and the provision for inventory write-down is made on the difference between the cost and the net realisable value. The net realisable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in the ordinary course of business; the net realisable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business.

Variable consideration involving sales discounts

For contract with similar characteristics, the Group will reasonably estimate the discount rate based on historical sales data, current sales situation, customer changes, market changes and other relevant information. The estimated discount rate may not be equal to the actual discount rate in the future. The Group will reassess the discount rate at least at each balance sheet date and determine the accounting treatment based on the reassessed discount rate.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

III. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

29. Significant accounting judgements and estimates (Continued)

Estimation uncertainty (Continued)

Lessee's incremental borrowing rate

If the interest rate implicit in the lease cannot be readily determined, the Group measures the lease liability at the present value of the lease payments discounted using the lessee's incremental borrowing rate. According to the economic environment, the Group takes the observable interest rate as the reference basis for determining the incremental borrowing rate, then adjusts the observable interest rate based on its own circumstances, underlying assets, lease terms and amounts of lease liabilities to determine the applicable incremental borrowing rate.

30. Changes in accounting policies and accounting estimates

Changes in accounting policies

According to Interpretation of China Standards on Auditing No. 16, since January 1, 2023, for a single transaction that is not a business combination and does not affect the accounting profit nor taxable income (or deductible losses) at the time of the transaction, and the initial recognition of assets and liabilities results in the creation of equivalent taxable temporary differences and deductible temporary differences (including any lease transaction in which the lessee initially recognises lease liability at the commencement date of the lease term and includes it in the right-of-use asset, and any transaction in which the lessee recognises an estimated liability and includes it in the cost of the related assets because there is an abandonment obligation for fixed assets, etc.), the requirement that being exempt from initially recognising deferred tax liabilities and deferred tax assets under Clause 11(II) and Clause 13 of Accounting Standards for Business Enterprises No. 18 – Income Tax shall not apply. For taxable temporary differences and deductible temporary differences arising from the initial recognition of assets and liabilities in respect of the transaction, enterprises should recognise the corresponding deferred income tax liabilities and deferred income tax assets respectively at the time of the transaction.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IV. TAXES

1. Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (“VAT”)	The taxable revenue from sale of goods	VAT output has been calculated by applying a rate of 13% to the taxable value for sales of steel products, and VAT payable is the difference of VAT output less deductible VAT input for the current period. Other tax rate: 6%, 9%
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied on the basis of rent, housing property tax is levied at the rate of 12%	1.2%, 12%
City maintenance and construction tax	Amount of commodity turnover tax paid	7%
Education surcharge	Amount of commodity turnover tax paid	3%
Local education surcharge	Amount of commodity turnover tax paid	2%
Corporate income tax (“CIT”)	Taxable income	15%
Environmental protection tax	The actual emission of air, water pollutants	RMB3-3.5 per pollution equivalent

The applicable CIT rates of the Company and its subsidiaries are analyzed as follows:

Name of subject of taxation	Income tax rate
The Company	15%
Chongqing Iron and Steel Energy and Environmental Protection Co., Ltd. (“Chongqing Iron & Steel Energy”)	15%
Chongqing Xingang Changlong Logistics Co., Ltd (“Xingang Changlong”)	15%

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IV. TAXES (CONTINUED)

2. Tax benefits

Pursuant to the requirement of the Announcement on the Continuation of the Corporate Income Tax Policy for the Western Development (《關於延續西部大開發企業所得稅政策的公告》) promulgated by the MOF, the State Administration of Taxation and the National Development and Reform Commission, enterprises located in the western region that fall into the Catalogue of Encouraged Industries are subject to a reduced Corporate Income Tax rate of 15% from 1 January 2021 to 31 December 2030. The Company and its subsidiaries Chongqing Iron & Steel Energy and Xingang Changlong have qualified for the requirement of the policy. Thus the Company and its subsidiaries Chongqing Iron & Steel Energy and Xingang Changlong implement tax rates of 15% for the current year.

Chongqing Iron & Steel Energy obtained the Resource Comprehensive Utilization Certificate [Comprehensive Certificate 2014 No. 016 in January 2014], according to the Notice on Implementation of the Enterprise Income Tax Preferential Catalog for Comprehensive Utilization of Resources (Cai Shui [2008] No. 47) (《關於執行資源綜合利用企業所得稅優惠目錄有關問題的通知》(財稅[2008]47號)) by the MOF and the State Administration of Taxation, when calculating taxable income, Chongqing Iron & Steel Energy used 90% of its total income for the year.

Chongqing Iron & Steel Energy uses waste heat from industrial production to generate electricity, and pursuant to the Announcement of Adjusting and Improving the Policy about Value-added Tax on Products and Services of Comprehensive Utilization of Resources (Cai Shui [2021] No. 40) (《關於調整完善資源綜合利用產品及勞務增值稅政策的通知》(財稅[2021]40號)) promulgated by the MOF and the State Administration of Taxation, Chongqing Iron & Steel Energy can enjoy the policy of value-added tax refund.

Pursuant to the Announcement on Clarification of Policies for Reducing or Exempting Value-added Tax for Small Scale Taxpayers of Value-added Tax [2023] No.1 (《關於明確增值稅小規模納稅人減免增值稅等政策的公告》2023年第1號) promulgated by the MOF, the State Administration of Taxation, from 1 January 2023 to 31 December 2023, enterprises engaged in the production services and with sales revenue from modern services accounting for more than 50% of their total income are eligible for an additional 5% deductible input tax reduction. As having qualified for the requirement mentioned above for its provision of modern services (logistics support services), Xingang Changlong is entitled to a 5% additional deductible input tax reduction for the current year.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Items	30 June 2023	31 December 2022
Bank deposits	2,941,957,920.75	3,937,932,833.28
Other monetary assets	146,709,582.59	57,742,846.62
	3,088,667,503.34	3,995,675,679.90
Including: the total amount of restricted cash and bank balances due to mortgage, pledge or freeze.	146,709,582.59	57,742,846.62

As at 30 June 2023, the Group had restricted cash and bank balances for notes and letter of credit, details refer to Note V.53.

Interest income is generated from demand deposit determined by the interest rate for the demand deposit in banks and agreement deposit.

2. Trade receivables

Credit period of trade receivables is generally within one month. Trade receivables are non-interest-bearing.

An ageing analysis of accounts receivable is as follows:

	30 June 2023	31 December 2022
Within 1 year	31,551,825.17	35,101,779.09
1 – 2 years	1,062,307.18	1,938,096.22
2 – 3 years	1,132,859.64	1,815,749.84
Above 3 years	2,137,854.10	1,042,381.42
	35,884,846.09	39,898,006.57
Less: Provision for bad debts for trade receivable	1,108,763.13	1,108,763.13
	34,776,082.96	38,789,243.44

The ageing analysis of trade receivable was based on the month actually incurred. The accounts receivable recognized firstly will be firstly settled when recovering capital.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Trade receivables (Continued)

	30 June 2023				31 December 2022					
	Book value		Impairment allowance		Book Value		Impairment allowance			
	Amount	Proportion (%)	Amount	Provision (%)	Amount	Provision (%)	Amount	Provision (%)		
Provision for bad debts by group with credit risk characteristics	35,884,846.09	100	1,108,763.13	3	34,776,082.96	39,898,006.57	100	1,108,763.13	3	38,789,243.44

As at 30 June 2023 and 31 December 2022, the Company have no individually trade receivables to separate provision.

The provision for bad debt on the trade receivable by group with credit risk characteristics are as follows:

	30 June 2023			31 December 2022		
	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs	Estimated doubtful book value	ECLs proportion (%)	Lifetime ECLs
Within 1 year	31,551,825.17			35,101,779.09	–	–
1–2 years	1,062,307.18			1,938,096.22	–	–
2–3 years	1,132,859.64			1,815,749.84	4	66,381.71
Over 3 years	2,137,854.10	52	1,108,763.13	1,042,381.42	100	1,042,381.42
	35,884,846.09		1,108,763.13	39,898,006.57		1,108,763.13

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Trade receivables (Continued)

The movements in provision for bad debt on the trade receivable are as follows:

	Opening balance	Recovery Provision	Recovery or reversal	Write-off	Other increase	Closing balance
January–June 2023	1,108,763.13	–	–	–	–	1,108,763.13
2022	1,062,693.13	46,070.00	–	–	–	1,108,763.13

Steel products customers usually need advance payment, main customers are also provided with 30 days credit period. For other product customers, the contract price of the Group is usually due within 30 days after the delivery of products, and the risk of expected credit loss of trade receivables is low.

As at 30 June 2022, the top five balances in respect of trade receivables aggregating RMB31,773,216.17 (31 December 2022: RMB31,958,868.38), accounting for 89% (31 December 2022: 80%) of the total of closing balance of trade receivables. There was no provision for bad debt for the period (31 December 2022: Nil).

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Receivables financing

	30 June 2023	31 December 2022
Notes receivable	417,375,048.47	799,686,555.46

The Group endorses and discounts partial of bank acceptance bills in daily money management, aiming at receiving contractual cash flow and selling. The Group classified such category of notes receivable as financial assets measured at fair value through other comprehensive income, disclosed as receivables financing.

	30 June 2023	31 December 2022
Commercial acceptance bill	200,000.00	200,000.00
Bank acceptance bill	417,175,048.47	799,486,555.46
	417,375,048.47	799,686,555.46

Pledged notes receivable as follows:

	30 June 2023	31 December 2022
Bank acceptance bill	117,502,637.12	100,119,944.03

Please refer to Note V. 53. for restricted notes receivable at the period-end.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Receivables financing (Continued)

Notes receivable endorsed or discounted but not yet mature at the balance sheet date are as follows:

	30 June 2023		31 December 2022	
	Derecognition at the end of the period	Non-derecognition at the end of the period	Derecognition at the end of the period	Non-derecognition at the end of the period
Bank acceptance bill	5,356,331,050.32	–	2,788,645,475.68	25,546,660.16

As at 30 June 2023, none of the Notes receivable was transferred from notes by the Group due to the non-performance by issuer (31 December 2022: Nil).

4. Prepayments

Ageing analysis of prepayments is as follows:

	30 June 2023		31 December 2022	
	Book value	Proportion (%)	Book value	Proportion (%)
Within 1 year	604,016,596.52	97	820,988,234.06	97
1-2 years	13,880,467.50	2	19,463,573.67	2
2-3 years	5,473,432.17	1	4,981,189.07	1
	623,370,496.19	100	845,432,996.80	100

As at 30 June 2023, the closing balances of the top five prepayments balances in aggregate to RMB308,525,402.24 (31 December 2022: RMB413,397,416.06), representing 49% (31 December 2022: 49%) of the total closing balances of prepayments.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables

	30 June 2023	31 December 2022
Other receivables	20,409,857.95	34,846,186.58

An ageing analysis of other receivables is as follows:

	30 June 2023	31 December 2022
Within 1 year	10,303,513.00	29,100,132.89
1 – 2 years	7,253,118.04	5,632,374.32
2 – 3 years	3,076,782.18	694,558.99
Above 3 years	2,494,954.85	2,137,630.50
	23,128,368.07	37,564,696.70
Less: Provision for bad debts	2,718,510.12	2,718,510.12
	20,409,857.95	34,846,186.58

Other receivables presented by nature as follow:

	30 June 2023	31 December 2022
Prepayments for trading	11,825,857.39	6,358,619.28
Guarantee deposits, staff advances, etc.	7,809,843.55	6,902,554.51
Government grants receivable	1,916,894.66	23,924,352.24
Others	1,575,772.47	379,170.67
	23,128,368.07	37,564,696.70

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

Changes in book value and provision for bad debt provided based on the 12-month expected credit losses and lifetime expected credit losses on other receivables are as follows:

	Stage 1		Stage 2		Stage 3				Subtotal	
	12-month expected credit losses (group)		Lifetime expected credit losses (group)		Credit-impaired financial assets (Lifetime expected credit losses) (group)		Credit-impaired financial assets (Lifetime expected credit losses) (single)			
	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts
30 June 2023										
31 December 2022	33,410,696.33	-	1,866,774.57	431,284.32	2,287,225.80	2,287,225.80	-	-	37,564,696.70	2,718,510.12
Addition for the period	10,303,513.00	-	-	-	-	-	-	-	10,303,513.00	-
Derecognition	(24,739,841.63)	-	-	-	-	-	-	-	(24,739,841.63)	-
Write-off for the period	-	-	-	-	-	-	-	-	-	-
30 June 2023	18,974,367.70	-	1,866,774.57	431,284.32	2,287,225.80	2,287,225.80	-	-	23,128,368.07	2,718,510.12

	Stage 1		Stage 2		Stage 3				Subtotal	
	12-month expected credit losses (group)		Lifetime expected credit losses (group)		Credit-impaired financial assets (Lifetime expected credit losses) (group)		Credit-impaired financial assets (Lifetime expected credit losses) (single)			
	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts	Book value	Provision for bad debts
31 December 2022										
31 December 2021	50,843,779.77	-	1,866,774.57	431,284.32	2,287,225.80	2,287,225.80	19,826,690.83	19,826,690.83	74,824,470.97	22,545,200.95
Addition for the year	29,100,132.89	-	-	-	-	-	-	-	29,100,132.89	-
Derecognition	(46,533,216.33)	-	-	-	-	-	(9,529,661.39)	(9,529,661.39)	(56,062,877.72)	(9,529,661.39)
Write-off for the year	-	-	-	-	-	-	(10,297,029.44)	(10,297,029.44)	(10,297,029.44)	(10,297,029.44)
31 December 2022	33,410,696.33	-	1,866,774.57	431,284.32	2,287,225.80	2,287,225.80	-	-	37,564,696.70	2,718,510.12

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

The movements in provision for bad debt for other receivables are as follows:

	Opening balance	Provision	Reversal or transfer	Write-off	Closing balance
January–June 2023	2,718,510.12	–	–	–	2,718,510.12
2022	22,545,200.95	–	(9,529,661.39)	(10,297,029.44)	2,718,510.12

As at 30 June 2023, the five largest other receivables are as follows:

	Closing balance	Ratio in other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
The first	6,251,528.59	27	Transactional intercourse	Within 1 year	–
The second			Staff advances	Within 1 year, 1 to 3 years, above 3 years	2,192,450.68
The third	4,707,432.05	20	Guarantee deposits	1 to 3 years, above 3 years	525,761.92
The fourth	3,102,411.50	13	Transactional intercourse	1 to 2 years	–
The fifth	2,300,000.00	10	Government grant receivables	Within 1 year	–
	1,916,894.66	8			–
	18,278,266.80	78			2,718,212.60

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

As at 31 December 2022, the five largest other receivables are as follows:

	Closing balance	Ratio in other receivables (%)	Nature	Aging	Closing balance of provision for bad debts
The first	23,924,352.24	64	Government grant receivables	Within 1 year	–
The second	3,789,419.76	10	Guarantee deposits	1 to 3 years, above 3 years	525,761.92
The third	3,598,541.41	10	Transactional intercourse	Within 1 year	–
The fourth	2,995,645.01	8	Staff advances	0 to 3 years, above 3 years	2,192,450.68
The fifth	2,300,000.00	6	Transactional intercourse	1 to 2 years	–
	36,607,958.42	98			2,718,212.60

As at 30 June 2023, the government grant receivable is as follows:

	Subsidiary program	Amount	Aging	Estimated receiving time	Supporting documents
Tax Bureau at Changshou District	VAT collect and refundable	1,916,894.66	Within 1 year	July-August 2023	Announcement on Improving the VAT Policy on Comprehensive Utilisation of Resources (Cai Shui [2021] No. 40)

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

	30 June 2023			31 December 2022		
	Book value	Provision for decline in value/impairment	Carrying amount	Book value	Provision for decline in value/impairment	Carrying amount
Raw materials	1,732,837,116.46	136,615,700.37	1,596,221,416.09	1,585,117,204.29	218,842,036.91	1,366,275,167.38
Work in progress	390,302,273.90	–	390,302,273.90	561,419,936.09	46,574,080.85	514,845,855.24
Finished goods	251,950,134.61	–	251,950,134.61	328,095,913.26	12,446,168.11	315,649,745.15
Low value consumables and maintenance and spare parts	414,922,932.07	21,757,670.84	393,165,261.23	417,743,741.07	21,757,670.84	395,986,070.23
	2,790,012,457.04	158,373,371.21	2,631,639,085.83	2,892,376,794.71	299,619,956.71	2,592,756,838.00

Provision for inventories:

January–June 2023	Opening balance	Provision	Decrease		Closing balance
			Reversal or Write-off	Others	
Raw materials	218,842,036.91	–	82,226,336.54	–	136,615,700.37
Work in progress	46,574,080.85	–	46,574,080.85	–	–
Finished goods	12,446,168.11	–	12,446,168.11	–	–
Low value consumables and maintenance and spare parts	21,757,670.84	–	–	–	21,757,670.84
	299,619,956.71	–	141,246,585.50	–	158,373,371.21

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories (Continued)

2022	Opening balance	Provision	Decrease		Closing balance
			Reversal or Write-off	Others	
Raw materials	136,615,700.37	82,226,336.54	-	-	218,842,036.91
Work in progress	32,961,309.51	46,574,080.85	32,961,309.51	-	46,574,080.85
Finished goods	76,510,453.92	12,446,168.11	76,510,453.92	-	12,446,168.11
Low value consumables and maintenance and spare parts	51,449,753.00	820,512.96	30,512,595.12	-	21,757,670.84
	297,537,216.80	142,067,098.46	139,984,358.55	-	299,619,956.71

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories (Continued)

Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventories:

	Determination basis for provision for decline in value of inventories	Basis for determination of net realizable value	Reasons for the reversal or the written-off of provision for decline in value of inventories in the current period
Raw materials	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges	Relevant inventories produced and consumed
Work in progress	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges	Relevant inventories produced and consumed
Finish goods	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Relevant inventories sold
Low value consumables and maintenance and spare parts	Provision for inventories on an individual basis	The amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges	Nil

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other current assets

	30 June 2023	31 December 2022
Prepaid corporate income tax	130,620,704.17	130,656,066.07
Input VAT to be credited	17,395,110.29	76,378,841.09
	148,015,814.46	207,034,907.16

8. Long-term equity investments

	30 June 2023			31 December 2022		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Joint ventures	-	-	-	-	-	-
Associate	111,227,095.30	-	111,227,095.30	111,123,058.00	-	111,123,058.00
	111,227,095.30	-	111,227,095.30	111,123,058.00	-	111,123,058.00

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Long-term equity investments (Continued)

January–June 2023

Investees	Opening balance	Investments increased	Increase/(decrease)			Closing balance	impairment allowance at period-end
			Investment income recognised through equity method	cash dividends declared	Other changes		
Associate							
Chongqing Baocheng Carbon Material Co., Ltd. ("Baocheng Carbon") (Note 1)	16,764,325.32	-	1,063,163.28	4,300,000.00	-	13,527,488.60	-
Baowu Raw Material Supply Co., Ltd. ("Baowu Raw Material") (Note 1)	44,518,431.16	-	1,581,535.58	2,499,490.96	-	43,600,475.78	-
Baowu Environmental Science Chongqing Resource Recycling Co., Ltd. ("Baowu Environmental Resource") (Note 2)	15,503,020.25	-	4,627,273.25	-	-	20,130,293.50	-
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd ("Baowu Jingcheng") (Note 3)	34,337,281.27	-	-368,443.85	-	-	33,968,837.42	-
	111,123,058.00	-	6,903,528.26	6,799,490.96	-	111,227,095.30	-

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Long-term equity investment (Continued)

2022

Investees	Opening balance	Investments increased	Increase/(decrease)		Other changes	Closing balance	Impairment allowance at year-end
			Investment income recognised through equity method	Cash dividends declared			
Associates							
Chongqing Baocheng Carbon Material Co. Ltd. (重慶寶丞炭材有限公司) ("Baocheng Carbon Material") (Note 1)	14,039,012.26	-	4,925,313.06	(2,200,000.00)	-	16,764,325.32	-
Baowu Raw Material Supply Co., Ltd.* (寶武原料供應有限公司) ("Baowu Raw Material") (Note 1)	44,120,786.35	-	2,720,729.06	(2,323,084.25)	-	44,518,431.16	-
Baowu Environmental Resources Technology (Chongqing) Recycling Co., Ltd. (寶武環科重慶資源循環利用有限公司) ("Baowu Environmental Resources") (Note 2)	-	14,700,000.00	803,020.25	-	-	15,503,020.25	-
Baowu Jingcheng (Zhoushan) Mining Technology Co., Ltd. (寶武精成(舟山)礦業科技有限公司) ("Baowu Jingcheng") (Note 3)	-	34,200,000.00	137,281.27	-	-	34,337,281.27	-
	58,159,798.61	48,900,000.00	8,586,343.64	(4,523,084.25)	-	111,123,058.00	-

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Long-term equity investment (Continued)

Note 1: The Company purchased 10% equity of Baocheng Carbon with approximately RMB11,240,000. The Company takes one of the five seats on the board of directors of Baocheng Carbon and can exercise voting rights in the shareholders' meeting of Baocheng Carbon according to the proportion of paid-in capital, which has a significant influence on Baocheng Carbon. The company paid RMB40 million and holds 8% equity of Baowu Raw Materials. The Company holds one of the 9 seats on the board of directors of Baowu Raw Materials and can exercise voting rights in the shareholders' meeting of Baowu Raw Materials according to the proportion of paid-in capital, which has a significant influence on Baowu Raw Materials.

Note 2: The second meeting of the ninth session of the Company's board of directors deliberated and approved the "Proposal on Establishment of a Joint Venture and Related Party Transaction with Baowu Group Environmental Resources Technology Co., Ltd." and agreed the Company and Baowu Group Environmental Resources Technology Co., Ltd. ("Baowu Resources") to jointly establish Baowu Environmental Resource. The Company invested RMB49,000,000 and holds 49% equity of Baowu Raw Material. According to the "Articles of Association" of Baowu Resource, the Company has the corresponding voting rights in the Company. In January 2022, the Company contributed RMB14,700,000.

Note 3: The 6th meeting of the ninth session of the Company's board of directors deliberated and approved the "Proposal on Establishment of a Joint Venture and Related Party Transaction with Baosteel Resources Holding (Shanghai) Co., Ltd", and agreed the Company and Baosteel Resources Holding (Shanghai) Co., Ltd. ("Baosteel Resources") to jointly establish Baowu Jingcheng. In January 2022, the Company invested RMB34.2 million and holds 19% equity of Baowu Jingcheng. According to the "Articles of Association" of Baowu Jingcheng, the Company has the corresponding voting rights in the company.

9. Other equity investments

January–June 2023

	Accumulated fair value changes recorded in other comprehensive income	Fair value	Dividends Income		Reason for being designated as fair value through other comprehensive income
			Equity instruments derecognized	Equity instruments that are still held	
Baowu Water Technology Limited	-	60,364,499.70	-	-	Intended to hold in long-term and earn investment income

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Other equity investments (Continued)

2022

	Accumulated fair value changes recorded in other comprehensive income	Fair value	Dividends Income			Reason for being designated as fair value through other comprehensive income
			Equity instruments derecognized	Equity instruments that are still held	Equity instruments that are still held	
Xiamen Shipbuilding Industry Co., Ltd (廈門船舶重工股份有限公司)	5,000,000.00	–	–	–	–	Intended to hold in long-term and earn investment income

10. Property, plant and equipment

	30 June 2023	31 December 2022
Property, plant and equipment	26,394,571,877.30	26,280,993,465.29
Property, plant and equipment to be disposed of	(5,731,013.13)	786,980.39
	26,388,840,864.17	26,281,780,445.68

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Property, plant and equipment (Continued)

January–June 2023

	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
Cost				
Opening balance	13,648,034,546.18	20,167,612,023.24	16,889,795.21	33,832,536,364.63
Purchase	–	27,362,382.58	–	27,362,382.58
Transfers from construction in progress	15,787,117.00	849,606,223.32	–	865,393,340.32
Disposal or retirements	(43,627,422.99)	(20,835,974.92)	–	(64,463,397.91)
Transfer into property, plant and equipment to be disposed of	–	–	–	–
Closing balance	13,620,194,240.19	21,023,744,654.22	16,889,795.21	34,660,828,689.62
Accumulated depreciation				
Opening balance	3,186,304,983.09	4,359,031,668.09	6,206,248.16	7,551,542,899.34
Provided	158,367,142.87	573,250,151.02	110,456.31	731,727,750.20
Disposal or retirements	(15,266,231.21)	(1,747,606.01)	–	(17,013,837.22)
Transfer into property, plant and equipment to be disposed of	–	–	–	–
Closing balance	3,329,405,894.75	4,930,534,213.10	6,316,704.47	8,266,256,812.32
Provision for impairment				
Opening balance	–	–	–	–
Provided	–	–	–	–
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	–	–	–	–
Closing balance	–	–	–	–
Carrying amount				
At the end of the period	10,290,788,345.44	16,093,210,441.12	10,573,090.74	26,394,571,877.30
At the beginning of the year	10,461,729,563.09	15,808,580,355.15	10,683,547.05	26,280,993,465.29

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Property, plant and equipment (Continued)

2022

	Plants and buildings	Machineries and other equipment	Motor vehicles	Total
Cost				
Opening balance	13,661,603,453.09	14,553,898,832.55	13,932,556.56	28,229,434,842.20
Purchase	–	25,267,425.38	4,055,738.05	29,323,163.43
Transfers from construction in progress	45,910,639.20	5,698,575,931.19	–	5,744,486,570.39
Disposal or retirements	–	(2,869,626.27)	(1,098,499.40)	(3,968,125.67)
Transfer into property, plant and equipment to be disposed of	(59,479,546.11)	(107,260,539.61)	–	(166,740,085.72)
Closing balance	13,648,034,546.18	20,167,612,023.24	16,889,795.21	33,832,536,364.63
Accumulated depreciation				
Opening balance	2,934,547,058.26	3,401,579,080.59	5,555,818.92	6,341,681,957.77
Provided	270,963,601.17	997,542,791.66	1,723,623.66	1,270,230,016.49
Disposal or retirements	–	(1,186,530.06)	(1,073,194.42)	(2,259,724.48)
Transfer into property, plant and equipment to be disposed of	(19,205,676.34)	(38,903,674.10)	–	(58,109,350.44)
Closing balance	3,186,304,983.09	4,359,031,668.09	6,206,248.16	7,551,542,899.34
Provision for impairment				
Opening balance	–	–	–	–
Provided	40,273,869.77	68,356,865.51	–	108,630,735.28
Disposal or retirements	–	–	–	–
Transfer into property, plant and equipment to be disposed of	(40,273,869.77)	(68,356,865.51)	–	(108,630,735.28)
Closing balance	–	–	–	–
Carrying amount				
At the end of the year	10,461,729,563.09	15,808,580,355.15	10,683,547.05	26,280,993,465.29
At the beginning of the year	10,727,056,394.83	11,152,319,751.96	8,376,737.64	21,887,752,884.43

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Property, plant and equipment (Continued)

PPE leased out under operating lease are as follows:

	30 June 2023	31 December 2022
Plants and buildings	9,601,688.48	9,641,964.40

On 30 June 2023, PPE without certificates of ownership are as follows:

	Carrying amount	Reason for lacking certificates of ownership
Workshop in Changshou district	947,674,387.99	Application materials in the process of preparation

For details of PPE with ownership restricted at the end of the period, please refer to Note V.53.

Property, plant and equipment to be disposed of

	30 June 2023	31 December 2022
Machineries and other equipment	(5,731,013.13)	786,980.39

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress

	30 June 2023		31 December 2022			
Construction in progress	886,818,439.98		894,154,698.17			
	30 June 2023		31 December 2022			
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Newly built 50,000m ³ /h oxygen generator	-	-	373,694,383.33	-	-	373,694,383.33
Iron plant No.1, No.2, No.3 sintering ring cooler environmental protection and energy saving renovation	22,652,147.35		22,652,147.35	22,400,000.00	-	22,400,000.00
Upgrading and transformation project of raw material terminal equipment for logistics transportation	159,082,556.16		159,082,556.16	125,129,921.03	-	125,129,921.03
Upgrading of hot rolling thin coil production line in rolling mill	171,932,038.63		171,932,038.63	115,304,849.57	-	115,304,849.57
Newly built the second railroad product shipping depot	29,530,169.77		29,530,169.77	29,530,169.77	-	29,530,169.77
New series of primary steel slag treatment in steel mill	118,758,072.20		118,758,072.20	118,511,126.54	-	118,511,126.54
Fine desulfurization of coke oven gas	15,070,499.24		15,070,499.24	14,885,706.79	-	14,885,706.79
No. 1, 2, and 3 sintering machine heads and shuttle cars in the sintering process of the ironmaking plant	12,824,067.20		12,824,067.20	-	-	-
Pre-mixed material unloading and supply capacity transformation in Majishan	17,456,354.49		17,456,354.49	-	-	-
Upgrading and renovation of water slag belt for environmental protection	12,299,378.80		12,299,378.80	-	-	-
Environmental protection enclosed renovation of corridors and transfer stations in the material transportation area	16,561,339.20		16,561,339.20	-	-	-
Others	310,651,816.94		310,651,816.94	94,698,541.14	-	94,698,541.14
Subtotal	886,818,439.98		886,818,439.98	894,154,698.17		894,154,698.17

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress (Continued)

Changes in significant projects for January–June 2023:

	Budget <i>(RMB '0,000)</i>	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Sources of funds	Invest proportion of budget <i>(%)</i>	Accumulated amount of interest capitalization	Of which:	Interest rate of interest capitalization loan for the year
										capitalization during the year	
Newly built 50,000m ³ /h oxygen generator	45,000	373,694,383.33	113,003,601.75	486,697,985.08	-	-	Self-owned funds	100.00	-	-	-
Upgrading and transformation project of raw material terminal equipment for logistics transportation	70,701	125,129,921.03	42,640,591.90	8,687,956.77	-	159,082,556.16	Self-owned funds	45.00	-	-	-
New series of primary steel slag treatment in steel mill	16,783	118,511,126.54	246,945.66	-	-	118,758,072.20	Self-owned funds	95.00	-	-	-
Upgrading of hot rolling thin coil production line in rolling mill	39,935	115,304,849.57	56,627,189.06	-	-	171,932,038.63	Self-owned funds	50.00	-	-	-
Iron plant No.1, No.2, No.3 sintering ring cooler environmental protection and energy saving renovation	6,988	22,400,000.00	252,147.35	-	-	22,652,147.35	Self-owned funds	32.00	-	-	-
Fine desulfurization of coke oven gas	7,443	14,885,706.79	184,792.45	-	-	15,070,499.24	Self-owned funds	20.00	-	-	-

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress (Continued)

Changes in significant projects for January–June 2023: (Continued)

	Budget (RMB '0,000)	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Sources of funds	Invest proportion of budget (%)	Of which:		
									Accumulated amount of interest capitalization	Amount of interest capitalization during the year	Interest rate of interest capitalization loan for the year
Sintering machine upgrade and transformation and waste heat power generation project	35,233	-	278,007.78	278,007.78	-	-	Self-owned funds	100.00	-	-	-
Upgrading of rolling mill High efficiency utilization of surplus gas and steam cascade utilization project	183,755	-	33,143,870.00	33,143,870.00	-	-	Self-owned funds	100.00	-	-	-
Improvement of continuous caster	88,577	-	52,968,416.35	52,968,416.35	-	-	Self-owned funds, borrowings	100.00	6,084,484.93	6,084,484.93	2.76%
Upgrading of wastewater treatment system and environmental protection	77,334	-	25,567,243.96	25,567,243.96	-	-	Self-owned funds	100.00	-	-	-
Upgrading of coking process Improvement and transformation of safety standards for gas pipeline network system of the ministry of energy and environmental protection	16,795	-	623,450.15	623,450.15	-	-	Self-owned funds	100.00	-	-	-
Upgrading and renovation of converters smoke hood in No.3 steelmaking plant	8,042	-	1,994,819.17	1,994,819.17	-	-	Self-owned funds	100.00	-	-	-
	2,968	4,160,000.00	14,752,407.56	18,912,407.56	-	-	Self-owned funds	100.00	-	-	-
Subtotal		774,085,987.26	351,418,965.22	638,009,638.90	-	487,495,313.58			6,084,484.93	6,084,484.93	

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress (Continued)

Changes in significant projects for January–June 2023: (Continued)

	Budget (RMB '0,000)	Opening balance	Increase	Transferred to		Closing balance	Sources of funds	Invest proportion of budget (%)	Accumulated amount of interest capitalization	Of which:	Interest rate of interest capitalization loan for the year
				fixed assets	Other decrease					Amount of interest capitalization during the year	
No. 1, No. 2, and No. 3 sintering machine heads and shuttle cars in the sintering process of the ironmaking plant	1,894	-	12,824,067.20	-	-	12,824,067.20	Self-owned funds	68.00	-	-	-
Pre-mixed material loading, discharging and supply capacity transformation in Majishan	9,992	-	17,456,354.49	-	-	17,456,354.49	Self-owned funds	17.00	-	-	-
Upgrading and renovation of water slag belt for environmental protection	14,958	-	12,299,378.80	-	-	12,299,378.80	Self-owned funds	8.00	-	-	-
Environmental protection enclosed renovation of corridors and transfer stations in the material transportation area	23,605	-	16,561,339.20	-	-	16,561,339.20	Self-owned funds	7.00	-	-	-
Upgrading and renovation of converters smoke hood in No. 3 steelmaking plant	1,482	-	9,135,482.08	9,135,482.08	-	-	Self-owned funds	100.00	-	-	-
Improvement of external supply capacity of converter gas	1,897	3,077,117.99	8,324,165.98	11,401,283.97	-	-	Self-owned funds	100.00	-	-	-
ultra-low from hot blast furnace exhaust ports of No. 1, No. 2, No. 3 blast furnace in ironmaking plants	6,913	2,169,290.00	7,325,172.69	-	-	9,494,462.69	Self-owned funds	14.00	-	-	-

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress (Continued)

Changes in significant projects for January–June 2023: (Continued)

	Budget (RMB 0,000)	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Sources of funds	Invest proportion of budget (%)	Accumulated amount of interest capitalization	Of which: Amount of interest capitalization during the year	Interest rate of interest capitalization loan for the year
Three newly built coke oven machine-side dedusting systems for the coking process in the ironmaking plant	6,532	7,796,140.33	-	-	7,796,140.33	Self-owned funds	12.00	-	-	-	-
Transforming the existing coal loading, pushing, dry quenching, and screening dust removal systems in the coking process with ultra-low emissions	8,529		7,227,004.00	-	-	7,227,004.00	Self-owned funds	8.00	-	-	-
Maintenance project	78,152	33,002,641.26	179,386,526.25	26,987,102.58	-	185,402,064.93	Self-owned funds	24.00	-	-	-
Others		81,819,661.66	228,302,485.89	179,859,832.79		130,262,314.76	Self-owned funds		-	-	-
Subtotal		120,068,710.91	506,638,116.91	227,383,701.42	-	399,323,126.40			-	-	
Total		894,154,698.17	858,057,082.13	865,393,340.32	-	886,818,439.98			6,084,484.93	6,084,484.93	

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress (Continued)

Changes in significant projects for 2022:

	Budget (RMB 0,000)	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Sources of funds	Invest proportion of budget (%)	Accumulated amount of interest capitalization	Of which: Amount of interest capitalization during the year	Interest rate of interest capitalization loan for the year
Newly built 50,000m ³ /h oxygen generator	45,000	321,807,258.84	51,887,124.49	-	-	373,694,383.33	Self-owned funds	83%	-	-	-
Upgrading and transformation project of raw material terminal equipment for logistics transportation	70,701	78,889,493.01	143,843,315.88	(97,602,887.86)	-	125,129,921.03	Self-owned funds	54%	-	-	-
New series of primary steel slag treatment in steel mill	16,783	50,948,633.01	67,562,493.53	-	-	118,511,126.54	Self-owned funds	71%	-	-	-
Upgrading of hot rolling thin coil production line in rolling mill	39,935	29,474,221.38	85,830,628.19	-	-	115,304,849.57	Self-owned funds	29%	-	-	-
Newly built the second railroad product shipping depot	15,687	29,399,462.23	130,707.54	-	-	29,530,169.77	Self-owned funds	19%	-	-	-
Iron plant No.1, No.2, No.3 sintering ring cooler environmental protection and energy saving renovation	6,988	-	22,400,000.00	-	-	22,400,000.00	Self-owned funds	32%	-	-	-
Fine desulfurization of coke oven gas	7,443	-	14,885,706.79	-	-	14,885,706.79	Self-owned funds	20%	-	-	-
Sintering machine upgrade and transformation and waste heat power generation project	35,233	262,280,950.15	51,501,919.06	(313,782,869.21)	-	-	Self-owned funds	100%	-	-	-

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress (Continued)

Changes in significant projects for 2022: (Continued)

	Budget (RMB '0,000)	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Sources of funds	Invest proportion of budget (%)	Accumulated amount of interest capitalization	Of which: Amount of interest capitalization during the year	Interest rate of interest capitalization loan for the year
Upgrading of rolling mill	183,755	1,191,222,417.60	90,193,980.12	(1,281,416,397.72)	-	-	Self-owned funds	100%	-	-	-
High efficiency utilization of surplus gas and steam cascade utilization project	88,577	383,940,194.09	462,312,731.76	(846,252,925.85)	-	-	Self-owned funds, borrowings	100%	5,416,739.18	5,416,739.18	2.21%
Improvement of continuous caster	77,334	349,375,901.33	220,330,048.90	(569,705,950.23)	-	-	Self-owned funds	92%	-	-	-
Upgrading of wastewater treatment system and environmental protection	16,795	19,541,950.72	17,283,567.73	(36,825,518.45)	-	-	Self-owned funds	70%	-	-	-
Upgrading of coking process	8,042	20,426,397.80	353,777.59	(20,780,175.39)	-	-	Self-owned funds	68%	-	-	-
Subtotal		2,737,306,880.16	1,228,516,001.58	(3,166,366,724.71)	-	799,456,157.03			5,416,739.18	5,416,739.18	

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Construction in progress (Continued)

Changes in significant projects for 2022: (Continued)

	Budget (RMB 0,000)	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Sources of funds	Invest proportion of budget (%)	Accumulated amount of interest capitalization	Of which: Amount of interest capitalization during the year	Interest rate of interest capitalization loan for the year
Upgrading of the safety and efficiency of the first series' smelting area in steel making plant	25,475	181,762,197.34	9,069,165.27	(190,831,382.61)	-	-	Self-owned funds	75%	-	-	-
Upgrading and reconstruction of information system	21,348	8,136,514.30	10,331,481.48	(18,467,995.78)	-	-	Self-owned funds	88%	-	-	-
Reconstruction from section steel into double high rods	80,517	134,945,663.39	71,701,628.98	(206,647,292.37)	-	-	Self-owned funds	85%	-	-	-
No.2&3 Sintering flue gas desulfurization upgrading	20,000	130,387,718.46	55,048,713.63	(185,436,432.09)	-	-	Self-owned funds	93%	-	-	-
Construction of No. 1- No. 6 coke oven flue gas desulfurization and denigration system	20,950	108,597,740.29	100,899,711.70	(209,497,451.99)	-	-	Self-owned funds	100%	-	-	-
Upgrading of blast furnace blast system	15,166	91,192,954.81	15,906,798.41	(107,099,753.22)	-	-	Self-owned funds	95%	-	-	-
Waste water treatment and utilization project	22,701	81,899,820.10	102,781,050.66	(184,680,870.76)	-	-	Self-owned funds	81%	-	-	-
Upgrading of blast furnace process	77,579	72,566,691.84	45,091,343.94	(117,658,035.78)	-	-	Self-owned funds	77%	-	-	-
Upgrading of wharves and berths	23,484	39,040,245.08	25,329,947.30	(61,586,466.72)	(2,783,725.66)	-	Self-owned funds	27%	-	-	-
No. 1 Sintering flue gas desulfurization upgrading project	18,000	50,961,695.44	75,849,313.57	(126,811,009.01)	-	-	Self-owned funds	70%	-	-	-
Water supply and drainage network renovation project	6,291	25,373,674.95	32,598,617.31	(57,972,292.26)	-	-	Self-owned funds	92%	-	-	-
Others		512,197,081.40	694,795,403.00	(1,111,430,863.09)	(863,080.17)	94,698,541.14	Self-owned funds		-	-	-
Subtotal		1,437,061,997.40	1,239,403,195.25	(2,578,119,845.68)	(3,646,805.83)	94,698,541.14			-	-	
Total		4,174,368,877.56	2,467,919,196.83	(5,744,486,570.39)	(3,646,805.83)	894,154,698.17			5,416,739.18	5,416,739.18	

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Right-of-use assets

January–June 2023

	Plants and buildings	Machineries and other equipment	Total
Cost			
Opening and Closing balance	16,483,288.71	653,011,183.99	669,494,472.70
Accumulated depreciation			
Opening balance	6,912,347.13	273,843,399.81	280,755,746.94
Provided	1,595,156.97	63,194,630.79	64,789,787.76
Closing balance	8,507,504.10	337,038,030.60	345,545,534.70
Provision for impairment			
Opening and closing balance	–	–	–
Carrying amount			
At the end of the period	7,975,784.61	315,973,153.39	323,948,938.00
At the beginning of the period	9,570,941.58	379,167,784.18	388,738,725.76

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Right-of-use assets (Continued)

2022

	Plants and buildings	Machineries and other equipment	Total
Cost			
Opening and Closing balance	16,483,288.71	653,011,183.99	669,494,472.70
Accumulated depreciation			
Opening balance	3,722,033.05	147,454,138.36	151,176,171.41
Provided	3,190,314.08	126,389,261.45	129,579,575.53
Closing balance	6,912,347.13	273,843,399.81	280,755,746.94
Provision for impairment			
Opening balance and closing balance	-	-	-
Carrying amount			
At the end of the year	9,570,941.58	379,167,784.18	388,738,725.76
At the beginning of the year	12,761,255.66	505,557,045.63	518,318,301.29

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Intangible assets

January–June 2023

	Land use rights	Patent and non-patent technology	Software use rights	Total
Original value				
Opening balance	3,179,065,690.23	16,500,297.78	2,355,443.38	3,197,921,431.39
Purchases	201,224.00			201,224.00
Closing balance	3,179,266,914.23	16,500,297.78	2,355,443.38	3,198,122,655.39
Accumulated amortization				
Opening balance	671,765,333.75	11,670,536.58	117,772.20	683,553,642.53
Provided	34,060,947.29	2,540,506.09	137,400.90	36,738,854.28
Closing balance	705,826,281.04	14,211,042.67	255,173.10	720,292,496.81
Provision for impairment				
Opening and closing balance	–	–	–	–
Carrying amount				
At end of the year	2,473,440,633.19	2,289,255.11	2,100,270.28	2,477,830,158.58
At beginning of the year	2,507,300,356.48	4,829,761.20	2,237,671.18	2,514,367,788.86

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Intangible assets (Continued)

2022

	Land use rights	Patent and non-patent technology	Software use rights	Total
Original value				
Opening balance	2,981,411,961.83	16,500,297.78	–	2,997,912,259.61
Acquisition	197,653,728.40	–	2,355,443.38	200,009,171.78
Closing balance	3,179,065,690.23	16,500,297.78	2,355,443.38	3,197,921,431.39
Accumulated amortization				
Opening balance	606,189,261.43	6,841,268.29	–	613,030,529.72
Provided	65,576,072.32	4,829,268.29	117,772.20	70,523,112.81
Closing balance	671,765,333.75	11,670,536.58	117,772.20	683,553,642.53
Provision for impairment				
Opening and closing balance	–	–	–	–
Carrying amount				
At end of the year	2,507,300,356.48	4,829,761.20	2,237,671.18	2,514,367,788.86
At beginning of the year	2,375,222,700.40	9,659,029.49	–	2,384,881,729.89

For details of land use rights with ownership restricted at the end of the year, please refer to Note V.53.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Goodwill

January to June 2023

	Opening balance	Increase Business combinations not involving entities under common control	Decrease Disposal	Closing balance
Goodwill				
Chongqing Iron & Steel Energy	295,407,414.62	–	–	295,407,414.62
Xingang Changlong	32,647,355.72	–	–	32,647,355.72
Less: Provision for impairment (a)				
Chongqing Iron & Steel Energy	–	–	–	–
Xingang Changlong	–	–	–	–
Total	328,054,770.34	–	–	328,054,770.34

2022

	Opening balance	Increase Business combinations not involving entities under common control	Decrease Disposal	Closing balance
Goodwill				
Chongqing Iron & Steel Energy	295,407,414.62	–	–	295,407,414.62
Xingang Changlong	32,647,355.72	–	–	32,647,355.72
Less: Provision for impairment (a)				
Chongqing Iron & Steel Energy	–	–	–	–
Xingang Changlong	–	–	–	–
Total	328,054,770.34	–	–	328,054,770.34

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Goodwill (Continued)

(a) Impairment

The goodwill allocated to the asset group of the Group is summarized as follows according to the operating segment:

	30 June 2023	31 December 2022
Electric power processing group	295,407,414.62	295,407,414.62
Terminal asset group	32,647,355.72	32,647,355.72
	328,054,770.34	328,054,770.34

Goodwill arising from business combinations has been allocated to the following asset groups or portfolio of asset groups for the impairment test:

Electric power processing group

The goodwill of the electric power processing group is formed when purchasing Chongqing Iron & Steel Energy. The original book value was RMB295,407,414.62 on 30 June 2023. The recoverable amount is determined by the present value of the estimated future cash flow and the cash flow forecast based on the five-year financial budget approved by the management. The cash flow over the five-year period is calculated using the estimated growth rate described below.

Terminal asset group

The goodwill of the terminal asset group is formed when purchasing Xingang Changlong. The original book value was RMB32,647,355.72 on 30 June 2023. The recoverable amount is determined by the present value of the estimated future cash flow and the cash flow forecast based on the five-year financial budget approved by the management. The cash flow over the five-year period is calculated using the estimated growth rate described below.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Long-term prepaid expenses

January to June 2023

	Opening balance	Increase	Amortization	Other decrease	Closing balance
Leasehold improvement	237,486.45	–	(16,973.44)		220,513.01

2022

	Opening balance	Increase	Amortization	Other decrease	Closing balance
Leasehold improvement	271,413.33	–	(33,926.88)	–	237,486.45

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets/liabilities

Details of deferred tax assets and deferred tax liabilities without offset are as follows:

	30 June 2023		31 December 2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deductible losses	2,056,782,825.11	308,517,423.76	1,369,644,252.14	205,446,638.51
Provision for assets impairment	164,701,816.72	24,705,272.52	305,948,402.22	45,892,260.32
Post-employment and termination benefits	133,845,070.79	20,076,760.62	173,963,739.66	26,094,560.95
Deferred income	86,058,402.13	12,908,760.32	79,742,929.39	11,961,439.41
ECLs	3,827,274.92	574,090.99	3,827,273.25	574,090.99
Carbon emission quota gap implementation cost	121,380,243.14	18,207,036.47	92,895,736.39	13,934,360.46
Reservoir migration support fund	38,528,095.69	5,779,214.35	38,528,095.69	5,779,214.35
Rural network loan repayment	103,724,256.38	17,556,638.46	117,044,256.38	17,556,638.46
Changes in fair value of other equity instrument investments	5,000,000.00	750,000.00	5,000,000.00	750,000.00
	2,713,847,984.88	409,075,197.48	2,186,594,685.12	327,989,203.45

	30 June 2023		31 December 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Fair value adjustments arising from business combinations not involving entities under common control	40,339,038.87	6,050,855.83	42,870,217.58	6,430,532.64

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Other non-current assets

	30 June 2023	31 December 2022
Prepaid for construction	735,594.85	4,131,818.97
	735,594.85	4,131,818.97

18. Short-term borrowings

	30 June 2023	31 December 2022
Credit loan	606,003,134.28	1,106,441,170.84
	606,003,134.28	1,106,441,170.84

As at 30 June 2023, the Group had no guaranteed and mortgage loan. (31 December 2022: Nil).

As at 30 June 2023, the annual interest rates for the above borrowings ranged from 2.10%-2.69% (31 December 2022: 2.30%-2.69%).

As at 30 June 2023, none of the short-term borrowings overdue (31 December 2022: Nil).

19. Notes payable

	30 June 2023	31 December 2022
Bank acceptance notes	519,225,451.64	609,367,940.00

As at 30 June 2023 and 31 December 2022, the age of notes payable of the Group was all within 6 months and none of the notes payable overdue. As at 30 June 2023, the Group's notes payable was issued with a pledge of notes receivable of RMB117,502,637.12 (2022: RMB100,119,944.03, a pledge of notes receivable).

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Trade payables

Trade payable bear no interest and normally would liquidate within one month.

	30 June 2023	31 December 2022
Within 1 year	3,897,368,145.02	3,090,079,597.30
1-2 years	17,285,097.54	15,697,245.36
2-3 years	4,815,473.06	3,589,706.30
Over 3 years	6,984,429.18	6,600,079.26
	3,926,453,144.80	3,115,966,628.22

As at 30 June 2023, trade payable aged over 1 year amounted to RMB29,084,999.78 (31 December 2022: RMB25,887,030.92), mainly due to payment for goods and services, and these amounts are still in the process of settlement.

21. Contract liabilities

	30 June 2023	31 December 2022
Contract for goods	1,867,621,535.43	2,645,569,472.47

As at 30 June 2023, VAT of advances of RMB242,791,457.53 were disclosed as other current liabilities (31 December 2022: RMB343,924,031.42).

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Employee benefits payable

January to June 2023

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	78,605,025.48	522,918,268.80	545,913,933.58	55,609,360.70
Post-employment benefits – defined contribution plans	–	90,855,412.91	90,855,412.91	–
Termination benefits	66,300,284.58	40,777,818.98	40,627,499.25	66,450,604.31
	144,905,310.06	654,551,500.69	677,396,845.74	122,059,965.01

2022

	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	64,826,505.59	1,226,631,221.30	1,212,852,701.41	78,605,025.48
Post-employment benefits – defined contribution plans	27,000.00	226,806,746.55	226,833,746.55	–
Termination benefits	47,990,000.00	86,704,566.81	68,394,282.23	66,300,284.58
	112,843,505.59	1,540,142,534.66	1,508,080,730.19	144,905,310.06

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Employee benefits payable (Continued)

Details of short-term employee benefits:

January to June 2023	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	19,945,754.67	380,306,423.60	400,252,178.27	–
Staff welfare	4,863,060.65	21,577,163.79	26,399,197.69	41,026.75
Social security contributions	27,983.28	53,449,901.30	53,370,810.81	107,073.77
Including: Medical insurance	27,452.86	39,211,742.87	39,148,725.44	90,470.29
Work injury insurance	–	8,233,877.58	8,233,770.03	107.55
Other social security contributions	530.42	6,004,280.85	5,988,315.34	16,495.93
Housing fund	–	54,406,844.00	54,406,844.00	–
Labor union funds and employee education funds	53,768,226.88	13,177,936.11	11,484,902.81	55,461,260.18
	78,605,025.48	522,918,268.80	545,913,933.58	55,609,360.70

2022	Opening balance	Increase	Decrease	Closing balance
Salaries, bonuses, allowances and subsidies	19,938,063.68	919,447,646.61	919,439,955.62	19,945,754.67
Staff welfare	4,167.00	68,077,152.37	63,218,258.72	4,863,060.65
Social security contributions	–	107,245,190.68	107,217,207.40	27,983.28
Including: Medical insurance	–	79,422,479.45	79,395,026.59	27,452.86
Work injury insurance	–	15,192,694.46	15,192,694.46	–
Other social security contributions	–	12,630,016.77	12,629,486.35	530.42
Housing fund	–	98,491,312.00	98,491,312.00	–
Labor union funds and employee education funds	44,770,756.33	33,369,919.64	24,372,449.09	53,768,226.88
Other short-term remuneration	113,518.58	–	113,518.58	–
	64,826,505.59	1,226,631,221.30	1,212,852,701.41	78,605,025.48

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Employee benefits payable (Continued)

Details of defined contribution plans:

January to June 2023	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	–	70,443,568.02	70,443,568.02	–
Unemployment insurance	–	2,201,539.33	2,201,539.33	–
Enterprise annuities	–	18,210,305.56	18,210,305.56	–
	–	90,855,412.91	90,855,412.91	–

2022	Opening balance	Increase	Decrease	Closing balance
Basic pension insurance	27,000.00	146,833,288.68	146,860,288.68	–
Unemployment insurance	–	4,585,728.87	4,585,728.87	–
Enterprise annuities	–	75,387,729.00	75,387,729.00	–
	27,000.00	226,806,746.55	226,833,746.55	–

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Taxes payable

Items	30 June 2023	31 December 2022
Value-added tax (VAT)	11,292,044.78	2,991,873.69
Environmental protection tax	9,246,296.12	11,153,956.22
Stamp duty	5,415,523.26	6,317,964.15
Others	4,767,146.57	2,510,558.69
	30,721,010.73	22,974,352.75

24. Other payables

Items	30 June 2023	31 December 2022
Other payables	2,959,593,877.11	2,720,896,934.96

Items	30 June 2023	31 December 2022
Project payment payable	2,509,378,655.49	2,282,843,320.26
Guarantee deposits	136,863,010.37	142,635,716.70
Rural network loan repayment	103,724,256.38	117,044,256.38
Carbon emission	121,380,243.14	92,895,736.39
Large and medium-sized reservoir resettlement support fund	38,528,095.69	38,528,095.69
Collected amount for another in disposal of leased assets	37,391,944.68	37,391,944.68
Others	12,327,671.36	9,557,864.86
	2,959,593,877.11	2,720,896,934.96

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Non-current liabilities due within one year

	30 June 2023	31 December 2022
Long-term borrowings due within 1 year (Note V.26)	609,467,029.51	1,122,874,552.12
Bonds payable due within 1 year (Note V.27)	–	519,866,226.35
Long-term payables due within 1 year (Note V.29)	555,664,531.19	579,961,111.96
Lease liabilities due within 1 year (Note V.28)	132,829,045.55	129,782,225.56
	1,297,960,606.25	2,352,484,115.99

26. Long-term borrowings

	30 June 2023	31 December 2022
Credit loan	4,147,020,615.02	3,271,948,975.05
Pledge loan	215,196,187.50	335,344,305.56
Mortgage and guaranteed loan	266,495,326.99	267,526,371.51
Less: Long-term borrowings due within 1 year (Note V.25)	609,467,029.51	1,122,874,552.12
	4,019,245,100.00	2,751,945,100.00

As at 30 June 2023, the annual interest rates of the above long-term borrowings ranged from 2.18%-3.7% (31 December 2022: 2.40%-3.7%).

As at 30 June 2023, none of the long-term borrowings overdue (31 December 2022: Nil).

As at 30 June 2023, the Group pledged 100% equity interests in Chongqing Iron & Steel Energy to obtain pledged loans of RMB215,000,000.00 from the bank (31 December 2022: RMB335,000,000.00). As at 30 June 2023, The Group mortgaged land use right and plants and buildings with net amount of RMB285,012,645.40 and RMB93,124,029.36, respectively, to obtain mortgage loans from the bank. As of 30 June 2023, the balance of loans amounted RMB266,315,100.00 (31 December 2022: The Group mortgaged land use right and plants and buildings with net amount of RMB289,098,468.82 and RMB94,398,773.70, respectively, to obtain mortgage loans from the bank. As of 31 December 2022, the balance of loans amounted RMB267,526,371.51).

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Long-term borrowings (Continued)

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

	30 June 2023	31 December 2022
Spot or within 1 year	609,467,029.51	1,122,874,552.12
1-2 years	440,200,000.00	335,000,000.00
2-5 years	3,579,045,100.00	2,416,945,100.00
	4,628,712,129.51	3,874,819,652.12

27. Bonds payable

	30 June 2023	31 December 2022
Medium-term bonds	–	519,866,226.35
Less: Bonds payable due within 1 year (<i>Note V.25</i>)	–	519,866,226.35
	–	–

As of 31 December 2022, the balance of bonds payable is listed as follows:

Name	Face value	Issuance date	Maturity	Issuance amount	Opening balance	Issued	Interest accrued	Discount and premium amortization	Less: due within 1 year	Closing balance
Medium-term bonds (20 Chongqing Iron & Steel MTN001B)	100.00	2020/3/19	3 years	500,000,000.00	498,433,703.78	–	20,168,630.13	1,263,892.44	519,866,226.35	–

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Bonds payable (Continued)

Analysis on due date of bonds payable is as follows:

	30 June 2023	31 December 2022
Spot or within 1 year	–	519,866,226.35
2-3 years	–	–
	–	519,866,226.35

According to the China Association of Banking Market Exchanges China Municipal Association Note [2020] MTN106, the Company issued the first phase of 2020 medium-term notes on March 19, 2020, totaling RMB1 billion, including RMB500 million of medium-term notes with a maturity of 2 year and 1 year payback period, with a coupon rate of 4.64% and RMB500 million of medium-term notes with a three-year maturity and a coupon rate of 5.13%. As at 20 March 2023, the Company's first phase of 2020 medium-term notes have been fully redeemed.

28. Lease liabilities

	30 June 2023	31 December 2022
Opening balance	408,135,050.59	532,031,697.09
Interest	8,870,604.53	22,121,052.58
Payment	73,008,849.36	146,017,699.08
	343,996,805.76	408,135,050.59
Less: Lease liabilities due within 1 year	132,829,045.55	129,782,225.56
Closing balance	211,167,760.21	278,352,825.03

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Lease liabilities (Continued)

Analysis on due date of lease liabilities is as follows:

	30 June 2023	31 December 2022
Spot or within 1 year	132,829,045.55	129,782,225.56
1 to 2 years	139,138,949.15	135,947,393.55
2 to 5 years	72,028,811.06	142,405,431.48
Total	343,996,805.76	408,135,050.59

29. Long-term payables

	30 June 2023	31 December 2022
Long-term payables	1,636,130,553.34	2,310,638,571.68
Less: Long-term payables due within 1 year (<i>Note V.25</i>)	555,664,531.19	579,961,111.96
Closing balance	1,080,466,022.15	1,730,677,459.72

Long-term payables

	30 June 2023	31 December 2022
Leaseback	1,080,466,022.15	1,730,677,459.72

As at 30 June 2023, the annual interest rate of the above long-term payables was 4.16% (31 December 2022: 4.00%-5.46%).

As at 30 June 2023, none of the long-term payables overdue (31 December 2022: Nil).

The Group and the leasing company carried out the leaseback business. As at 30 June 2023, the Group used machinery and equipment with a book value of RMB2,604,483,821.89 as the subject matter and the lease term is 3-5 years. As of 30 June 2023, the balance of leaseback payables was RMB1,630,466,022.15 (31 December 2022: The machinery and equipment with a book value of RMB3,111,476,353.37 was used as the subject matter, and the balance of leaseback payables was RMB2,310,638,571.68).

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Long-term payables (Continued)

Long-term payables (Continued)

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

	30 June 2023	31 December 2022
Spot or within 1 year	555,664,531.19	579,961,111.96
1-2 years	550,000,000.00	676,520,539.04
2-5 years	530,466,022.15	1,054,156,920.68
Total	1,636,130,553.34	2,310,638,571.68

30. Long-term employee benefits payable

January to June 2023

	30 June 2023	31 December 2022
Long-term termination benefits	56,361,186.68	96,918,320.79
Net liabilities of the defined benefit plan	10,524,449.42	10,745,134.29
Total	66,885,636.10	107,663,455.08

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Long-term employee benefits payable (Continued)

Termination benefits

As at 30 June 2023, the Group had a total of 6,078 employees. In order to optimize human resources, the Group implemented an internal retirement plan to handle internal retirement procedures for qualified employees. During the retiring period, the Group pays the retired employees' living expenses and pays various social insurances and housing provident funds for the relevant employees until they reach the official retirement age (male: 60 years old, female: 50 years old or 55 years old). The payment amount of various social insurance and housing provident fund is determined according to the payment base and the payment ratio, and the enterprise payment ratio is determined according to the local social insurance payment policy. The Group calculates the monthly internal retirement living expenses payable to the employees who participate in the internal retirement plan according to the standard of internal retirement living expenses formulated by the Company, and pays five social insurance and one housing fund for these employees in accordance with local social insurance payment policy. The present value of the termination benefits obligations is determined by the expected cumulative benefit unit method.

The principal actuarial assumptions used as at the balance sheet date are as follows:

	30 June 2023	31 December 2022
Discount rate	2.23%	2.40%
Retirement age		
Male	60	60
Female	50/55	50/55
Benefits increase rate	4.00-8.00%	4.00-8.00%

The Group adjusted the payment obligations based on the average mortality rate of Chinese residents determined by the "China Life Insurance Industry Experience Life Table (2010-2013)", and included the future payment obligation generated by the adjusted internal retirement plan into the current profit and loss after being discounted at the interest rate of national debt for the same period as of 30 June 2023. As of 30 June 2023, the liabilities expected to be paid within 12 months are classified to the short-term employee compensation payable.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Long-term employee benefits payable (Continued)

Net liabilities of the defined benefit plan

The Group started to operate a defined benefit plan without capital injection for all qualified employees in 2018. After retirement, employees have the right to enjoy subsidies other than the overall pension paid to them by the Group on a regular basis. The amount of the subsidy consists of the sum of RMB38 and the length of service wage. The plan is subject to interest rate risk, turnover rate and the risk of changes in life expectancy of pension beneficiaries. The Group calculates the monthly allowance payable to the employees who participate in the internal retirement plan according to the retirement allowance plan formulated by the Company. The present value of the defined benefit obligations is determined by the expected cumulative benefit unit method. The employees who officially retire from the Group from 2022 will no longer enjoy the original subsidy of RMB38 and the sum of the working age wage (working age *1), and the retirees in previous years will continue to enjoy the subsidy.

The principal actuarial assumptions used as at the balance sheet date are as follows:

	30 June 2023	31 December 2022
Discount rate	3.01%	3.05%
Turnover rate	1.50%	1.50%

The Group adjusted the payment obligations based on the average mortality rate of Chinese residents determined by the “China Life Insurance Industry Experience Life Table (2010-2013)”, and included the future payment obligation generated by the adjusted internal retirement plan into the current profit and loss after being discounted at the interest rate of national debt for the same period as of 30 June 2023.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Provisions for liabilities

January to June 2023

	Opening balance	Increase	Decrease	Closing balance
Onerous contracts pending to be exercised	5,540,444.09	–	(5,540,444.09)	–

2022

	Opening balance	Increase	Decrease	Closing balance
Onerous contracts pending to be exercised	–	5,540,444.09	–	5,540,444.09

32. Deferred income

Government grants	Opening balance	Increase	Decrease	Closing balance
January to June 2023	79,742,929.39	7,500,000.00	1,184,527.26	86,058,402.13
2022	56,902,583.91	28,209,400.00	5,369,054.52	79,742,929.39

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Deferred income (Continued)

As at 30 June 2023, the details of liabilities relating to government grants are as follows :

	Opening balance	Increase	Recognition during the year as other income	Other decrease	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	54,055,429.39	7,500,000.00	(59,527.26)	-	61,495,902.13	Related to assets
Grants for recycle heat power station	25,687,500.00	-	(1,125,000.00)	-	24,562,500.00	Related to assets
	79,742,929.39	7,500,000.00	(1,184,527.26)	-	86,058,402.13	

As at 31 December 2022, the details of liabilities relating to government grants are as follows:

	Opening balance	Increase	Recognition during the year as other income	Other decrease (Note 1)	Closing balance	Related to assets/income
Grants for construction of environmental protection equipment and facilities	28,965,083.91	28,209,400.00	(119,054.52)	(3,000,000.00)	54,055,429.39	Related to assets
Grants for recycle heat power station	27,937,500.00	-	(2,250,000.00)	-	25,687,500.00	Related to assets
	56,902,583.91	28,209,400.00	(2,369,054.52)	(3,000,000.00)	79,742,929.39	

Note 1: In July 2022, due to the cancellation of the bar intelligent roller ring grinding room project, the Company returned the special fund of Chongqing Economic and Information Technology Commission of RMB3,000,000.00.

For details of government grants credited to the current profit or loss or offset against the related cost in the current year, please refer to Note V.45 to these financial statements.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Share capital

January to June 2023 and 2022

	Opening balance	Increase/decrease during the current year				Sub-total	Closing balance
		New shares issued	Bonus shares	Reserve transferred to shares	Others		
Non-restricted shares							
A shares	8,380,475,067.00	-	-	-	-	-	8,380,475,067.00
H shares	538,127,200.00	-	-	-	-	-	538,127,200.00
	8,918,602,267.00	-	-	-	-	-	8,918,602,267.00

34. Capital reserve

January to June 2023 and 2022

	Opening balance	Increase	Decrease	Closing balance
Share premium	18,454,408,756.33	-	-	18,454,408,756.33
Others	827,737,850.22	-	-	827,737,850.22
	19,282,146,606.55	-	-	19,282,146,606.55

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Other comprehensive income

Balance of other comprehensive income attributable to the shareholders of the parent company in the consolidated statement of financial position are as follows:

January to June 2023 and 2022

	Opening balance	Increase/decrease	Closing balance
Changes from remeasurement of defined benefit plans	1,585,194.71	–	1,585,194.71
Changes in fair value of other equity instrument investments	(4,250,000.00)	–	(4,250,000.00)
	(2,664,805.29)	–	(2,664,805.29)

Other comprehensive income incurred:

January to June 2023 and 2022

	Before tax	Less: Reclassification from other comprehensive income to profit or loss	Less: Reclassification from other comprehensive income to retained earnings	Less: Corporate income tax	attributable to the shareholders
Other comprehensive income that cannot be reclassified to profit or loss					
Changes from remeasurement of defined benefit plans	1,585,194.71	–	–	–	1,585,194.71
Changes in fair value of other equity instrument investments	(5,000,000.00)	–	–	(750,000)	(4,250,000.00)
	(3,414,805.29)	–	–	(750,000)	(2,664,805.29)

Other comprehensive income that cannot be reclassified to profit or loss

Changes from

remeasurement of defined benefit plans	1,585,194.71	–	–	–	1,585,194.71
Changes in fair value of other equity instrument investments	(5,000,000.00)	–	–	(750,000)	(4,250,000.00)
	(3,414,805.29)	–	–	(750,000)	(2,664,805.29)

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Special reserve

Safety fund	Opening balance	Increase	Decrease	Closing balance
January to June 2023	7,374,566.33	23,875,443.43	21,986,936.19	9,263,073.57
2022	18,593,416.55	55,971,177.10	67,190,027.32	7,374,566.33

Special reserve in 2022 accrued according to article of No.136 “The Withdrawal and Use of Enterprise Special Reserve” (Cai Zi [2022] No.136) issued by the Ministry of Finance and the Ministry of Emergency (應急部) on 21 November 2022. Special reserve of previous years was the safety fund accrued according to article of No.16 “The regulation on the accrual and usage of enterprise’s safety production fee” (Cai Qi [2012] No.16) promulgated by the MOF and the State Administration of Work Safety (國家安全生產監管總局) on 14 February 2012.

37. Surplus reserve

For January to June 2023 and the year of 2022

	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	606,990,553.42	-	-	606,990,553.42

In accordance with Articles of Association, the net profits should be used first to make up for the previous year’s losses. The Company should appropriate 10% of the net profit which had been offset for the previous year’s losses to the statutory surplus reserve, where the appropriation can be ceased when the statutory surplus reserve reaches 50% of the registered capital.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Unappropriated profit

	30 June 2023	31 December 2022
Opening balance	(7,470,531,487.65)	(6,451,122,133.31)
Add: Net profit/(loss) attributable to the shareholders of the parent	(434,740,206.19)	(1,019,409,354.34)
Closing balance	(7,905,271,693.84)	(7,470,531,487.65)

39. Revenue and cost

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	20,944,891,751.58	21,086,069,552.95	17,820,894,690.38	16,613,859,345.36
Revenue from other operations	49,939,725.64	42,133,812.35	195,281,112.44	179,249,567.83
	20,994,831,477.22	21,128,203,365.30	18,016,175,802.82	16,793,108,913.19

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Revenue and cost (Continued)

Details of revenue as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Revenue from contracts with customers	20,994,816,157.96	18,016,015,176.65
Rentals	15,319.26	160,626.17
	20,994,831,477.22	18,016,175,802.82

Disaggregation of revenue from contracts with customers are as follows:

January to June 2023

Main Product	Sale of steel products and billets	Others	Total
Hot rolling	9,285,090,101.57	–	9,285,090,101.57
Plates	5,148,281,617.33	–	5,148,281,617.33
Bars	4,026,383,618.29	–	4,026,383,618.29
Wire rods	957,098,038.93	–	957,098,038.93
Billets	830,707,235.82	–	830,707,235.82
Others	–	747,255,546.02	747,255,546.02
	20,247,560,611.94	747,255,546.02	20,994,816,157.96

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Revenue and cost (Continued)

January to June 2022

Main Product	Sale of steel products and billets	Others	Total
Hot rolling	9,346,745,869.27	–	9,346,745,869.27
Plates	5,996,760,100.94	–	5,996,760,100.94
Bars	1,589,153,137.05	–	1,589,153,137.05
Billets	3,993,910.31	–	3,993,910.31
Others	–	1,079,362,159.08	1,079,362,159.08
	16,936,653,017.57	1,079,362,159.08	18,016,015,176.65

All the Group's revenue was recognized at a certain point.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Revenue and cost (Continued)

The details of revenue recognized in the opening carrying amount of contract obligation for the year:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Contract for goods	2,645,569,472.47	2,185,095,400.45

Note: The Group completes its performance obligations when the customer obtains control of the relevant products. For steel product customers, it is usually necessary to receive payment in advance, and major customers are also provide with a 30-day credit period. For other product customers, the contract price of the Group usually expires within 30 days after delivery of the product, there is no significant financing component; Some of the contracts between the Group and customers include sales rebates (future price reductions based on cumulative sales), which form variable consideration. The Group determines the best estimate of the variable consideration by using the expected value method or the most likely amount method. However, the transaction price including variable consideration is only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as at the year end is expected to be recognised as revenue is as follows:

	30 June 2023	31 December 2022
Due within 1 year	1,867,621,535.43	2,645,569,472.47

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Taxes and surcharges

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Land use right tax	25,013,254.86	22,349,058.55
Housing property tax	17,141,931.37	21,997,039.77
Environmental protection tax	14,317,964.81	17,135,462.61
Stamp duty	11,452,002.17	9,749,460.20
City maintenance and construction tax	5,306,513.57	2,253,258.06
Education surcharge	2,274,220.11	965,939.69
Local education surcharge	1,516,146.72	643,959.79
Others	15,502.62	16,378.94
	77,037,536.23	75,110,557.61

41. Distribution and selling expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Transportation expenses	14,571,648.96	9,583,305.79
Labor costs	18,227,909.99	20,309,343.65
Depreciation and amortization	1,635,262.09	1,083,641.94
Others	8,630,508.03	7,944,878.04
	43,065,329.07	38,921,169.42

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. General and administrative expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Labor costs	57,363,668.06	58,984,793.40
Depreciation and amortization	42,156,106.61	48,978,221.71
Consulting fee	6,484,000.68	8,927,814.97
Safety expense	1,802,735.70	3,494,539.00
Environmental protection cost	–	39,108.91
Repair cost	8,258,077.70	8,564,307.34
Others	25,450,059.42	28,971,579.54
	141,514,648.17	157,960,364.87

43. Research and development expenses

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Fuel cost	–	26,928,945.01
Maintenance expenses	–	14,063,889.34
Inspection costs	–	1,224,726.00
Power fees	–	38,621,458.31
Labor costs	13,461,248.22	12,321,979.39
Depreciation and amortization	–	11,670,844.87
External assistance	1,096,429.42	–
	14,557,677.64	104,831,842.92

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Finance expense

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Interest expense	146,802,269.13	157,544,541.84
Less: Interest income	21,195,656.06	39,580,989.90
Less: Capitalized amount of interest	–	–
Net exchange loss	(11,574,114.43)	100,883,914.25
Others	3,841,012.95	12,257,417.89
	117,873,511.59	231,104,884.08

45. Other income

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Government grants related to the ordinary course of business	22,159,817.23	29,472,403.53

Government grants related to the ordinary courses of business are as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Relate to assets or income
Grants for recycle heat power project	1,125,000.00	1,125,000.00	Relate to assets
Others	59,527.26	59,527.26	Relate to assets
Position stability subsidies	–	153,668.00	Relate to income
Tax refund	19,598,196.13	26,207,912.63	Relate to income
Others	1,377,093.84	1,926,295.64	Relate to income
	22,159,817.23	29,472,403.53	

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Investment income

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Investment income recognised through equity method	6,903,528.26	2,680,989.05
Investment income from financial assets held for trading	–	24,083,835.65
	6,903,528.26	26,764,824.70

47. Non-operating income

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Amount included in non-recurring profit or loss
Others	7,064,920.90	750,812.49	7,064,920.90
	7,064,920.90	750,812.49	7,064,920.90

48. Non-operating expense

	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Amount included in non-recurring profit or loss
Carbon emission fees	28,525,615.23	36,095,097.01	–
Losses from disposal of non-current assets (<i>Note</i>)	–	6,750.00	–
Expenses from fines	944,400.00	–	944,400.00
Donation expenses	600,000.00	160,000.00	600,000.00
Others	96,596.60	25,949.30	96,596.60
	30,166,611.83	36,287,796.31	1,640,996.60

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Income tax expense

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Current income tax	988,803.83	76,698,919.73
Deferred tax	(81,326,775.38)	42,723,005.23
	(80,337,971.55)	119,421,924.96

Income tax expense reconciliation from profit before tax is as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Profit before tax	(515,078,177.74)	635,838,315.14
Tax rate	0.15	0.15
Income tax expenses calculated at the applicable tax rate	(77,261,726.66)	95,375,747.27
Effect of different tax rate for subsidiary	(5,257,035.95)	(5,836,962.18)
Expenses not deductible for tax purposes	3,260,627.34	24,782,784.43
Income not subject to tax	(1,079,836.28)	–
Adjustment of income tax in the prior year	–	624,180.19
Utilization of deductible losses and deductible temporary differences from prior years	–	–
Effect of unrecognized deductible temporary differences	–	4,476,175.25
Income tax expenses at the effective tax rate of the Group	(80,337,971.55)	119,421,924.96

All the Group's profit for the year is from Mainland China.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) for the current period attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding. Shares are usually included in the weighted average number of shares from the date of their issuance according to the terms of contract of issuance.

The Group does not hold potential shares that are dilutive.

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
	<i>RMB per share</i>	<i>RMB per share</i>

Basic earnings/(loss) per share		
Continuing operations	(0.05)	(0.06)

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
--	---	---

Earnings		
Net profit/(loss) for the current period attributable to ordinary shareholders of the Company		
Continuing operations (<i>RMB</i>)	(434,740,206.19)	516,416,390.18

Number of shares		
Weighted average number of ordinary shares outstanding (<i>Note</i>)	8,918,602,267.00	8,918,602,267.00

No change occurred in the period from the balance sheet date to the date of approval of the financial statements, resulting in changes in the number of ordinary shares or potential ordinary shares outstanding on the balance sheet date.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Notes to items of the consolidated cash flow statement

Other cash received relating to operating activities

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Government grants	7,500,000.00	–
Interest income	21,195,656.06	39,580,989.90
Transaction intercourse	–	–
Guarantees and deposit	12,253,477.66	1,718,235.69
Others	20,875,338.86	21,984,676.30
	61,824,472.58	63,283,901.89

Other cash paid relating to operating activities

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
General and administrative expenses	7,686,374.33	23,059,123.69
Distribution and selling expenses	8,181,620.90	24,544,862.69
Transaction intercourse paid	–	–
Carbon emission paid	–	–
Others	3,793,375.87	16,288,089.31
	19,661,371.10	63,892,075.69

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Notes to items of the consolidated cash flow statement (Continued)

Other cash received relating to financing activities

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Receipt of non-trading transfer payment for treasury shares	-	-
Others	-	20,765.32
	-	20,765.32

Other cash paid relating to financing activities

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Repayment of operating ordinary obligations from the reorganization	-	-
Leaseback paid	670,833,333.30	390,845,457.74
Lease rent paid	-	-
	670,833,333.30	390,845,457.74

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Supplementary information to the consolidated cash flow statement

(1) *Supplement information to the consolidated cash flow statement*

Reconciliation from net profit to cash flows from operating activities:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Net profit	(434,740,206.19)	516,416,390.18
Add: Impairment losses on assets	–	–
Credit profit/(loss)	–	–
Depreciation of fixed assets	731,727,750.20	601,084,976.11
Depreciation of right-of-use assets	64,789,787.76	64,789,787.76
Amortization of intangible assets	36,738,854.28	35,052,298.48
Amortization of long-term prepaid expenses	16,973.44	16,961.89
Amortization of deferred income	(1,184,527.26)	(1,184,527.26)
Profit/(loss) from disposal of fixed assets, intangible assets and other long-term assets	(6,380,758.48)	–
Losses on disposal of long-term assets	–	6,750.00
Financial expenses	146,802,269.13	157,544,541.84
Investment losses	(6,903,528.26)	(26,764,824.70)
Increase in deferred tax assets	(81,085,994.03)	42,968,741.61
Decrease in deferred tax liabilities	(379,676.81)	(245,736.36)
Decrease in inventories	(38,882,247.83)	(581,282,458.22)
Decrease/(increase) in operating receivables	681,842,589.41	(43,309,045.04)
Increase/(decrease) in operating payables	(588,873,895.35)	(99,317,186.73)
Others	(88,966,735.97)	270,734,293.58
Net cash flow from operating activities	414,520,654.04	936,510,963.14

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Supplementary information to the consolidated cash flow statement (Continued)

(2) *Endorsement amount of notes receivable with no cash receipts and payments:*

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Endorsement amount of notes receivable	2,045,747,849.37	1,979,184,236.59
Including: Payment for goods and labor	771,449,274.33	1,294,834,689.23
Payment for equipment and construction	293,427,944.30	554,282,413.52
Others	980,870,630.74	130,067,133.84

(3) *Components of cash and cash equivalents:*

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Cash		
Wherein: Cash on hand	-	-
Bank deposit available on demand for payment	2,941,957,920.75	2,572,810,496.45
Cash and cash equivalents at the end of the year	2,941,957,920.75	2,572,810,496.45

53. Assets with ownership or use right restricted

	30 June 2023	31 December 2022	
Cash and bank balances	146,709,582.59	57,742,846.62	<i>(Note 1)</i>
Receivables financing	117,502,637.12	100,119,944.03	<i>(Note 2)</i>
Property, plant and equipment	2,697,607,851.25	3,205,875,127.07	<i>(Note 3)</i>
Intangible assets	285,012,648.40	289,098,468.82	<i>(Note 4)</i>
Equity interest	837,609,884.19	837,609,884.19	<i>(Note 5)</i>
	4,084,442,603.55	4,490,446,270.73	

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

V. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Assets with ownership or use right restricted (Continued)

Note 1: As at 30 June 2023, the Group had cash and bank balances amounted to RMB146,709,582.59 (31 December 2022: RMB57,742,846.62) restricted for bank acceptance notes and letter of credit.

Note 2: As at 30 June 2023, the Group pledged bank acceptance notes with a carrying amount of RMB117,502,637.12 (31 December 2022: RMB100,119,944.03) for issuing bank acceptance.

Note 3: As at 30 June 2023, the plants and buildings with a carrying amount of RMB93,124,029.36 (31 December 2022: RMB94,398,773.70) and machineries and other equipment with a carrying amount of RMB2,604,483,821.89 (31 December 2022: RMB3,111,476,353.37) were pledged to banks to secure the bank loans and facilities granted to the Group.

Note 4: As at 30 June 2023, the land use right with a carrying amount of RMB285,012,648.40 (31 December 2022: RMB289,098,468.82) were pledged to banks to secure the bank loans. The amortization of land use right above for the six months ended 30 June 2023 was RMB4,085,820.42 (2022: RMB8,171,640.84).

Note 5: As at 30 June 2023, the equity interest with a carrying amount of RMB837,609,884.19 (31 December 2022: RMB837,609,884.19) was pledged to secure the bank loans of RMB215,000,000.00 (31 December 2022: RMB335,000,000.00).

54. Foreign currency monetary items

	30 June 2023			31 December 2022		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash and bank balances						
USD	14,284,174.56	7.2258	103,214,588.52	9,209,779.74	6.9646	64,142,431.98
HKD	-	0.9220	-	6,113.97	0.8933	5,461.61
			103,214,588.52			64,147,893.59

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VI. INTERESTS IN OTHER ENTITIES

1. Equity in subsidiaries

Composition of significant subsidiaries:

	Main operating place	Place of registration	Business nature	Registered capital	Shareholding proportion (%)	
					Direct	Indirect
Subsidiaries acquired through business combinations not involving entities under common control						
Chongqing Iron and Steel Energy	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Electricity production and sales	525,694,938.14	100	-
Xingang Changlong	Changshou Economic Development District, Chongqing	Changshou Economic Development District, Chongqing	Transportation and warehousing industry	110,000,000.00	100	-

On 30 June 2023, there was no subsidiary with non-controlling interests that are material to the Group.

2. Equity in joint venture and associates

	Principal place of business		Business nature	Registered capital	Shareholding ratio (%)		Accounting treatment
	Domicile				Direct	Indirect	
Associates							
Baocheng Carbon (Note 1)	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing industry	33,333,000.00	10	-	Equity method
Baowu Raw Materials (Note 2)	Shanghai Free Trade Zone	Shanghai Free Trade Zone	Trading industry	500,000,000.00	8	-	Equity method
Baowu Environmental Resource (Note 3)	Changshou District, Chongqing	Changshou District, Chongqing	Manufacturing industry	100,000,000.00	49	-	Equity method
Baowu Jingcheng (Note 4)	Zhoushan, Zhejiang Province	Zhoushan, Zhejiang Province	Manufacturing industry	180,000,000.00	19	-	Equity method

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VI. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Equity in joint venture and associates (Continued)

Note 1: The Company holds 10% equity interest in Baocheng Carbon and dispatches a director to the board of directors of Baocheng Carbon, who accordingly enjoys substantive right to participate in decision-making, and has a significant influence on Baocheng Carbon.

Note 2: The Company holds 8% equity interest in Baowu Raw Materials and dispatches a director to the Baowu Raw Materials Board of Directors, who accordingly enjoys substantive right to participate in decision-making, and has a significant impact on Baowu Raw Materials.

Note 3: The Company holds 49% of equity interest in Baowu Environmental Resource. According to the articles of association, resolutions on matters discussed at the shareholders' meeting shall be passed by shareholders representing more than half of the voting rights. Therefore, the Company only has a significant impact on Baowu Environmental Resource and accounts the latter as an associate.

Note 4: The Company holds 19% equity interest in Baowu Jingcheng and dispatches a director to the board of directors of Baowu Jingcheng, who accordingly enjoys substantive right to participate in decision-making, and has a significant impact on Baowu Jingcheng.

Financial information of associates is as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Associates		
Carrying amount of investment		
Total amount calculated by shareholding ratio as follows	6,903,528.26	2,680,989.05
Net profit	6,903,528.26	2,680,989.05
Other comprehensive income	—	—
Total comprehensive income	—	—

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS

1. Classification of financial instruments

Carrying amounts of each category of financial instruments at the balance sheet date are as follows:

30 June 2023

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and bank balances	-	-	3,088,667,503.34	3,088,667,503.34
Trade receivables	-	-	34,776,082.96	34,776,082.96
Receivables financing (acquired by standards)	417,375,048.47	-		417,375,048.47
Other receivables	-	-	20,409,857.95	20,409,857.95
	417,375,048.47	-	3,143,853,444.25	3,561,228,492.72

31 December 2022

Financial assets

	Financial assets at fair value through other comprehensive income	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Total
Cash and bank balances	-	-	3,995,675,679.90	3,995,675,679.90
Trade receivables	-	-	38,789,243.44	38,789,243.44
Receivables financing (acquired by standards)	799,686,555.46	-	-	799,686,555.46
Other receivables	-	-	34,846,186.58	34,846,186.58
	799,686,555.46	-	4,069,311,109.92	4,868,997,665.38

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Classification of financial instruments (Continued)

Carrying amounts of each category of financial instruments at the balance sheet date are as follows: (Continued)

Financial liabilities

	Financial liabilities measured at amortized cost	
	30 June 2023	31 December 2022
Short-term borrowings	606,003,134.28	1,106,441,170.84
Notes payable	519,225,451.64	609,367,940.00
Trade payables	3,926,453,144.80	3,115,966,628.22
Other payables	2,959,593,877.11	2,720,896,934.96
Non-current liabilities due within one year	1,297,960,606.25	2,352,484,115.99
Long-term borrowings	4,019,245,100.00	2,751,945,100.00
Lease liabilities	211,167,760.21	278,352,825.03
Long-term payables	1,080,466,022.15	1,730,677,459.72
	14,620,115,096.44	14,666,132,174.76

2. Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

As at 30 June 2023, the Group had not endorsed certain bank acceptance bills to its suppliers for settlement of trade payables and other payables (31 December 2022: RMB25,546,660.16).

Transferred financial assets that are derecognised in their entirety in which continuing involvement exists

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

2. Transfers of financial assets (Continued)

As at 30 June 2023, the Group endorsed certain bills receivable accepted by banks to its suppliers for settlement of trade payables, other payables and discounted bank acceptance bills to banks with a carrying amount of RMB5,356,331,050.30 (31 December 2022: RMB2,788,645,475.68). As of 30 June 2023, the maturity date is within 6 months. According to the relevant provisions of the Negotiable Instruments Law, if the accepting bank refuses to pay, the holders of the bills have the right to recourse against the Group (“continued involvement”). The Group believes that the Group has transferred almost all of its risks and rewards, and therefore, derecognizes the book value of it and its related settled accounts payable and other payables. The maximum loss and undiscounted cash flow of continuing involvement and repurchase are equal to its book value. The Group believes that continued involvement in fair value is not significant.

As at six months ended June 2023, the Group has not recognized gains or losses on the transfer date. The Group had no current or accumulated gain or expense arising from the continuing involvement in financial assets which had been derecognized. Endorsements were incurred evenly throughout this year.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risks of financial instruments

The Group is exposed to various types of risks from financial instruments during its ordinary course of business, mainly including credit risk, liquidity risk and market risk with foreign exchange risk and interest rate risk inclusive. Financial instruments of the Group are mainly comprised of cash and bank balances, financial assets held for trading, trade receivables, receivables financing, notes payable, trade payables, loans etc. Risks related to these financial instruments and the Group's risk management policies adopted to reduce such risks are described as follows.

Directors are responsible for planning and establishing the risk management structure of the Group, designating the risk management policies and the related guidance for the Group, and monitoring the implementation of risk management measures. The Group has risk management policies in place to identify and analyze the risk exposure of the Group. These risk management policies have defined particular risks, covering the aspects of the management of market risk, credit risk and liquidity risk. The Group will decide whether it is necessary to update the risk management policies and system by regularly evaluating changes in market environment and the operating activities of the Group. Risk management of the Group is carried out by the board. The board identifies, evaluates and mitigates the relevant risks by closely working with other business departments. Internal audit department of the Group will conduct audit regularly on risk management control and procedures and submit the audit results to the audit committee of the Group.

The Group spreads the risks from financial instruments by diversified investment and business portfolio and develops risk management policies accordingly to mitigate the risk of overconcentration on any single industry, particular region or particular counterparties.

Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, balances of trade receivables are monitored on an ongoing basis to ensure that the Group's exposure to bad debt is not significant.

Since the counterparties of cash and bank balances and bank acceptance notes are placed in the well-established banks and with high credit ratings, these financial instruments are exposed to lower credit risk.

The credit risk of the Group's other financial assets, which comprise trade receivables, receivables financing, other equity investments, financial assets held for trading and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Credit risk (Continued)

Maximum credit risk exposure the Group faced at each balance sheet date is the total amount received from customer less impairment.

The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in Note X. 2.

Since the Group traded only with recognized and creditworthy third parties, there was no requirement for collateral. Credit risk was managed in accordance with customer and industry. At the balance sheet date, the Group had a certain concentration of credit risk as 89% (31 December 2022: 80%) of the Group's trade receivables were due from the Group's five largest customers in terms of trade receivables. The Group did not hold any collateral or credit enhancements for the balance of trade receivables.

Criteria for judging significant increase in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

- (1) Quantitative criteria mainly comprise of the circumstance that at the reporting date exceeds a certain number of days overdue;
- (2) Qualitative criteria mainly comprise of the circumstances that significant adverse change in debtor's operation, etc.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Credit risk (Continued)

Definition of credit-impaired asset

The standard adopted by the Group to determine whether a credit impairment occurs is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- (1) Significant financial difficulty of the issuer or the debtor;
- (2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- (3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- (4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- (6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Credit risk (Continued)

As at 30 June 2023, the analysis of book balance and credit risk exposure of financial assets are as follows:

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
Cash and bank balance	3,088,667,503.34	-	-	-	-	3,088,667,503.34
Accounts receivable	-	-	-	-	35,884,846.09	35,884,846.09
Receivables financing	417,375,048.47	-	-	-	-	417,375,048.47
Other receivables	18,974,367.70	1,866,774.57	2,287,225.80	-	-	23,128,368.07
	3,525,016,919.51	1,866,774.57	2,287,225.80	35,884,846.09		3,565,055,765.97

As at 31 December 2022, the analysis of book balance and credit risk exposure of financial assets are as follows:

	12-month ECLs		Lifetime ECLs		Simplified approach	Total
	Stage 1	Stage 2	Stage 3			
Cash and bank balance	3,995,675,679.90	-	-	-	-	3,995,675,679.90
Accounts receivable	-	-	-	-	39,898,006.57	39,898,006.57
Receivables financing	799,686,555.46	-	-	-	-	799,686,555.46
Other receivables	33,410,696.33	1,866,774.57	2,287,225.80	-	-	37,564,696.70
	4,828,772,931.69	1,866,774.57	2,287,225.80	39,898,006.57		4,872,824,938.63

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Liquidity risk

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

The Company and its subsidiaries were 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 board of directors of the Company when the borrowings exceeded certain predetermined levels of authority). The Group's liquidity management method was to make sure enough liquidity for the performance of matured debts, so as not to cause any unacceptable losses or any damage to its reputation. As at 30 June 2023, the Group's current liabilities already exceeded current assets by RMB4,608,176,293.58 (31 December 2022: Current assets exceeded current liabilities by RMB4,548,307,549.37).

The rest maturity date analysis of financial liabilities measured at undiscounted contract cash flows is as follows:

	Carrying amount	Undiscounted contract amount	30 June 2023		
			Within 1 year	1-2 years	2 to 5 years
Short-term borrowings	606,003,134.28	610,896,107.26	610,896,107.26	-	-
Notes payable	519,225,451.64	519,225,451.64	519,225,451.64	-	-
Trade payables	3,926,453,144.80	3,926,453,144.80	3,926,453,144.80	-	-
Other payables	2,959,593,877.11	2,959,593,877.11	2,959,593,877.11	-	-
Non-current liabilities due within one year	1,297,960,606.25	1,319,999,161.26	1,319,999,161.26	-	-
Long-term borrowings	4,019,245,100.00	4,238,624,196.70	458,926,161.67	3,731,070,702.78	48,627,332.26
Lease liabilities	211,167,760.21	228,936,902.58	9,910,353.96	146,017,699.08	73,008,849.54
Long-term payables	1,080,466,022.15	1,174,047,443.59	585,751,250.00	588,296,193.59	-
	14,620,115,096.44	14,977,776,284.94	10,390,755,507.70	4,465,384,595.45	121,636,181.80

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Liquidity risk (Continued)

	Carrying amount	Undiscounted contract amount	31 December 2022		
			Within 1 year	1-2 years	2 to 5 years
Short-term borrowings	1,106,441,170.84	1,120,146,039.57	1,120,146,039.57	-	-
Notes payable	609,367,940.00	609,367,940.00	609,367,940.00	-	-
Trade payables	3,115,966,628.22	3,115,966,628.22	3,115,966,628.22	-	-
Other payables	2,720,896,934.96	2,720,896,934.96	2,720,896,934.96	-	-
Non-current liabilities due within one year	2,352,484,115.99	2,432,612,567.12	2,432,612,567.12	-	-
Long-term borrowings	2,751,945,100.00	2,933,678,960.71	68,603,930.38	402,801,587.84	2,462,273,442.49
Lease liabilities	278,352,825.03	305,518,267.89	13,482,869.79	146,017,699.08	146,017,699.02
Long-term payables	1,730,677,459.72	1,911,739,721.35	80,943,140.40	741,265,200.73	1,089,531,380.22
	14,666,132,174.76	15,149,927,059.82	10,162,020,050.44	1,290,084,487.65	3,697,822,521.73

Market risk

Market risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market price variation. Market risk mainly includes interest risk and foreign exchange risk.

Interest risk

Interest risk refers to the risk of fluctuation in the fair value or the future cash flow of financial instruments due to the market interest variation. The market interest rate variation risk faced by the Group mainly correlated with its loans with the interest measured by the floating interest rate.

The Group's revenue and operating cash flows are largely unaffected by fluctuation in market interest rate. As at 30 June 2023, all the Group's bank loans were calculated by stable interest rate.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

3. Risk of financial instruments (Continued)

Market risk (Continued)

Foreign exchange risk

The Group faced transactional foreign exchange risk, which was mainly correlated with purchasing in non-reporting currency.

During this year, the Group's operating activities were carried out in Mainland China. Majority of transactions are denominated in RMB, the transactions of sales are denominated in RMB, and approximately 22.31% (2022: 17.94%) of purchase were denominated in US dollars for the purchase of iron ores. The finance department of the Group is responsible for monitoring the scale of foreign currency transactions and assets and liabilities in foreign currencies of the Group to reduce the foreign exchange risks to the largest extent. Fluctuations in the exchange rate of USD against RMB will affect the Group's operating results.

For the carrying amount and exchange rate risk exposure of the Group's cash and bank balances, accounts payable and prepayments, please refer to Note V. 54.

The following table shows the sensitivity analysis of exchange rate risk, reflecting that under the assumption that all other variables remain unchanged, when the US dollar exchange rate changes reasonably and possibly, it will affect the net profit and loss (due to the change in the fair value of monetary assets and monetary liabilities).

For the six months ended 30 June 2023

	Exchange rate Increase/ (Decrease) %	Net profit Increase/ (Decrease)	Total shareholders' equity Increase/ (Decrease)
RMB depreciation against the U.S. dollar	1	(1,032,145.87)	(1,032,145.87)
RMB appreciation against the U.S. dollar	(1)	1,032,145.87	1,032,145.87

2022

	Exchange rate Increase/ (Decrease) %	Net profit Increase/ (Decrease)	Total shareholders' equity Increase/ (Decrease)
RMB depreciation against the U.S. dollar	1	(641,424.34)	(641,424.34)
RMB appreciation against the U.S. dollar	(1)	641,424.34	641,424.34

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VII. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize 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 and monitors capital using debt-to-asset ratio. For the six months ended 30 June 2023 and the year of 2022, there had been no change in the objectives, policies or procedures of capital management of the Group.

	30 June 2023	31 December 2022
Debt-to-asset ratio	44.91%	45.78%

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VIII. DISCLOSURE OF FAIR VALUE

1. Assets and liabilities measured at fair value

As at 30 June 2023

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	60,364,499.70	60,364,499.70
Receivables financing	–	417,375,048.47	–	417,375,048.47
	–	417,375,048.47	60,364,499.70	477,739,548.17

As at 31 December 2022

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other equity investments	–	–	–	–
Receivables financing	–	799,686,555.46	–	799,686,555.46
	–	799,686,555.46	–	799,686,555.46

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

2. Assets and liabilities disclosed at fair value

As at 30 June 2023

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	–	3,808,296,522.86	–	3,808,296,522.86
Lease liabilities	–	–	203,731,557.98	203,731,557.98
Long-term payables	–	1,002,089,396.67	–	1,002,089,396.67
	–	4,810,385,919.53	203,731,557.98	5,014,117,477.51

As at 31 December 2022

	Inputs used in fair value measurement			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Long-term borrowings	–	2,688,495,273.35	–	2,688,495,273.35
Lease liabilities	–	–	269,729,470.39	269,729,470.39
Long-term payables	–	1,654,605,440.48	–	1,654,605,440.48
	–	4,343,100,713.83	269,729,470.39	4,612,830,184.22

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

3. Fair value estimation

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values due to short term to maturity, are as follows:

	Carrying amount		Fair value	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Long-term borrowings	4,019,245,100.00	2,751,945,100.00	3,808,296,522.86	2,688,495,273.35
Lease liabilities	211,167,760.21	278,352,825.03	203,731,557.98	269,729,470.39
Long-term payables	1,080,466,022.15	1,730,677,459.72	1,002,089,396.67	1,654,605,440.48
	5,310,878,882.36	4,760,975,384.75	5,014,117,477.51	4,612,830,184.22

Management has assessed that the fair values of cash and bank balances, financial assets held for trading, trade receivables, receivables financing, other receivables, short-term borrowings, notes payable, trade payables, other payables and non-current liabilities due within one year etc. approximate to their carrying amounts due to short remaining period.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the long-term borrowings, bonds payable, lease liabilities and long-term payables are determined using discount cash flows, at rates equal to interest rate of other financial instruments with similar contract terms, credit risks and remaining term. As at 30 June 2023, non-performance risks underlying other non-current liabilities were appraised as immaterial.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

VIII. DISCLOSURE OF FAIR VALUE (CONTINUED)

4. Adjustment of fair value measurement

Reconciliation of recurring fair value measurements within Level 3 is as follows:

For the six months ended 30 June 2022

	Opening balance	Transfer into	Transfer out of	Total gains or losses		Purchase	Issue	Sale	Settlements	Closing balance	Assets held at the end of the year
		Level 3	Level 3	Through profit or loss	Through other comprehensive income						Changes in unrealized gains or losses for the period through profit or loss
Financial assets held for trading	600,000,000.00	-	-	24,083,835.65	-	-	-	-	624,083,835.65	-	-

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Controlling shareholder

Name of the controlling shareholder	Place of registration	Business nature	Registered capital (RMB'000)	Shareholding proportion over the Company (%)	Voting right proportion over the Company (%)
Changshou Iron & Steel	Chongqing	Technology development, technology transfer, technology service and management consultancy services of the fields of iron and steel, metallurgy and mining, coal, chemical industry, electricity and transportation; sales of raw materials, namely steel; operation of terminals; warehouse services; leases of owned property and equipment; import and export of goods and technology; corporate management and consultancy services	2,720,000	23.51	23.51

Changshou Iron & Steel is the controlling shareholder of the Company.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

2. Subsidiaries

Please refer to note VI. Interests in other entities for details of the Company's subsidiaries.

3. Joint ventures and associates

Please refer to note VI. Interests in other entities for details of the Company's joint ventures and associates.

4. Other related parties

Company name	Relationship between the Company and the other related parties
Baowu Group 寶武集團	Parent of Changshou Iron & Steel
Wuhan Baosteel Huazhong Trade Co., Ltd. ("Baosteel Huazhong") 武漢寶鋼華中貿易有限公司(「寶鋼華中」)	Baowu Group's subsidiary
Ouyeel Cloud Commerce Corporation Limited ("Ouyeel Cloud") 歐冶雲商股份有限公司(「歐冶雲商」)	Baowu Group's subsidiary
Shanghai Ouyeel Material Technology Co., Ltd. ("Ouyeel Material") 上海歐冶材料技術有限責任公司(「歐冶材料」)	Baowu Group's subsidiary
Baosteel Engineering & Technology Group Co., Ltd. ("Baosteel Engineering") 寶鋼工程技術集團有限公司(「寶鋼工程」)	Baowu Group's subsidiary
Echeng Iron and Steel Co., Ltd. ("Echeng Iron and Steel") 寶武集團鄂城鋼鐵有限公司(「鄂城鋼鐵」)	Baowu Group's subsidiary
Baosteel Huangshi Coating Plate Co., Ltd. ("Baosteel Huangshi") 寶鋼股份黃石塗鍍板有限公司(「寶鋼黃石」)	Baowu Group's subsidiary
Baowu Group Finance Limited liability Company ("Baowu Finance") 寶武集團財務有限責任公司(「寶武財務」)	Baowu Group's subsidiary
Baosteel Development Co. Ltd. ("Baosteel Development") 寶鋼發展有限公司(「寶鋼發展」)	Baowu Group's subsidiary
Wuhan Iron & Steel Group Logistics Co., Ltd. ("Wisco Logistics") 武漢鋼鐵集團物流有限公司(「武鋼物流」)	Baowu Group's subsidiary
Zhejiang Zhoushan Wugang Wharf Co., Ltd. ("Wugang Wharf") 浙江舟山武港碼頭有限公司(「武港碼頭」)	Baowu Group's subsidiary
Guangdong Baodi Nanhua Industrial Development Co., Ltd. ("Baodi Nanhua") 廣東寶地南華產城發展有限公司(「寶地南華」)	Baowu Group's subsidiary
Shanghai Baosteel Xinyue Talent Technology Co., Ltd. ("Baosteel Xinyue") 上海寶鋼心越人才科技有限公司(「寶鋼心越」)	Baowu Group's subsidiary

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Company name	Relationship between the Company and the other related parties
Guangdong Kunlun Information Technology Co., Ltd. (“Kunlun Information”) 廣東昆侖信息科技有限公司(「昆侖信息」)	Baowu Group's subsidiary
Guangdong Zhongnan Iron and Steel Co., Ltd. (“Guangdong Zhongnan”, formerly known as “SGIS Songshan Co., Ltd.”) 廣東中南鋼鐵股份有限公司(「廣東中南」, 曾用名「廣東韶鋼松山股份有限公司」)(「廣東韶鋼」)	Baowu Group's subsidiary
Shanghai Baojing Information Technology Development Co., Ltd. (“Baojing Information”) 上海寶景信息技術發展有限公司(「寶景信息」)	Baowu Group's subsidiary
Shanghai Steel Home Information Technology Co., Ltd. (“Steel Home Information”) 上海鋼之家信息科技有限公司(「鋼之家信息」)	Baowu Group's subsidiary
Baowu Equipment Intelligent Technology Co., Ltd. (“Baowu Equipment”) 寶武裝備智能科技有限公司(「寶武裝備」)	Baowu Group's subsidiary
Shanghai Baosight Software Co., Ltd. (“Baosight Software”) 上海寶信軟件股份有限公司(「寶信軟件」)	Baowu Group's subsidiary
Shanghai Meishan Industrial Civil Engineering Design Research Institute Co., Ltd. (“Meishan Research Institute”) 上海梅山工業民用工程設計研究院有限公司(「梅山研究院」)	Baowu Group's subsidiary
Shanghai Baosteel Shipping Co., Ltd. (“Baosteel Shipping”) 上海寶鋼航運有限公司(「寶鋼航運」)	Baowu Group's subsidiary
Shanghai Baosteel Energy Service Co., Ltd. (“Baosteel Energy Service”) 上海寶鋼節能環保技術有限公司(「寶鋼節能環保」)	Baowu Group's subsidiary
Shanghai Baoding Energy Co., Ltd. (“Baoding Energy”) 上海寶頂能源有限公司(「寶頂能源」)	Baowu Group's subsidiary
Baosteel Resources 寶鋼資源	Baowu Group's subsidiary
Shanghai Ouyeel Logistics Co., Ltd. (“Ouyeel Logistics”) 上海歐冶物流股份有限公司(「歐冶物流」)	Baowu Group's subsidiary
Shanghai Ouyeel Purchasing Information Technology Co., Ltd. (“Ouyeel Purchasing”) 上海歐冶採購信息科技有限責任公司(「歐冶採購」)	Baowu Group's subsidiary
Wuhan Huafeng Sensing Technology Co., Ltd. (“Huafeng Sensing”) 武漢華楓傳感技術有限責任公司(「華楓傳感」)	Baowu Group's subsidiary
Baoshan Iron and Steel Co., Ltd. (“Baosteel Co., Ltd.”) 寶山鋼鐵股份有限公司(「寶鋼股份」)	Baowu Group's subsidiary
Wuhan Iron and Steel Company Limited (“Wuhan Iron & Steel”) 武漢鋼鐵有限公司(「武漢鋼鐵」)	Baowu Group's subsidiary
Ouyeel Blockchain Finance and Metal Recycling Resources Co., Ltd. (“Ouyeel Blockchain Finance”) 歐冶鏈金再生資源有限公司(「歐冶鏈金」)	Baowu Group's subsidiary

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Company name	Relationship between the Company and the other related parties
Guangdong Guangwu Zhongnan Building Materials Group Co., Ltd ("Zhongnan Building Materials") 廣東廣物中南建材集團有限公司(「中南建材」)	Baowu Group's subsidiary
Ouyeel Industrial Products Co., Ltd. ("Ouyeel Industry") 歐冶工業品股份有限公司(「歐冶工業」)	Baowu Group's subsidiary
Baosteel Resources (International) Co., Ltd. ("Baosteel International") 寶鋼資源國際有限公司(「寶鋼國際」)	Baowu Group's subsidiary
Shanghai Steel Trading Center Co., Ltd. ("Shanghai Steel") 上海鋼鐵交易中心有限公司(「上海鋼鐵」)	Baowu Group's subsidiary
Wisco Resources Group Ezhou Pellets Co., Ltd. ("Ezhou Pellets") 武鋼資源集團鄂州球團有限公司(「鄂州球團」)	Baowu Group's subsidiary
Shanghai Ouyeel Supply Chain Co., Ltd. ("Shanghai Ouyeel") 上海歐冶供應鏈有限公司(「上海歐冶」)	Baowu Group's subsidiary
Baowu Water Technology Limited ("Baowu Water") 寶武水務科技有限公司(「寶武水務」)	Baowu Group's subsidiary
Shanghai Baosteel Engineering Consulting Co., Ltd. ("Baosteel Engineering Consulting") 上海寶鋼工程諮詢有限公司(「寶鋼工程諮詢」)	Baowu Group's subsidiary
Ma Steel International Trade & Economic Corporation ("MaSteel International") 馬鋼國際經濟貿易有限公司(「馬鋼國際」)	Baowu Group's subsidiary
Wuhan Iron and Steel Green City Technology Development Co., Ltd. ("Wugang Technology")武漢武鋼綠色城市技術發展有限公司(「武鋼技術」)	Baowu Group's subsidiary
Shanghai Fengbao Comprehensive Management Co., Ltd. ("Shanghai Fengbao") 上海豐寶綜合經營有限公司(「上海豐寶」)	Baowu Group's subsidiary
Baowu Heavy Industry Co., Ltd. ("Baowu Heavy Industry") 寶武重工有限公司(「寶武重工」)	Baowu Group's subsidiary
Nanjing Baodi Meishan Industrial City Development Co., Ltd. ("Meishan Development") 南京寶地梅山產城發展有限公司(「梅山發展」)	Baowu Group's subsidiary
Taiyuan Iron and Steel (Group) Co., Ltd. ("Taiyuan Steel") 太原鋼鐵(集團)有限公司(「太原鋼鐵」)	Baowu Group's subsidiary
Shanghai Baosteel Construction Engineering Design Co., Ltd. ("Baosteel Design") 上海寶鋼建築工程設計有限公司(「寶鋼設計」)	Baowu Group's subsidiary
Baosteel Chemical (Zhangjiagang Free Trade Zone) International Trade Co., Ltd. ("Baosteel Chemical") 寶鋼化工(張家港保稅區)國際貿易有限公司(「寶鋼化工」)	Baowu Group's subsidiary
Baowu Raw Material寶武原料	Baowu Group's subsidiary

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Other related parties (Continued)

Company name	Relationship between the Company and the other related parties
Baowu Environmental Resource寶環資源	Baowu Group's subsidiary
Baosteel Metal Co., Ltd. ("Baosteel Metal")寶鋼金屬有限公司(「寶鋼金屬」)	Baowu Group's subsidiary
Wuhan Iron and Steel Jiangbei Group Cold Formed Steel Co., Ltd. ("Wuhan Jiangbei")武漢鋼鐵江北集團冷彎型鋼有限公司(「武鋼江北」)	Baowu Group's subsidiary
Xingang International Trade Co., Ltd. ("Xingang International")新鋼國際貿易有限公司(「新鋼國際」)	Baowu Group's subsidiary
Guangdong Building Materials Co., Ltd. ("Guangdong Building Materials")廣東省建材有限公司(「廣東建材」)	Baowu Group's subsidiary
Guangdong Shaogang Engineering Technology Co., Ltd. ("Shaogang Engineering")廣東韶鋼工程技術有限公司(「韶鋼工程」)	Baowu Group's subsidiary
Baocheng Carbon寶丞炭材	Baowu Group's subsidiary
Baowu Resource寶武資源	Baowu Group's subsidiary
Hwabao Trust Co., Ltd. ("Hwabao Trust")華寶信託有限責任公司(「華寶信託」)	Baowu Group's subsidiary
State Power Investment Corporation Guizhou Jinyuan Suiyang Industrial Co., Ltd. ("State Power Suiyang")國家電投集團貴州金元綏陽產業有限公司(「國電綏陽」)	Baowu Group's subsidiary
Baowu Industry Education Integration Development (Shanghai) Co., Ltd. ("Baowu Industry Education")寶武產教融合發展(上海)有限公司(「寶武產教」)	Baowu Group's subsidiary
Magang (Group) Holdings Co., Ltd. ("Magang Group")馬鋼(集團)控股有限公司(「馬鋼集團」)	Baowu Group's subsidiary
Yichang Yimei City Mineral Resources Recycling Co., Ltd. ("Yichang Mineral")宜昌宜美城市礦產資源循環利用有限公司(「宜昌礦產」)	Baowu Group's subsidiary
Dongguan Baosteel Special Steel Processing&Distribution Co., Ltd.東莞寶鋼特殊鋼加工配送有限公司	Baowu Group's subsidiary
Shanghai Baoneng Information Technology Co., Ltd. ("Baoneng Information")上海寶能信息科技有限(「寶能信科」)	Baowu Group's Associate
Taicang Wugang Terminal Co., Ltd. ("Taicang Wugang")太倉武港碼頭有限公司(「太倉武港」)	Baowu Group's Associate
MCC South Engineering Technology Co., Ltd. ("MCC South")中冶南方工程技術有限公司(「中冶南方」)	Baowu Group's Associate

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Major transactions between the Group and its related parties

(1) Related party transactions of receiving services

Related party	Content of transaction	Six months ended 30 June 2023	Six months ended 30 June 2022
Ouyeel Logistics	Receiving of services (Note 1)	159,375,691.87	–
Baoding Energy	Receiving of services (Note 1)	46,745,480.40	–
Baowu Equipment	Receiving of services (Note 1)	42,038,244.32	38,095,933.20
Baowu Heavy Industry	Receiving of services (Note 1)	35,441,248.41	–
Taichang Wugang	Receiving of services (Note 1)	21,684,142.46	–
Baosteel Shipping	Receiving of services (Note 1)	20,419,244.47	–
Baosight Software	Receiving of services (Note 1)	17,096,343.35	2,210,467.00
Baodi Nanhua	Receiving of services (Note 1)	7,439,878.87	7,481,018.32
Wugang Wharf	Receiving of services (Note 1)	6,734,255.94	–
Ouyeel Industry	Receiving of services (Note 1)	6,223,436.04	9,315,697.88
Baosteel Engineering	Receiving of services (Note 1)	5,351,804.20	23,731,504.25
Baowu Environmental Resource	Receiving of services (Note 1)	5,106,987.80	282,819.20
Baowu Water	Receiving of services (Note 1)	4,251,069.34	571,242.00
Baosteel Co., Ltd	Receiving of services (Note 1)	3,894,195.38	–
Baosteel Development	Receiving of services (Note 1)	3,356,277.94	51,765,307.10
Baosteel Xinyue	Receiving of services (Note 1)	2,608,000.00	2,500,000.00
Shaogang Engineering	Receiving of services (Note 1)	754,641.32	–
Wuhan Iron & Steel	Receiving of services (Note 1)	665,094.34	–
Baowu Industry Education	Receiving of services (Note 1)	376,415.09	–
Baowu Group	Receiving of services (Note 1)	253,221.52	44,528.30
Taiyuan Steel	Receiving of services (Note 1)	88,867.92	90,141.51
Baojing Information	Receiving of services (Note 1)	52,500.00	–
Baowu Raw Material	Receiving of services (Note 1)	–	4,160,000.00
Guangdong Zhongnan	Receiving of services (Note 1)	–	381,727.85
Wisco Group	Receiving of services (Note 1)	–	147,203.89
Magang Group	Receiving of services (Note 1)	–	104,150.94
Steel Home Information	Receiving of services (Note 1)	–	37,735.85
Meishan Development	Receiving of services (Note 1)	–	13,564.15
		389,957,040.98	140,933,041.44

The price of receiving related party services shall be determined by reference to the price of similar transactions between the related party and other third parties, or the cost plus profit premium, or the bidding price of the supplier.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(2) Related party transactions of purchasing goods

Related party	Content of transaction	Six months	Six months
		ended 30 June 2023	ended 30 June 2022
Baosteel International	Purchasing of raw materials (Note 3)	2,384,925,085.62	2,445,360,515.61
Baosteel Resources	Purchasing of raw materials (Note 3)	1,218,139,806.63	353,209,786.41
Baowu Raw Material	Purchasing of raw materials (Note 3)	962,277,869.56	307,220,772.55
Baoding Energy	Purchasing of raw materials (Note 3)	777,081,452.76	268,276,173.14
Ouyeel Industry	Purchasing of spare parts (Note 2)	776,741,904.39	494,287,038.11
MaSteel International	Purchasing of raw materials (Note 3)	412,843,320.29	–
Zhongnan Building Materials	Purchasing of raw materials (Note 3)	190,973,993.27	709,369,468.71
Echeng Iron and Steel	Purchasing of raw materials (Note 3)	87,995,615.70	–
Ezhou Pellets	Purchasing of raw materials (Note 3)	71,599,699.17	–
Ouyeel Blockchain Finance	Purchasing of scrap steel (Note 3)	66,357,176.42	83,268,479.87
Yichang Mineral	Purchasing of scrap steel (Note 3)	51,725,947.17	–
State Power Suiyang	Purchasing of raw materials (Note 3)	42,044,851.16	–
Guangdong Building Materials	Purchasing of scrap steel (Note 3)	30,967,651.08	–
Baowu Equipment	Purchasing of spare parts (Note 2)	29,054,492.80	19,369,711.86
Baosteel Co., Ltd.	Purchasing of raw materials (Note 3)	11,171,836.12	27,458,761.06
Baosight Software	Purchasing of spare parts (Note 2)	550,486.98	8,112,865.09
Taicang Wugang	Purchasing of raw materials (Note 3)	–	31,776,974.54
Baosteel Shipping	Purchasing of raw materials (Note 3)	–	18,377,843.57
Wugang Wharf	Purchasing of raw materials (Note 3)	–	8,818,792.35
Ouyeel Logistics	Purchasing of raw materials (Note 3)	–	2,915,127.61
Wisco Logistics	Purchasing of raw materials (Note 3)	–	2,101,099.20
Shaogang Engineering	Purchasing of spare parts (Note 2)	–	702,818.84
Total		7,114,451,189.12	4,780,626,228.52

The price of goods purchased from related parties shall be determined by reference to the price or cost plus profit premium of similar transactions between the related parties and other third parties, or the bidding price of the suppliers.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(3) Related party transactions of purchasing fixed assets and construction services

Related parties	Content of transaction	Six months ended 30 June 2023	Six months ended 30 June 2022
Baosteel Engineering	Construction services (<i>Note 1</i>)	149,354,469.73	138,928,934.60
Baowu Water	Construction services (<i>Note 1</i>)	20,163,132.47	101,585,627.61
Baosight Software	Construction services (<i>Note 1</i>)	17,097,426.60	10,554,000.00
Baowu Equipment	Construction services (<i>Note 1</i>)	12,453,788.29	–
Meishan Research Institute	Construction services (<i>Note 1</i>)	11,785,114.80	–
Baosteel Engineering Consulting	Construction services (<i>Note 1</i>)	980,302.00	–
Baosteel Design	Construction services (<i>Note 1</i>)	800,000.00	–
Kunlun Information	Construction services (<i>Note 1</i>)	262,000.00	–
Ouyeel Purchasing	Construction services (<i>Note 1</i>)	180,000.00	108,000.00
Baoneng Information	Construction services (<i>Note 1</i>)	178,800.00	89,400.00
Shanghai Fengbao		–	416,000.00
Total		213,255,033.89	251,681,962.21

Note 1: The approved transaction caps of Baowu Group and its subsidiaries and affiliates in providing services to the Group in 2023 are RMB4,316,000,000.00, and the total transaction of Baowu Group and its subsidiaries and affiliates in providing services to the Group for six months ended 30 June 2023 is RMB603,212,074.87. The amount of transactions for six months ended 30 June 2023 does not exceed the approved caps of transactions;

Note 2: The transaction caps approved for Baowu Group and its subsidiaries and affiliates to supply production materials (chemical materials, equipment and spare parts, water, electricity and natural gas, etc.) to the Group in 2023 are RMB2,585,000,000.00. The total transaction of production materials provided by Baowu Group, its subsidiaries and affiliated enterprises to the Group for six months ended 30 June 2023 is RMB955,397,658.84, and the transaction for six months ended 30 June 2023 does not exceed the approved transaction caps.

Note 3: The transaction caps approved for Baowu Group and its subsidiaries and affiliates to supply raw materials (iron ore, scrap steel, resistant materials, auxiliary materials, billets and coal, etc.) to the Group in 2023 are RMB46,682,000,000.00. The total transaction of raw materials supplied to the Group by Baowu Group, its subsidiaries and affiliated enterprises is RMB6,159,053,530.28 for six months ended 30 June 2023, and the transaction for six months ended 30 June 2023 does not exceed the approved transaction caps.

The price of fixed assets and construction services purchased from related parties shall be negotiated by both parties with reference to the market price or the bidding price of the supplier.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(4) Sale of goods and rendering of services to related parties

Related party	Content of transaction	Six months ended 30 June 2023	Six months ended 30 June 2022
Ouyeel Material	Sale of goods	1,495,626,410.48	1,245,541,582.28
Baosteel Engineering	Sale of energy medium	48,536.36	30,515.38
Echeng Iron and Steel	Sale of goods	105,839,220.84	–
Baodi Nanhua	Sale of energy medium	1,721.20	1,857.35
Baowu Equipment	Sale of energy medium	503.70	4,986.63
Meishan Research Institute	Sale of energy medium	10,829.78	–
Zhongnan Building Materials	Sale of goods	1,541,775,120.15	1,066,296,712.56
Shanghai Ouyeel	Sale of goods	460,680,171.40	541,100,306.62
Baowu Water	Sale of energy medium	68,117.60	90,690.83
Baowu Heavy Industry	Sale of goods and energy medium	2,351,963.89	–
Baosteel Chemical	Sale of goods	3,313,273.44	4,910,824.71
Baowu Environmental Resource	Sale of goods and energy medium	166,598,439.04	9,738,339.23
Wuhan Jiangbei	Sale of goods	44,467,015.64	–
Xingang International	Sale of goods	293,760,537.79	–
Guangdong Building Materials	Sale of goods	3,174,079.17	–
Shaogang Engineering	Sale of energy medium	276.00	–
Baocheng Carbon	Sale of goods and energy medium as well as rendering of services	253,218,698.17	250,467,365.71
Dongguan Special Steel (東莞特殊鋼)	Sale of goods	1,176,423.45	–
Baosteel Co., Ltd.	Sale of goods	–	69,255,079.65
Baosteel Metal	Sale of goods	–	16,599,334.85
Ouyeel Industry	Sale of goods	–	6,800,637.43
Baosteel Huazhong	Sale of goods	–	1,523,359.69
Baowu Resource	Sale of energy medium	–	10,143.10
Baosteel Development	Sale of energy medium	–	637.30
Total		4,372,111,338.10	3,212,372,373.32

The price of goods sold to related parties shall be determined according to the price charged by the Company to other third parties or the price stipulated by relevant departments of Chongqing government. The price of services provided to related parties shall be determined through negotiations between the parties with reference to market price.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(5) *Borrowings from related parties*

Borrowings from related parties

Related parties	Amount borrowed for the six months ended 30 June 2023	Amount borrowed for the six months ended 30 June 2022
Baowu Finance	–	59,480,000.00
Total	–	59,480,000.00

In 2021, the Company acquired M&A loans of RMB720,860,000.00, among which, Baowu Finance provided loans of RMB62,610,000.00 to the Company on 30 September 2021. As of 30 June 2022, Baowu Finance provided outstanding loans of RMB59,480,000.00 to the Company. In 2022, the Company has repaid the above borrowings in full.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(6) *Deposit interest income from a related party*

Related party	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Baowu Finance	2,082,184.13	916,136.51

(7) *Interest fee paid to related parties*

Related parties	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Baowu Finance	–	1,380,000.00
Total	–	1,380,000.00

(8) *Letter of credit obtained from a related party*

Related party	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Amount	Balance	Charges	Amount	Balance	Charges
Baowu Finance	–	–	–	–	49,077,936.00	–

(9) *Bill custody/collection by a related party*

Related party	For the six months ended 30 June 2023			For the six months ended 30 June 2022		
	Amount	Balance	Charges	Amount	Balance	Charges
Baowu Finance	501,716,004.08	33,446,396.78	–	5,616,690,234.56	730,866,078.04	–

For the six months ended 30 June 2023 and in 2022, Baowu Finance has not charged the Group for the bill custody/collection service.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Information about related party transactions (Continued)

(10) Other related party transactions

Pursuant to the Financial Service Agreement signed by the Company and Baowu Finance, the maximum daily credit limit provided to the Company by Baowu Finance would be RMB2 billion, and the maximum daily balance limit for deposit cash of deposit service provided to the Company by Baowu Finance would be RMB2 billion. The maximum daily amount that Baowu Finance provided comprehensive credit service and deposit service to the Group during the year ended 31 December 2023 is RMB0 and RMB1,231,206,288.85, respectively (In 2022: RMB311,566,248.12 and RMB1,293,686,620.61, respectively).

The transactions above with Baowu Group and its associates and Desheng Vanadium & Titanium constitute the transactions or continued transactions with related parties according to the Listing rules Chapter 14A of the Stock Exchange of Hong Kong. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules.

(11) Remuneration of key management personnel

Related party	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Remuneration of key management personnel	6,831,304.39	7,964,677.00

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due from or to related parties

(1) Trade receivables

Related party	30 June 2023	31 December 2022
Baowu Environmental Resource	4,857,881.62	–
Baocheng Carbon	901,707.17	2,796,831.66
Baowu Water	231,302.69	9,741,992.77
Baosteel Engineering	229,547.57	314,147.30
Meishan Research Institute	12,230.25	5,030.77
Baodi Nanhua	2,126.36	4,634.37
Ouyeel Industry	–	803,423.07
Baowu Equipment	–	5,926.61
Baosight Software	–	1,072.37
Total	6,234,795.66	13,673,058.92

(2) Receivables financing

Related party	30 June 2023	31 December 2022
Ouyeel Industry	49,055,293.00	1,407,140.26
Baowu Environmental Resource	32,378,847.83	44,462,868.15
Baocheng Carbon	12,163,311.70	98,148,345.24
Wuhan Jiangbei	–	6,000,000.00
Zhongnan Building Materials	–	202,000.00
Total	93,597,452.53	150,220,353.65

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due from or to related parties (Continued)

(3) Other receivables

Related party	30 June 2023	31 December 2022
Baowu Heavy Industry	6,251,528.59	3,598,541.41
Baowu Water	2,573.47	2,573.47
Total	6,254,102.06	3,601,114.88

(4) Prepayments

Related party	30 June 2023	31 December 2022
Baoding Energy	64,947,959.11	54,030,256.96
Baosteel International	50,842,011.85	–
Baosteel Resources	39,283,927.40	71,169,707.00
Echeng Iron and Steel	1,169,773.55	–
Hwabao Trust	87,011.00	–
Ouyeel Purchasing	51,194.00	51,194.00
Baowu Raw Material	–	88,527,178.68
Baowu Heavy Industry	–	14,370,303.95
Baosight Software	–	77,256.64
Total	156,381,876.91	228,225,897.23

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due from or to related parties (Continued)

(5) Contract liabilities

Related party	30 June 2023	31 December 2022
Zhongnan Building Materials	156,629,178.47	138,025,516.14
Ouyeel Material	104,283,944.58	202,736,139.65
Baowu Environmental Resource	37,359,870.35	37,226,782.75
Xingang International	30,244,328.78	15,847,141.13
Shanghai Ouyeel	9,122,008.41	2,810,076.33
Baocheng Carbon	8,182,124.21	62,276,884.26
Wuhan Jiangbei	4,532,751.94	2,280,187.94
Guangdong Building Materials	3,011,332.04	93,125.13
Echeng Iron and Steel	976,195.97	103,027.30
Baosteel Chemical	456,222.65	763,965.13
Baosteel Huangshi	128,637.58	128,637.58
Ouyeel Cloud	9,302.65	9,302.65
Baowu Equipment	237.29	5,223.12
Baosteel Development	62.09	62.09
Ouyeel Industry	39.82	–
Shanghai Steel	–	1,195,650.51
	354,936,236.83	463,501,721.71

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due from or to related parties (Continued)

(6) *Trade payables*

Related party	30 June 2023	31 December 2022
Baosteel Engineering	10,203,010.44	5,100,000.00
Echeng Iron and Steel	2,791,395.04	–
Baosteel Development	10,282,296.48	7,624,932.57
Wugang Wharf	1,719,595.58	440,959.56
Baodi Nanhua	15,040,466.78	14,842,142.03
Baosteel Xinyue	2,500,000.00	–
Baowu Equipment	45,610,256.25	60,364,971.24
Baosight Software	5,692,538.03	13,557,936.40
Baosteel Shipping	3,003,780.00	450,871.20
Baosteel Resources	44,752,326.16	22,221,500.18
Ouyeel Logistics	65,583,444.15	30,788,858.22
Baosteel Co., Ltd.	14,268,188.74	1,320,290.99
Ouyeel Blockchain Finance	34,246,509.04	308,532.71
Zhongnan Building Materials	69,871,591.81	0.01
Ouyeel Industry	946,467,871.00	721,371,540.31
Ezhou Pellets	10,745,566.61	12,402,048.00
Baowu Water	33,749,910.00	12,415,007.51
MaSteel International	47,516,324.58	12,665,434.70
Baowu Heavy Industry	5,849,434.49	6,449,605.44
Baowu Raw Material	64,016,543.14	–
Baowu Environmental Resource	6,794,868.60	2,160,588.92
Guangdong Building Materials	10,757,769.26	–
Shaogang Engineering	100,021.73	1,348,745.24
State Power Suiyang	31,518,204.42	–
Yichang Mineral	8,751,388.18	–
Taicang Wugang	10,356,591.49	1,893,132.57
Baosteel International	–	21,851,489.74
Ouyeel Cloud	–	3,800,000.00
MCC South	–	913,000.00
Shanghai Steel	–	81,000.00
Total	1,502,189,892.00	954,372,587.54

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due from or to related parties (Continued)

(7) *Note payables*

Related party	30 June 2023	31 December 2022
Meishan Research Institute	601,138.76	684,723.10
Baosteel Development	559,122.00	1,051,094.68
Baodi Nanhua	340,156.64	798,533.31
Baosteel Engineering	284,928.00	–
Ouyeel Purchasing	152,640.00	–
Shaogang Engineering	126,608.30	378,797.01
Kunlun Information	93,280.00	246,240.00
Baosteel Resources	–	95,455,360.00
Baosteel Shipping	–	13,029,757.47
Taicang Wugang	–	1,918,422.00
Wugang Wharf	–	461,076.08
Baosteel Engineering Consulting	–	377,202.06
Baoneng Information	–	268,000.00
Baojing Information	–	55,650.00
Total	2,157,873.70	114,724,855.71

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due from or to related parties (Continued)

(8) *Other payables*

Related party	30 June 2023	31 December 2022
Baosteel Engineering	689,922,997.43	546,352,788.51
Baosight Software	134,325,687.51	163,843,444.08
Baowu Water	91,626,226.49	113,266,269.40
Baowu Equipment	88,612,671.08	84,427,563.39
Meishan Research Institute	20,944,330.51	22,465,784.06
Baowu Environmental Resource	2,500,000.00	2,500,000.00
Ouyeel Blockchain Finance	2,000,000.00	–
Baosteel Design	885,271.67	20,000.00
Baosteel Engineering Consulting	754,404.12	6,946,770.97
Huafeng Sensing	720,000.00	720,000.00
Baosteel Development	251,931.00	20,000.00
Baodi Nanhua	220,000.00	220,000.00
Wisco Logistics	200,000.00	200,000.00
Baoneng Information	189,528.00	–
Baosteel Chemical	100,000.00	–
Shaogang Engineering	40,000.00	–
Ouyeel Purchasing	38,160.00	–
Baosteel Energy Service	20,000.00	20,000.00
Baowu Resource	20,000.00	–
Kunlun Information	–	15,100,929.36
Total	1,033,371,207.81	956,103,549.77

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

IX. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Balance due from or to related parties (Continued)

(9) Trusteeship

For the six months ended 30 June 2023

Trustor	Trustee	The type of asset to delegate/outsource	Asset amounts trusted	Accumulated asset amounts trusted	Income realized
The Company	Hwabao Trust	Annuity custody	99,692,845.31	24,171,764.95	–
			99,692,845.31	24,171,764.95	–

2022

Trustor	Trustee	The type of asset to delegate/outsource	Balance	Aggregate amount	Income realized
The Company	Hwabao Trust	Other assets custody	–	600,000,000.00	24,083,835.65
The Company	Hwabao Trust	Annuity custody	75,521,080.36	75,521,080.36	–
			75,521,080.36	675,521,080.36	24,083,835.65

As at 30 June 2023, the Group entrusted Hwabao Trust, a subsidiary of Baowu Group, to manage the enterprise annuity, as detailed in Notes XI.3.

As at 30 June 2023 and 31 December 2022, the current assets and current liabilities of the Group are unsecured, without interest, except for funds deposited to related party and loans from related parties, which shall be repaid when due.

7. Capital centralized management

Baowu Finance is a national non-bank financial institution jointly owned by Baosteel Co., Ltd., Wuhan Iron & Steel, Baowu Group and other units, in order to strengthen the Baowu Group capital centralized management and increase the efficiency of funds, provide the members with internal settlement, savings and loans, short-term funds financing, investment and financing and other comprehensive financial services.

As of 30 June 2023, The Company has funds deposited to Baowu Finance amounting to RMB861,854,258.40 (31 December 2022: RMB1,228,168,091.66).

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

X. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

	30 June 2023	31 December 2022
Contracted, but not provided for		
Capital commitments	4,369,895,926.68	3,645,180,582.75
Investment commitments	34,300,000.00	77,335,132.00
	4,404,195,926.68	3,722,515,714.75

For lease commitments as lessee, refer to Note XI.2.

2. Contingencies

On 26 February 2018, all the independent directors of the Company issued the Special Statement and Independent Opinion of Independent Directors on External Guarantees which stated the Company's guarantees in 2017.

In 2012, each of China Development Bank and Agricultural Bank of China Taizhou Branch provided San Feng Jingjiang Port Logistics Company Limited (三峰靖江港務物流有限責任公司, "San Feng Jingjiang") with syndicated loans (loan contract no.: 3200577162012540569, "Syndicated Loan"), for which the Company assumed joint guarantee liability. After the Company underwent judicial reorganization, Qianxin International submitted an "Alternative Guarantee Commitment Letter" to the Company's Reorganization Administrator on 13 November 2017, confirming that it would communicate with China Development Bank and Agricultural Bank of China Taizhou Branch and go through relevant procedures and undertaking to pay off debt to assume its guarantee liability in case they claim compensation when the principal debtor San Feng Jingjiang defaults.

On 28 December 2017, Qianxin International, China Development Bank, Agricultural Bank of China Taizhou Branch and San Feng Jingjiang jointly signed the Change of RMB Syndicated Loan Contract (contract no.: 3200577162012540569004) which provided that Qianxin International, as the guarantor of Syndicated Loan, assumed joint guarantee liability. On the same day, Qianxin International, as the guarantor, entered into the Syndicated Loan Guarantee Contract with San Feng Jingjiang, China Development Bank and Agricultural Bank of China Taizhou Branch which served as a guarantee contract of Syndicated Loan (contract no. 3200577162012540569).

On 29 January 2023, San Feng Jingjiang had fully repaid the loan principal and interest. As of 30 June 2023, the balance of guarantee is 0.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XI. OTHER SIGNIFICANT EVENTS

1. Segment information

(1) Identification basis and accounting policies for reportable segments

The Group will determine different segments based on the internal organizational structure, management requirements and internal report system. The Group's operation segments refer to those components meeting the following conditions at the same time:

- 1) The segment may generate revenue and incur expenses in daily activities;
- 2) Management of the Group can regularly evaluate the operating results of the segment to decide on the allocation of resources to it and evaluate its performance;
- 3) The segment's financial position, operation result, cash flow and other accounting information can be obtained by analysis.

(2) Financial information of reportable segments

The Group's revenue and profit are mainly comprised of steel manufacturing and domestic sales. The Group's major assets are all in China. The management of the Company evaluates the Group's operating results as a whole. Therefore, no segment report has been prepared in the current period.

(3) Information of significant customers

The Group generated revenue from one customer (corresponding period of 2021: one) that reached or exceeded 10% of the Group's revenue, which accounting for 21% of the Group's total revenue (corresponding period of 2022: 18%).

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XI. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. Segment information (Continued)

(3) Information of significant customers (Continued)

Information of customer whose revenue for the six months ended 30 June 2023 reaches or exceeds 10% of the Group's revenue is as follows:

Name of Customer	Revenue	Proportion of the Group's revenue (%)
Baowu Group and its subsidiaries	4,372,111,338.10	21

Information of customer whose revenue for the six months ended 30 June 2022 reaches or exceeds 10% of the Group's revenue is as follows:

Name of Customer	Revenue	Proportion of the Group's revenue (%)
Baowu Group and its subsidiaries	3,212,372,373.32	18

Note: The revenue above was the total amount generated from Baowu Group and its subsidiaries for the current year by the Group.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XI. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease

(1) As a lessor

The Group rent partial of plants and buildings with lease term of 1 to 5 years, thus developing into operating lease. According to the lease contracts, the yearly rental required to adjust based on market rental. The revenue related to plants and buildings lease for six months ended 30 June 2023 was RMB15,319.26 (six months ended 30 June 2022: RMB160,626.17), please refer to Note V. 10. for more details.

Operating lease

The profit/loss relating to operating lease is as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Lease income	15,319.26	160,626.17

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	30 June 2023	31 December 2022
Within 1 year	380,694.00	370,000.00
1 – 2 years (Within 2 years)	111,996.00	74,000.00
	492,690.00	444,000.00

Please refer to Note V. 10 for more details about PPE leased out under operating lease.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XI. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Lease (Continued)

(2) *As a lessee*

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Lease liability interest expense	8,870,604.53	11,779,251.62
Short-term lease expenses through profit or loss subject to simplified treatment	342,453.38	225,898.64
Total cash outflows related to lease	82,500,000.00	82,500,000.00

(3) *Leaseback*

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Cash inflow from leaseback	—	—
Cash outflow from leaseback	670,833,333.30	390,845,457.74

(4) *Other information*

For right-of-use assets, please refer to Note V.12; For lease liabilities, please refer to Note V.28.

3. Annuity plan

The Group has implemented the annuity plan since January 1, 2022, and entrusted Hwabao Trust, a subsidiary of Baowu Group, to manage the annuity. The scheme is a defined contribution scheme, and the Group and Scheme participants pay contributions according to the established contribution standards. According to the annuity plan, the Group's contribution ratio is 4% of the employee's individual contribution base.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Trade receivables

Credit period of trade receivables is generally within one-month. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables is as follows:

	30 June 2023	31 December 2022
Within 1 year	140,903,538.23	177,584,415.92
1 – 2 years	1,062,307.18	1,994,697.02
2 – 3 years	1,979,044.89	1,715,749.84
Over 3 years	990,177.71	25,183.25
	144,935,068.01	181,320,046.03
Less: Provision for bad debts of trade receivables	25,183.25	25,183.25
	144,909,884.76	181,294,862.78

The ageing analysis was based on the month when incurred. The trade receivables recognized firstly will be firstly settled.

	30 June 2023				31 December 2022					
	Book value		Provision for bad debts		Book Value		Provision for bad debts		carrying amount	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)		
Receivables that are subject to provision by group with similar credit risk characteristics	144,935,068.01	100.00	25,183.25	-	144,909,884.76	181,320,046.03	100	25,183.25	-	181,294,862.78

As at 30 June 2023 and at 31 December 2022, the Company had no trade receivables with separate provision for bad debts.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Trade receivables (Continued)

Receivables that are subject to provision by group with similar credit risk characteristics are as follows:

	30 June 2023			31 December 2022		
	Estimated carrying amount arising from default	Expected credit loss rate (%)	Lifetime expected credit loss	Estimated carrying amount arising from default	Expected credit loss rate (%)	Lifetime expected credit loss
Within 1 year	140,903,538.23	-	-	177,584,415.92	-	-
1-2 years	1,062,307.18	-	-	1,994,697.02	-	-
2-3 years	1,979,044.89	-	-	1,715,749.84	-	-
Over 3 years	990,177.71	3	25,183.25	25,183.25	100	25,183.25
	144,935,068.01		25,183.25	181,320,046.03		25,183.25

The movement for provision of bad debt of trade receivables is as follows:

	Opening balance	Provision	Recovery or reversal	Write-off	Other additions	Closing balance
For the six months ended 30 June 2023	25,183.25	-	-	-	-	25,183.25
2022	25,183.25	-	-	-	-	25,183.25

For steel product customers, it is usually necessary to receive payment in advance, and major customers are also provided with a 30-day credit period. For customers of other products, the Group's contract price usually expires within 30 days after the delivery of the product, and the expected credit loss risk of accounts receivable is relatively low.

As at 30 June 2023, the closing balance of the top five trade receivable of the Group amounted to RMB141,882,431.93 (31 December 2022: RMB172,856,124.66) in aggregate, accounting for 98% of the total closing balance of trade receivable (31 December 2022: 95%), without provision for bad debts (31 December 2022: nil).

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

	30 June 2023	31 December 2022
Other receivables	140,803,667.12	133,345,845.02

Aging analysis of other receivables is as follows:

	30 June 2023	31 December 2022
Within 1 year	9,960,595.13	4,850,865.23
1 – 2 years	5,284,223.38	128,651,880.26
2 – 3 years	126,076,782.18	423,979.15
Above 3 years	2,200,576.55	2,137,630.50
	143,522,177.24	136,064,355.14
Less: Impairment allowance of other receivables	2,718,510.12	2,718,510.12
	140,803,667.12	133,345,845.02

Other receivables presented by nature:

	30 June 2023	31 December 2022
Balance due from related parties	129,251,528.59	123,000,000.00
Transactional intercourse	6,743,384.94	6,042,076.31
Guarantee deposits, staff advances, etc.	7,527,263.71	7,022,278.83
	143,522,177.24	136,064,355.14

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

The movement of balance of carrying amount and bad debt provision of other receivables based on 12-month and lifetime ECLs are as follows:

Six months ended 30 June 2023	Stage 1		Stage 2		Stage 3		Credit-impaired financial assets (Lifetime expected credit losses)		Subtotal	
	12-month expected credit losses (Group)		Lifetime expected credit losses (Group)		Credit-impaired financial assets (Lifetime expected credit losses) credit losses (Group)		(Single) credit losses		Book	Provision for
	Book	Provision for	Book	Provision for	Book	Provision for	Book	Provision for	Book	Provision for
	value	bad debts	value	bad debts	value	bad debts	value	bad debts	value	bad debts
31 December 2022	132,181,395.56	-	1,595,733.78	431,284.32	2,287,225.80	2,287,225.80	-	-	136,064,355.14	2,718,510.12
Addition for the year	9,960,595.13	-	-	-	-	-	-	-	9,960,595.13	-
Derecognition	2,502,773.03	-	-	-	-	-	-	-	2,502,773.03	-
Write-off	-	-	-	-	-	-	-	-	-	-
30 June 2023	139,639,217.66	1,595,733.78	431,284.32	2,287,225.80	2,287,225.80				143,522,177.24	2,718,510.12

2022	Stage 1		Stage 2		Stage 3		Credit-impaired financial assets (Lifetime expected credit losses)		Subtotal	
	12-month expected credit losses (Group)		Lifetime expected credit losses (Group)		Credit-impaired financial assets (Lifetime expected credit losses) (Group)		(Single) credit losses		Book	Provision for
	Book	Provision for	Book	Provision for	Book	Provision for	Book	Provision for	Book	Provision for
	value	bad debts	value	bad debts	value	bad debts	value	bad debts	value	bad debts
31 December 2021	179,649,000.00	-	1,595,733.78	431,284.32	2,287,225.80	2,287,225.80	19,826,690.83	19,826,690.83	203,358,650.41	22,545,200.95
Addition for the year	4,850,865.23	-	-	-	-	-	-	-	4,850,865.23	-
Derecognition	(52,318,469.67)	-	-	-	-	-	(9,529,661.39)	(9,529,661.39)	(61,848,131.06)	(9,529,661.39)
Write-off	-	-	-	-	-	-	(10,297,029.44)	(10,297,029.44)	(10,297,029.44)	(10,297,029.44)
31 December 2022	132,181,395.56	-	1,595,733.78	431,284.32	2,287,225.80	2,287,225.80	-	-	136,064,355.14	2,718,510.12

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

The movements in impairment allowance for other receivables are as follows:

	Opening balance	Increase	Recovery or reversal	Write-off	Closing balance
For the six months ended					
30 June 2023	2,718,510.12	–	–	–	2,718,510.12
2022	22,545,200.95	–	9,529,661.39	10,297,029.44	2,718,510.12

As at 30 June 2023, the five top other receivables are as follows:

	Closing Balance	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	123,206,294.13	86	Balance due from related parties	2–3 years	–
The second	6,251,528.59	4	Transactional intercourse	Within 1 year	–
The third	4,707,432.05	3	Petty cash	Within 1 year, 1–3 years and over 3 years	2,192,450.68
The fourth	3,102,411.50	2	Guarantee deposits	1–3 years and over 3 years	525,761.92
The fifth	2,300,000.00	2	Transactional intercourse	1–2 years	–
	139,567,666.27	97			2,718,212.60

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

As at 31 December 2022, the five top other receivables are as follows:

	Closing Balance	Ratio in other receivables (%)	Nature	Aging	Provision for bad debts
The first	123,206,294.13	91	Balance due from related parties	1-2 years	-
The second	3,789,419.76	3	Guarantee deposits	1-3 years or more	525,761.92
The third	3,598,541.41	3	Transactional intercourse	Within 1 year	-
The fourth	2,995,645.01	2	Petty cash	0-3 years or more	2,192,450.68
The fifth	295,219.19	-	Transactional intercourse	1-3 years or more	-
	133,885,119.50	99			2,718,212.60

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

	30 June 2023			31 December 2022		
	Book Value	Provision for impairments	Carrying Amount	Book Value	Provision for impairments	Carrying Amount
Subsidiary	992,287,994.68	-	992,287,994.68	992,287,994.68	-	992,287,994.68
Joint ventures	-	-	-	-	-	-
Associate	111,227,095.30	-	111,227,095.30	111,123,058.00	-	111,123,058.00
	1,103,515,089.98	-	1,103,515,089.98	1,103,411,052.68	-	1,103,411,052.68

For the six months ended 30 June 2023

Investees	Opening balance	Additions	Movements during the period			Closing balance	Provision for impairment losses at the end of the period
			Investment gains and losses recognized under the equity method	Cash dividends declared by investee	Other decrease		
<i>Subsidiaries</i>							
Chongqing Iron & Steel Energy	837,609,884.19	-	-	-	-	837,609,884.19	-
Xingang Changlong	154,678,110.49	-	-	-	-	154,678,110.49	-
	992,287,994.68	-	-	-	-	992,287,994.68	-
<i>Associates</i>							
Baocheng Carbon (Note 1)	16,764,325.32	-	1,063,163.28	4,300,000.00	-	13,527,488.60	-
Baowu Raw Material (Note 1)	44,518,431.16	-	1,581,535.58	2,499,490.96	-	43,600,475.78	-
Baowu Environmental Resource (Note 1)	15,503,020.25	-	4,627,273.25	-	-	20,130,293.50	-
Baowu Jingcheng (Note 1)	34,337,281.27	-	-368,443.85	-	-	33,968,837.42	-
	111,123,058.00	-	6,903,528.26	6,799,490.96	-	111,227,095.30	-

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

2022

Investees	Opening balance	Additions	Movements during the year			Closing balance	Provision for impairment losses at 31 December
			Investment gains and losses recognized under the equity method	Cash dividends declared by investee	Other decrease		
<i>Subsidiaries</i>							
Chongqing Iron & Steel Energy	837,609,884.19	-	-	-	-	837,609,884.19	-
Xingang Changlong	154,678,110.49	-	-	-	-	154,678,110.49	-
	992,287,994.68	-	-	-	-	992,287,994.68	-
<i>Associates</i>							
Baocheng Carbon (Note 1)	14,039,012.26	-	4,925,313.06	(2,200,000.00)	-	16,764,325.32	-
Baowu Raw Material (Note 1)	44,120,786.35	-	2,720,729.06	(2,323,084.25)	-	44,518,431.16	-
Baowu Environmental Resource (Note 1)	-	14,700,000.00	803,020.25	-	-	15,503,020.25	-
Baowu Jingcheng (Note 1)	-	34,200,000.00	137,281.27	-	-	34,337,281.27	-
	58,159,798.61	48,900,000.00	8,586,343.64	(4,523,084.25)	-	111,123,058.00	-

Note 1: Please refer to Note V.8.

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost

	For the six months ended 30 June 2023		For the six months ended 30 June 2022	
	Revenue	Cost	Revenue	Cost
Revenue from principal operations	21,373,722,919.38	21,518,081,254.25	18,008,737,112.79	16,919,810,828.24
Revenue from other operations	58,823,966.35	51,093,509.06	215,803,708.73	199,772,164.12
	21,432,546,885.73	21,569,174,763.31	18,224,540,821.52	17,119,582,992.36

Details of revenue are as follows:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Revenue from contracts with customers	21,432,531,566.47	18,224,380,195.35
Revenue from lease	15,319.26	160,626.17
	21,432,546,885.73	18,224,540,821.52

Disaggregation of revenue from contracts with customers are as follows:

For the six months ended 30 June 2023

Main product type	Sale of steel products and		Total
	Billets	Others	
Hot rolled sheets	9,285,090,101.57	–	9,285,090,101.57
Plates	5,148,281,617.33	–	5,148,281,617.33
Bars	4,026,383,618.29	–	4,026,383,618.29
Wire rods	957,098,038.93	–	957,098,038.93
Billets	830,707,235.82	–	830,707,235.82
Others	–	1,184,970,954.53	1,184,970,954.53
	20,247,560,611.94	1,184,970,954.53	21,432,531,566.47

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XII. NOTES TO MAJOR ITEMS IN THE PARENT COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and cost (Continued)

For the six months ended 30 June 2022

Main product type	Sale of steel products and		Total
	Billets	Others	
Hot rolled sheets	9,346,745,869.27	–	9,346,745,869.27
Plates	5,996,760,100.94	–	5,996,760,100.94
Bars	1,589,153,137.05	–	1,589,153,137.05
Billets	3,993,910.31	–	3,993,910.31
Others	–	1,287,727,177.78	1,287,727,177.78
	16,936,653,017.57	1,287,727,177.78	18,224,380,195.35

All the Group's revenue was recognized at a certain point.

The details of revenue recognized from opening carrying amount of contract liabilities for the current year:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Contract for goods	2,645,569,472.47	2,185,095,400.45

5. Investment income

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
Investment income of financial assets held for trading	–	24,083,835.65
Income from long-term equity investments under equity method	6,903,528.26	2,680,989.05
	6,903,528.26	26,764,824.70

Section X Financial Report

Notes to Financial Statements (Continued)

For the six months ended 30 June 2023

XIII. OTHER SUPPLEMENTARY INFORMATION

1. Non-recurring profit or loss

	Amount
Gains/(losses) from disposal of non-current assets, including offset portion of impairment provision for such asset	6,380,758.48
Government grants charged in profit or loss, except for those closely related to the ordinary operation and gained constantly at a fixed amount or quantity according to certain standard based on state policies	6,267,011.94
Capital occupied income from non-financial entities charged in profit or loss	460,608.08
Income from disposal of financial assets held for trading	
Non-operating income and expenses other than the above items	1,085,422.91
Sub-total	14,193,801.41
Less: Impact of corporate income tax (decreases represented by "-")	2,129,070.21
Net non-recurring profit or loss attributable to the owners	12,064,731.20

2. Return on net assets and earnings/(loss) per share

For the six months ended 30 June 2023	Weighted average return on net assets (%)	Earnings per share (RMB per share)	
		Basic	Diluted
Net profit attributable to ordinary shareholders of the Company	(2.06)	(0.05)	(0.05)
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	(2.12)	(0.05)	(0.05)

Chongqing Iron & Steel Company Limited

Chairman: **Xie Zhixiong**

The date of approval of the Board for submission: 30 August 2023

REVISION

Applicable Not applicable