



鞍 鋼 股 份 有 限 公 司  
ANGANG STEEL COMPANY LIMITED\*

(A joint stock company incorporated in the People's Republic of China with limited liability)  
Stock Code: 00347

2021  
INTERIM REPORT



\* For identification purposes only

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# Important Notice and Definitions

## IMPORTANT NOTICE

The Board of Directors (the “Board”), the Supervisory Committee, the Directors and the Supervisors and the senior management of the Company confirm that there are no false representations or misleading statements contained in, or material omissions from, this interim report, and jointly and severally assume responsibility for the truthfulness, accuracy and completeness of the contents contained herein.

Mr. Wang Yidong, the Chairman of the Company, Mr. Wang Baojun, Chief Accountant and the person-in-charge of accounting as well as Mr. Qin Lianyu, person in charge of the accounting institution guarantee the truthfulness, accuracy and completeness of the financial statements in this interim report.

The 2021 interim financial report of the Company is unaudited.

The 2021 interim financial report of the Company is prepared in accordance with the Accounting Standards for Business Enterprises of the PRC.

## DEFINITIONS

In this report, the following expressions shall have the following meanings unless otherwise stated:

<b>Term</b>	<b>Meaning</b>
“Company” or “Angang Steel”	Angang Steel Company Limited* (鞍鋼股份有限公司)
“Group”	Angang Steel Company Limited* and its subsidiaries
“Angang Holding”	Anshan Iron & Steel Co. Ltd* (鞍山鋼鐵集團有限公司), the controlling shareholder of the Company
“Anshan Iron & Steel Group Complex”	Angang Holding and the companies in which it holds 30% or above interests (excluding the Group)

## Important Notice and Definitions (Continued)

“Angang”	Angang Group Company Limited* (鞍鋼集團有限公司), the de facto controller of the Company
“Angang Group”	Angang and the companies in which it holds 30% or above interests (excluding the Group)
“Angang Financial Company”	Angang Group Financial Company Limited* (鞍鋼集團財務有限責任公司)
“Karara”	Karara Mining Limited* (卡拉拉礦業有限公司)
“Pangang Vanadium & Titanium”	Pangang Group Steel Vanadium & Titanium Co., Ltd.* (攀鋼集團釩鈦資源股份有限公司)
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries
“Reporting Period”	six months ended 30 June 2021
“Supply of Materials and Services Agreement (2019–2021)”	the Supply of Materials and Services Agreement (2019–2021) entered into between the Company and Angang Group, which was considered and approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018
“Supply of Materials Agreement (2019–2021)”	the Supply of Materials Agreement (2019–2021) entered into between the Company and Pangang Vanadium & Titanium, which was considered and approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018
“Financial Service Agreement (2019–2021)”	the Financial Service Agreement (2019–2021) entered into between the Company and Angang Financial Company, which was considered and approved at the third extraordinary general meeting of the Company in 2018 on 18 December 2018

## Important Notice and Definitions (Continued)

“Continuing Connected Transaction Agreements”	collectively, the Supply of Materials and Services Agreement (2019–2021), the Supply of Materials Agreement (2019–2021) and the Financial Service Agreement (2019–2021)
“Bayuquan Branch Company”	Bayuquan Iron & Steel Branch Company* (鮫魚圈鋼鐵分公司) of Angang Steel
“Chaoyang Iron and Steel”	Angang Group Chaoyang Iron and Steel Co., Ltd.* (鞍鋼集團朝陽鋼鐵有限公司)
“Angang International Trade”	Angang Group International Economic and Trade Co., Ltd. *(鞍鋼集團國際經濟貿易有限公司)
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

# Corporate Profile and Principal Financial Indicators

## I. CORPORATE INFORMATION

Stock Exchange of Listing	Shenzhen Stock Exchange		
Stock Abbreviation	Angang Steel	Stock Code	(A share) 000898
Stock Exchange of Listing	Hong Kong Stock Exchange		
Stock Abbreviation	Angang Steel	Stock Code	(H share) 00347
Chinese Name of the Company	鞍鋼股份有限公司		
Chinese Name Abbreviation	鞍鋼股份		
English Name of the Company	Angang Steel Company Limited		
English Name Abbreviation	ANSTEEL		
Legal Representative of the Company	Wang Yidong		

## II. CONTACT PERSONS AND CONTACT METHODS

	<b>Joint Secretary to the Board (Joint Company Secretary)</b>		<b>Securities Affairs Representative</b>
Name	Wang Baojun	Chen Chun	Wang Fei
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	00852-3912 0863	0412-8417273 0412-6751100
Fax	0412-6727772	00852-3912 0801	0412-6727772
E-mail	wangbaojun@ansteel.com.cn	jessica.chen@swcsgroup.com	wangfei@ansteel.com.cn

## III. OTHER INFORMATION

### 1. Contact methods of the Company

There was no change in registered address, business address and postal code, website and email address of the Company during the Reporting Period. Please refer to the 2020 Annual Report of the Company for details.

### 2. Information disclosure and place for inspection

There was no change in Company's designated newspapers for disclosure of information, website for publication of interim report designated by the CSRC and place for inspection of the Company's interim report during the Reporting Period. Please refer to the 2020 Annual Report of the Company for details.

### 3. Other relevant information

There was no change in other relevant information during the Reporting Period.

# Summary of Accounting Figures and Financial Indicators

## I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP

Unit: RMB million

	During the Reporting Period (from January to June)	Corresponding period of the previous year	Increase/ decrease for the Reporting Period as compared with the corresponding period of the previous year (%)
Operating income	<b>72,551</b>	44,650	62.49
Net profit attributable to the shareholders of the Company	<b>5,183</b>	500	936.60
Net profit attributable to the shareholders of the Company after deduction of non-recurring gains or losses items	<b>5,260</b>	472	1,014.41
Basic earnings per share (RMB/share)	<b>0.551</b>	0.053	939.62
Diluted earnings per share (RMB/share)	<b>0.546</b>	0.053	930.19
Returns on net assets on weighted average basis (%)	<b>9.26</b>	0.96	Increased by 8.30 percentage points
Net cash flow from operating activities	<b>8,639</b>	4,779	80.77



## Summary of Accounting Figures and Financial Indicators (Continued)

### I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP (CONTINUED)

	As at the end of the Reporting Period	As at the end of the previous year	Increase/ decrease at the end of the Reporting Period as compared with the end of the previous year (%)
Total assets	91,301	88,046	3.70
Net assets attributable to the shareholders of the Company	57,820	53,365	8.35

Total share capital of the Company as of the trading day preceding the disclosure date (being 26 August 2021):

Total share capital of the Company as of the trading day preceding the disclosure date ( <i>share</i> )	9,405,250,201
Fully-diluted earnings per share based on the latest share capital ( <i>RMB/share</i> )	0.551

## Summary of Accounting Figures and Financial Indicators (Continued)

### I. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE GROUP (CONTINUED)

NON-RECURRING GAINS OR LOSSES ITEMS:

*Unit: RMB million*

<b>Item</b>	<b>Amount</b>	<b>Explanation</b>
Gains/losses from disposal of non-current assets	-27	—
Government subsidies (except for government subsidies which are closely related to the Company's operations and received in fixed amount or quantity in conformity with the standards of the State) recorded into gains or losses for the period	24	—
Changes in fair value of financial assets held for trading	-6	—
Changes in fair value of other non-current liabilities (part of derivative financial instruments)	-97	—
Other non-operating income and expenses apart from those stated above	3	—
Less: Effect of income tax	-26	—
<b>Total</b>	<b>-77</b>	<b>—</b>

Explanations for the Company's extraordinary gain or loss items as defined in the "Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No.1 – Extraordinary Gains or Losses" and the extraordinary gain or loss items as illustrated in the "Explanatory Announcement on Information Disclosure by Companies Offering Securities to the Public No.1 – Extraordinary Gains or Losses" which have been defined as its recurring gain or loss items.

Applicable       Not applicable

# Management Discussion and Analysis

## I. PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD

### (I) Principal business, business model and industry overview of the Company during the Reporting Period

The Company is a modernized large iron and steel conglomerate in China and a core enterprise under Angang Group which is known as the “cradle of the steel industry in New China”. The Company is principally engaged in the steel manufacturing industry, and focuses on the development of steel processing and distribution, chemical industry, green energy, e-commerce, clean power generation and other industries related to iron and steel business. The Company has three main production bases in Anshan, Yingkou and Chaoyang, and processing, distribution or sales service agencies in Dalian, Shenyang, Changchun, Tianjin, Shanghai, Wuhan, Hefei, Zhengzhou, Guangzhou, etc. and conducts international operations through Angang Group’s overseas sales offices.

The Company adheres to high-quality development and focuses on promoting the construction of iron and steel bases to form a multi-base development pattern featuring complementary advantages, efficient and coordinated operation and centralized and consistent management. The Company’s products have diversified structure and include hot rolled sheets, medium and thick plates, cold rolled sheets, galvanized steel sheets, color coating plates, cold rolled silicon steel, heavy rails, heavy section, seamless steel pipes and wire rods and other product lines which has a comprehensive product portfolio. These products are widely used in industries such as machinery, metallurgy, petroleum, chemical industry, coal, electric power, railway, shipbuilding, automobile, construction, home electrical appliances and aviation. Having brands with high popularity and reputation, the Company owns a series of “knock-out products”, quality steel products applied for automobiles, shipbuilding and ocean engineering, railways, home appliances, containers, energy, bridges, high-end metal products and steel for moulds.

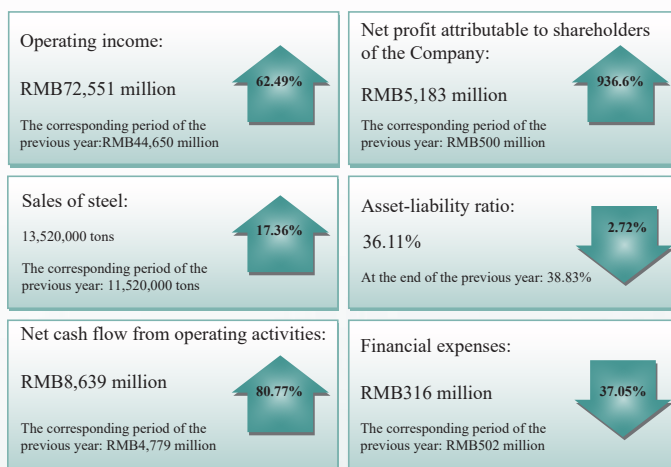
## I. PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (I) Principal business, business model and industry overview of the Company during the Reporting Period (Continued)

In the first half of the year, with the easing pandemic, the accelerating recovery of the global economy and the rapid growth of China's economy, steel price continued to rise driven by the strong demands for steel at home and abroad, providing rare development opportunities for iron and steel enterprises. However, the continuous soaring prices of iron ore, coking coal and other bulk raw fuels also increased the cost pressure on steel enterprises.

### (II) Highlights of the Company during the Reporting Period

1. Key indicators:



## **I. PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)**

### **(II) Highlights of the Company during the Reporting Period (Continued)**

#### 2. Key performance:

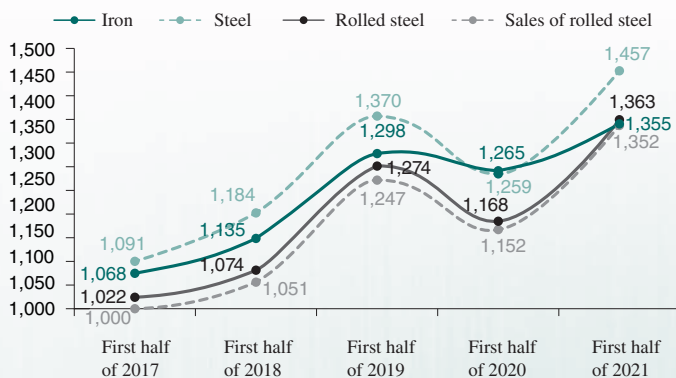
The operating performance hit a record high. In the first half of the year, the Group achieved operating income of RMB72,551 million, representing an increase of 62.49% over the corresponding period of the previous year. The total profit reached RMB6,669 million, representing an increase of 979.13% over the corresponding period of the previous year. The net profit attributable to shareholders of the Company was RMB5,183 million, representing an increase of 936.60% over the corresponding period of the previous year. The basic earnings per share were RMB0.551 per share, representing an increase of 939.62% over the corresponding period of the previous year. The sales profit margin was 9.19%, representing a year-on-year increase of 7.81 percentage points, all reaching a record high.

## I. PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)

### (II) Highlights of the Company during the Reporting Period (Continued)

#### 2. Key performance: (Continued)

Production efficiency was fully achieved. In the first half of the year, the Group fully utilised the overall scale and management and control advantages of the three production bases in Anshan, Yingkou and Chaoyang, actively and initiatively responded to market changes and fully achieved its total factor productivity. The output of iron, steel and rolled steel was 13,550,000 tons, 14,570,000 tons and 13,630,000 tons, respectively, representing a year-on-year increase of 7.11%, 15.73% and 16.7%, respectively, reaching a record level. The Group sold 13,520,000 tons of rolled steel, representing an increase of 17.36% as compared with the corresponding period of the previous year, achieving a sales-output ratio of 99.19% for rolled steel.



## I. **PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)**

### (II) **Highlights of the Company during the Reporting Period (Continued)**

#### 2. Key performance: (Continued)

The marketing ability has been significantly enhanced. Due to the implementation of the marketing planning featuring “focusing on both domestic and international markets” (北斗望月·面向大海) and the adoption of “three points and four dimensions” (三點四維度) appraisal system, the control capability, competitiveness and market influence have been significantly improved. By vigorously expanding the market, Angang won the Award for Product Development and Market Development of China Iron and Steel Industry in 2020 for its high purity industrial pure iron products. As for steel products for shipbuilding, the Company supplied goods for the orders for the world’s largest double fuel 23,000 TEU containership from Hudong and Jiangnan; 95mm crack-resistant steel for ships was delivered as the first in China; the Company won the bidding for Sino-Russia East Gas Pipeline Project and became the largest supplier of pipeline steel for Sino-Russia East Gas Pipeline Project; the high strength and low welding crack sensitivity steel plate for 800 MPa large-scale hydropower project has been successfully applied to the water diversion system of Baihetan Hydropower Station. The Company implemented the “going global” strategy, grasped the international market opportunities, and consolidated communication and cooperation with key overseas customers.

### **I. PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)**

#### **(II) Highlights of the Company during the Reporting Period (Continued)**

##### 2. Key performance: (Continued)

Numerous achievements in technological innovation were made. The “14th Five-Year” science and technology development plan (outline) of the Company was prepared, and special research and development projects on 11 major products including steel for ships and ocean engineering and 9 major technologies including ironmaking were determined, and 79 supporting projects around 10 product areas such as automotive steel were formed. Focusing on demand upgrading, low cost and high quality, the Company strengthened innovation in basic, cutting-edge and leading technologies, and made breakthrough in four research projects on key and core technologies. Four innovative achievements, including high-strength pipeline steel, were selected in the Recommendation Catalogue of Scientific and Technological Innovation Achievements of Central Enterprises. Remarkable results were made in product development, and the casting of high-aluminum steel was made successfully in terms of steelmaking; and aluminum-zinc-magnesium commercial materials and aluminum-zinc-magnesium color-coated products were developed successfully.



## **I. PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)**

### **(II) Highlights of the Company during the Reporting Period (Continued)**

#### 2. Key performance: (Continued)

Digitalization construction was actively advanced. Focusing on the two directions of “intelligent operation” and “intelligent factories”, the Company accelerated the digitalization transformation and upgrading. In the first half of the year, the construction of 64 digitalization projects commenced, 26 projects including the steelmaking centralized control center were put into operation, 11 intelligent production lines including the Steelmaking Plant, Third Branch were under construction in an orderly manner, and Bayuquan Smart Transparent Factory achieved initial results. The construction of the “management and informationization improvement project” was boosted. It is expected that the three places of “Anshan, Yingkou and Chaoyang” will successively realize operation before March next year.

### **I. PRINCIPAL BUSINESS, BUSINESS MODEL AND INDUSTRY OVERVIEW OF THE COMPANY DURING THE REPORTING PERIOD (CONTINUED)**

#### **(II) Highlights of the Company during the Reporting Period (Continued)**

##### 2. Key performance: (Continued)

“Dual-carbon” strategy was put into implementation steadily. Adhering to green, circular and low-carbon development, the Company is establishing itself as an ecological steel plant. It actively planned for and practiced “peak carbon emissions” and “carbon neutrality”, and has formulated the Company’s Work Plan for Peak Carbon Emissions and Carbon Neutrality. The Company approved the implementation of 25 environmental protection projects in the first half of the year, with the planned investment amounting to RMB890 million; and approved the implementation of 16 energy conservation and cost reduction projects, with the planned investment amounting to RMB240 million. By implementing the efficiency improvement program of power generation system, the power generation load of coke dry quenching waste heat power generation unit was significantly increased, controlling the consumption of power coal to the maximum extent, and the power generation of secondary energy was further increased. In the first half of the year, the cost of purchased energy, the comprehensive energy consumption per ton of steel and the power generation per ton of coke all hit the best level in history.

## II. ANALYSIS ON THE CORE COMPETITIVENESS

In terms of product brand building, Angang Steel's products are comprehensive in types and specifications and have certain differentiation advantages and its brand has high popularity and credibility. It has a leading position in producing steel for shipbuilding and marine engineering, automotive steel plates, home appliance plates, container plates and heavy rails. Its railway steels, container steel plates and shipbuilding plates won the title of "China Famous Brand Products". Dozens of products including hot rolling pickling steel strip, cold rolling hot dip aluminized and galvanized plates and structural steel for bridges are awarded as "Gold Cup" high quality products, and 7 products such as the wire rods for steel cords are acknowledged as "Famous Brand in Liaoning".

In terms of technological innovation, Angang Steel has mastered a number of core, leading, basic and cutting-edge key technologies. The progress regarding intellectual property rights are in the "first echelon" in the metallurgical industry; it takes an important role in the modification of national project research and development, national standards and industry standards, and leads the iron and steel industry in comprehensive product R&D strength. Angang Steel has enhanced intellectual property management and its blueprint for patents in key areas. In the first half of the year, 305 patent applications were filed; 255 patents were accepted for review by the state, including 223 invention patents, accounting for 87.5%; 229 patents were authorized by the state, including 144 invention patents, accounting for 62.9%. 51 proprietary technologies were identified and put on record. A blueprint for core patents in seven technical fields including "Key Materials for Low-temperature Steel for High-Tech Ships" was completed.

### II. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

In terms of technical equipment, low-cost blast furnace ironmaking technology, rapid selection technology of coking coal and converter ultra-pure steel production technology are among the best of the PRC. The self-integrated cold rolling wide strip production technology, self-developed, applied cold rolling mill shape control system core technology and wide and thick plate production technology have all reached the internationally advanced level. The base has a compact layout and leads the world in equipment and craft. It boasts large equipment, constant processing, indicator modelling, automatic operation, IT application in management and information digitization.

In terms of corporate culture accumulating, generalizing, extracting, sublimating the spirit of the past generations, the Company has established a profound corporate culture with “Innovation, Factualism, Hard Working and Contribution” as its core value and gave birth to the “Angang Constitution” which is praised as the fundamental law for running socialist enterprises. It abounds in heroic figures like Meng Tai, Lei Feng, Wang Chonglun as well as advanced models in the new period including Guo Mingyi and Li Chao. Its “model culture” has established a national reputation.

In terms of market-oriented reform, adhering to the direction of market-oriented reform, Angang Steel continuously improves the market-oriented system and mechanism, strengthens momentum and vitality and enhances efficiency and benefit by way of construction of an operation model, continuous cost reform, implementation of “Authorization + Common Benefit” (授權+同利) and other means, and has thus established a successful model for market-oriented reform.

In terms of sustainable development capability, Angang possesses iron ore resources of 8,800 million tons, and ranks the first and leads the world in mineral resources security capability. Angang Steel sticks to green, circular and low-carbon development and leads in green manufacturing in the iron and steel industry with its environmental protection index remaining national advanced level.

# Management Discussion and Analysis (Continued)

## III. ANALYSIS OF PRINCIPAL BUSINESSES

### 1. Year-on-year changes in principal financial data

*Unit: RMB million*

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Operating income	72,551	44,650	62.49	Impact of the increase in product prices and growth in sales volume.
Operating costs	63,827	42,038	51.83	Impact of the increase in raw fuel prices and growth in sales volume.
Marketing expenses	327	237	37.97	Main reasons are: firstly, the salary of sales staff increased by RMB55 million; secondly, the sales service fee and warehouse storage fee increased by RMB21 million.
Administrative expenses	754	592	27.36	-
Research and development expenses	291	155	87.74	Main reasons are: firstly, the consumption of raw materials for trial production of new products increased by RMB86 million; secondly, the labor cost increased by RMB26 million; thirdly, the entrusted research and development cost increased by RMB18 million.
Financial expenses	316	502	-37.05	Main reasons are: firstly, the average financing scale decreased by RMB8.945 billion year on year, resulting in the year-on-year decrease of interest expenditure by RMB138 million; secondly, the exchange income increased by RMB44 million year on year.

## III. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 1. Year-on-year changes in principal financial data (Continued)

*Unit: RMB million*

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Income tax expenses	1,469	115	1,177.39	The main reasons are: firstly, the profits of the Company increased significantly, and the current income tax expenses increased by RMB793 million year on year; secondly, the deferred income tax assets were reduced to cover losses and the income tax expenses increased by RMB561 million year on year.
Net cash flow from operating activities	8,639	4,779	80.77	Net cash inflow from operating activities increased by RMB3,860 million year on year, mainly because (i) the cash received from sales of goods and rendering of services increased by RMB29,571 million year on year; (ii) the cash paid for goods purchased and services received increased by RMB23,799 million year on year.
Net cash flow from investing activities	-1,173	-1,280	8.36	-

## III. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 1. Year-on-year changes in principal financial data (Continued)

*Unit: RMB million*

Item	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from financing activities	-5,604	-417	-1,243.88	Net cash outflow from financing activities increased by RMB5,187 million year on year, mainly because (i) the cash received from borrowings obtained decreased by RMB7,680 million; (ii) the cash payment for repayment of debts decreased by RMB2,470 million year on year.
Net increase in cash and cash equivalents	1,862	3,082	-39.58	Net increase in cash and cash equivalents decreased by RMB1,220 million year on year, mainly because (i) the net cash inflow from operating activities increased by RMB3,860 million year on year; (ii) the net cash outflow from investing activities decreased by RMB107 million year on year; (iii) the net cash outflow from financing activities increased by RMB5,187 million year on year.

### 2. Whether there is any significant change in profit composition or sources of profit of the Company during the Reporting Period

During the Reporting Period, there was no significant change in profit composition or sources of profit of the Company.

## III. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 3. Composition of the principal businesses

Principal businesses of the Group by industry and product

*Unit: RMB million*

	Operating income	Operating costs	Gross profit margin	Increase/ decrease in operating income as compared with the corresponding period of the previous year	Increase/ decrease in operating costs as compared with the corresponding period of the previous year	Increase/ decrease in gross profit margin as compared with the corresponding period of the previous year
			(%)	(%)	(%)	<i>(percentage point)</i>
<b>By industry</b>						
Steel pressing and processing industry	72,269	63,682	11.88	62.47	52.05	6.04
<b>By product</b>						
Hot-rolled sheets products	22,297	18,445	17.28	68.83	54.56	7.64
Cold-rolled sheets products	24,334	20,876	14.21	68.11	49.51	10.67
Medium-thick plates	12,824	11,711	8.68	70.90	67.83	1.67
<b>By geographical location</b>						
China	68,289	59,987	12.16	59.35	48.86	6.19
Export sales	3,980	3,695	7.16	144.62	133.12	4.58

*Note:*

The operating income of full range of products increased as compared with the corresponding period of the previous year, primarily due to the increase in sales volume and product prices. The operating costs of full range of products increased as compared with the corresponding period of the previous year, primarily due to the (i) the increase in sales volume; and (ii) the increase in product cost resulting from the rise of prices of raw materials and fuels.



## III. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

### 4. Liquidity and financial resources

As at 30 June 2021, the Group had long-term loans (exclusive of loans due within one year) of RMB4,650 million with interest rates ranging from 2.82% to 4.9% per annum and terms ranging from 3 to 7 years. These loans, which will fall due in 2023, are mainly used for replenishing the working capital of the Group. The Group's long-term loans due within one year amounted to RMB910 million.

With good credit standing, the Group was reviewed and assigned a long-term credit rating of “AAA” by the rating committee of China Chengxin International Credit Rating Co., Ltd. in 2021. The Group is able to repay its debts as they fall due.

As at 30 June 2021, the Group had a total capital commitment of RMB3,824 million, which was primarily attributable to the investment contracts of RMB14 million entered into but not yet performed or partially performed and construction and renovation contracts of RMB3,810 million entered into but not yet performed or partially performed.

### 5. Foreign exchange risk

The Group carries out import and export through agent trade by Angang International Trade for its main foreign currency transactions, including the export of sales products, import of raw materials for production and engineering equipment. Foreign currency risk is mainly reflected in the impact of exchange rate changes when settling through agent on sales and procurement costs.

The Group has issued H-share convertible bonds in an aggregate amount of HK\$1.85 billion, with the current remaining balance amounting to HK\$1.818 billion, which exposed the Group to foreign exchange risk arising from the exchange rate fluctuations of RMB against HKD upon redemption of such bonds that were not converted.

## Management Discussion and Analysis (Continued)

### IV. ANALYSIS OF NON-PRINCIPAL BUSINESSES

Unit: RMB million

	Amount	As a percentage of total profit (%)	Reasons	Sustainable or not
Investment income	206	3.09	Mainly included income from long-term equity investments accounted for using equity method and investment income from other equity instrument investments during the holding period.	Yes
Gains or losses arising from changes in fair value	-104	-1.56	Included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Asset impairment losses	178	2.67	Mainly included reversal of provisions for impairment on inventories.	No
Credit impairment loss	-74	-1.11	Mainly included credit impairment losses on notes.	No
Other gains	21	0.31	Mainly included gains on government grants.	No
Non-operating income	8	0.12	Mainly included gains on destruction or scrap of non-current assets.	Yes
Non-operating expenses	30	0.45	Mainly included losses on destruction or scrap of non-current assets.	Yes

# Management Discussion and Analysis (Continued)

## V. ASSETS AND LIABILITIES

### 1. Significant changes in composition of assets

*Unit: RMB million*

	30 June 2021		31 December 2020			
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)	Increase/ decrease (percentage point)	Explanation for significant changes
Monetary capital	7,191	7.88	5,329	6.05	1.83	-
Notes receivable	21	0.02	63	0.07	-0.05	-
Accounts receivables	2,619	2.87	2,593	2.95	-0.08	-
Inventories	12,196	13.36	10,618	12.06	1.30	-
Long-term equity investments	3,068	3.36	2,965	3.37	-0.01	-
Fixed assets	49,008	53.68	50,372	57.21	-3.53	-
Construction in progress	2,620	2.87	1,814	2.06	0.81	-
Right-of-use assets	756	0.83	822	0.93	-0.10	-
Short-term loans	2,205	2.42	8,505	9.66	-7.24	-
Contract liabilities	6,768	7.41	5,611	6.37	1.04	-
Long-term loans	4,650	5.09	3,478	3.95	1.14	-
Lease liabilities	508	0.56	665	0.76	-0.20	-

## V. ASSETS AND LIABILITIES (CONTINUED)

### 2. Assets and liabilities measured at fair value

Unit: RMB million

Item	Opening balance	Gains or losses arising from changes in fair value for the period	Changes in fair value included in equity	Impairment provision made for the period	Purchases during the period	Disposals during the period	Closing balance
<b>Financial assets</b>							
Including:							
1. Financial assets held for trading (excluding derivative financial assets)	34	-6	-	-	-	-	28
2. Derivative financial assets	0	10	-	-	-	-	10
3. Other debt investment	-	-	-	-	-	-	-
4. Other equity instrument investments	476	-	-91	-	-	-	498
Sub-total of financial assets	510	4	-91	-	-	-	536
Investment properties	-	-	-	-	-	-	-
Productive biological assets	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-
Total	510	4	-91	-	-	-	536
Derivative financial liabilities	43	-5	-	-	-	-	38

Material changes in measurement of major assets of the Company during the Reporting Period

Yes       No

## V. ASSETS AND LIABILITIES (CONTINUED)

### 3. Gearing ratio

As at 30 June 2021 and 31 December 2020, the Group's equity-to-debt ratio was 1.77 times and 1.58 times, respectively.

### 4. Restrictions on assets as at the end of the Reporting Period

The Group pledged notes receivable with a carrying amount of RMB170 million to banks in the period to secure notes payable of RMB163 million. The term of the pledge is from January 2021 to September 2021.

### 5. Contingent liabilities

As at 30 June 2021, the Group had no contingent liabilities.

## VI. ANALYSIS OF INVESTMENTS

### 1. Overview

External investments

<b>Investments for the Reporting Period</b> <i>(RMB million)</i>	<b>Investments for the corresponding period of the previous year</b> <i>(RMB million)</i>	<b>Change</b> <i>(%)</i>
4	119	-96.64

### 2. Significant equity investments made during the Reporting Period

Applicable       Not applicable

### 3. Significant non-equity investments being conducted during the Reporting Period

Applicable       Not applicable

# Management Discussion and Analysis (Continued)

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments

#### (1) Securities investments

Unit: RMB million

Stock type	Stock code	Stock abbreviation	Initial investment	Accounting measurements	Book value at the beginning of the period	Gains or losses on fair value change for the current period	Accumulative changes in fair value included in equity	Purchase amount for the current period	Disposal amount for the current period	Loss or gain during the Reporting Period	Book value at the end of the period	Accounting item	Source of funds
Shares	600961	Zhuye Group (株冶集團)	81	Measured at fair value	34	-6	-	-	-	-6	28	Financial asset held for trading	Self-owned funds

#### (2) Derivatives investments

Unit: RMB million

Name of the derivatives investment operator	Related Relationship with the Group	Related party transaction or not	Type of derivatives investment	Initial investment amount of derivatives	Date of commencement	Date of termination	Investments at the beginning of the period	Purchase amount during the Reporting Period	Disposal amount during the Reporting Period	Provision for impairment (if any)	Investments at the end of the Reporting Period	Proportion of investments at the end of the period to net assets of the Company	Actual profit or loss during the Reporting Period
Angang Steel	None	No	Futures hedging	1	29 April 2015	-	150	1,181	963	-	291	0.5%	10
Angang Steel	None	No	Exchange rate swap	-	29 October 2020	18 May 2023	-	-	-	-	-	-	-24
Total	-	-	-	1	-	-	-	-	-	-	-	-	-14

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments (Continued)

Source of funds for derivative investments	Self-owned funds
Litigation case (if applicable)	None
Date of the announcement disclosing the approval of derivatives investment by the Board	<p>On 30 March 2021, the Resolution in relation to the Company's 2021 Annual Hedging Business Amount was approved at the 41st meeting of the eighth session of the Board.</p> <p>On 29 October 2020, the Resolution in relation to the Carrying out of Foreign Exchange Hedging Business by the Company was approved at the 29th meeting of the eighth session of the Board.</p>
Date of the announcement disclosing the approval of derivatives investment at shareholders' meeting	None
Risk analysis of positions in derivatives during the Reporting Period and explanations of risk control measures (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	<p>Futures hedging :</p> <p>(1) Market risk exists when the position held by the Company is related to the steel products industry, which is highly relevant to spot commodity operated by the Company. Although the Company makes regular analysis and forecast on the market, the judgment on the market may be deviated, resulting in potential risk. However, the risk is controllable after futures hedging with spot commodities.</p>



## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments (Continued)

- (2) As the category of position held has sufficient liquidity, there is no liquidity risk.
- (3) The Futures Exchange provides credit guarantee for the category of position held, thus the credit risk minimal.
- (4) The Company carries out such business in strict compliance with the relevant requirements of hedging and total holding position and term are in line with the Company's approval.

The Company has performed evaluation of relevant legal risks. Business development is carried out in accordance with the laws and regulations of futures exchanges in the PRC, and thus, risks can be controlled.

Foreign exchange hedging :

The hedging process is to first enter into a swap contract with a bank and purchase foreign currency at the agreed price at maturity. The purpose of the transaction is to prevent against the exchange rate risk arising from the sell-back of convertible bonds by investors in May 2021. The transaction is simple and convenient to conduct and there exists no significant risk. However, there may exist risk of mismatch between the sell-back amount and the Company's hedge amount due to the uncertainty of investors' intention to resell in the future.

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments (Continued)

Control measures:

- (1) In order to regulate the behavior of foreign exchange derivatives trading and strengthen the supervision and management of foreign exchange derivatives trading business, the Company has issued the Foreign Exchange Capital Management Measures on the basis of relevant laws, regulations and policies, which makes detailed provisions for the principles, conditions and implementation of trading, capital management and position management of the foreign exchange derivatives trading, as well as the corresponding approval process and authority;
- (2) The Company strengthens the management of bank accounts and funds, strictly complies with the approval procedures for the allocation and use of funds, arranges full-time personnel, clarifies the responsibilities, and strictly engages in the above business within the scope of authorization. The Company properly arranges funds for completion to ensure delivery on schedule; in case a special circumstance requires early completion through swap transactions, extension or adoption of other methods acceptable to counterparties, etc., relevant procedures should be completed in accordance with the regulations of foreign exchange derivatives transactions;

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments (Continued)

- (3) Regarding the risk of mismatch between the amount of future sell-back and the Company's hedge amount, as some of the bonds may be held until maturity, the Company can take measures such as closing out the positions or extension of the term to control the risk in the future after communication and consultation with professional financial institutions.

Changes in market price or product fair value of derivatives invested during the Reporting Period, where specific methods and relevant assumptions and parameters used shall be disclosed in the analysis of derivatives' fair value

Futures hedging:

Deformed bar, hot-rolled coil and nickel quoted on the Shanghai Futures Exchange; iron ore, coking coal and coke quoted on the Dalian Commodity Exchange; on 4 January 2021, the settlement prices of main connected contracts of deformed bar, hot rolled coil, nickel, iron ore, coking coal and coke were RMB4,346/ton, RMB4,472/ton, RMB126,820/ton, RMB999.0/ton, RMB1,668/ton and RMB2,887.5/ton, respectively; on 30 June 2021, the settlement prices of main connected contracts of deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were RMB5,107/ton, RMB5,400/ton, RMB136,440/ton, RMB1,153.5/ton, RMB1,948.5/ton and RMB2,631.5/ton, respectively. The changes in fair values of deformed bar, hot-rolled coil, nickel, iron ore, coking coal and coke were +RMB761/ton, +RMB928/ton, +RMB9,620/ton, +RMB154.5/ton, +RMB280.5/ton and -RMB256.0/ton, respectively.

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments (Continued)

Foreign exchange hedging:

The Company extended the term of the contracts upon the expiry of the term of such contracts in this year, and an exchange rate of 0.866 HKD/RMB was adopted as the settlement price on 18 May 2023. The central parity of HKD/RMB on 30 June 2021 was 0.83208. The Company paid interest to the bank on the principal amount of HK\$1 billion (converted to RMB866 million at the settlement price of 0.866 at maturity) at an annualized interest rate of 3.11% based on the actual number of subsisting days of the contracts.

Explanations of any significant changes in the Company's accounting policies and specific accounting principles on derivatives adopted during the Reporting Period as compared with those of the last Reporting Period

N/A

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments (Continued)

Specific opinions of independent directors on the derivatives investment and risk control of the Company

Futures hedging:

- (1) The Company utilized the self-owned funds for the development of futures hedging business on the basis of ensuring its normal production and operation, and performed the related approval procedures in compliance with relevant requirements of the relevant laws, regulations and the Articles of Association, which was beneficial to the reduction of operating risks of the Company, without prejudice to the interests of the Company and shareholders as a whole.
- (2) The Company established the Administrative Measures on Angang Steel Company Limited Commodity Futures Hedging, and explicitly confirmed internal control procedures such as the business operation procedures, approval process and risks prevention and control, achieving a protection for the Company to control futures risks.
- (3) The Company confirmed that the maximum amount and the types for trading of the annual hedging guarantees were reasonable and in compliance with the actual situation of production and operation of the Company, and were conducive to reasonably controlling risks by the Company.

## VI. ANALYSIS OF INVESTMENTS (CONTINUED)

### 4. Financial asset investments (Continued)

#### (2) Derivatives investments (Continued)

Foreign exchange hedging:

- (1) In order to prevent foreign exchange risks, the Company has carried out foreign exchange hedging business and fulfilled the relevant approval procedures, which are in compliance with the relevant national laws, regulations and the relevant provisions of the Articles of Association, and are conducive to reducing of operating risks of the Company, without prejudice to the interests of the Company and its shareholders.
- (2) The Company has formulated the Measures for the Management of Foreign Exchange Funds of Angang Steel Company Limited\* (《鞍鋼股份有限公司外匯資金管理辦法》), which provides clear regulations on the principles of foreign exchange derivatives trading, trading process, internal control and risk prevention measures, and plays a protective role in controlling the risk of foreign exchange derivatives trading by the Company.
- (3) The types and quantities of foreign exchange hedging trading determined by the Company are in line with the business requirements of the Company and are conducive to reasonably controlling risks by the Company.

# Management Discussion and Analysis (Continued)

## VII. DISPOSAL OF MAJOR ASSETS AND EQUITY INTERESTS

### 1. Disposal of major assets

Applicable      ✓ Not applicable

### 2. Disposal of major equity interests

Applicable      ✓ Not applicable

## VIII. ANALYSIS OF MAJOR SUBSIDIARIES AND INVESTEEES

*Unit: RMB million*

Name of companies	Type of companies	Principal activities	Registered capital	Total assets	Net assets	Operating income	Operating profit	Net profit
Chaoyang Iron and Steel	Limited Liability Company	Iron and steel smelting, steel pressing and processing and distribution of steel products	8,000	6,386	4,664	6,412	1,012	778

## IX. STRUCTURED ENTITIES CONTROLLED BY THE COMPANY

Applicable      ✓ Not applicable

### **X. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR**

#### **(I) Work Plan for the Second Half of 2021**

In the second half of the year, the globally-raging pandemic continues to develop, and the external environment becomes more complicated and severe. The National Bureau of Statistics indicates that the Chinese economy will continue to remain stable, consolidate and improve in the second half of the year. However, at the same time, due to the influence of requirements under the national “dual carbon” targets and supply-side reform, steel supply is tight, and the downstream industry demand tends to weaken, which will increase the pressure on steel enterprises, and the profitability of the iron and steel industry is still uncertain.

Faced with the complex and changing situation, the Company will take the strategic objectives and strategic planning as its action guide, focus on the main line of “intensification, reduction, intelligence @customers”, clarify the positioning of each base, production line, product and industry, center on benefits, optimize resource allocation, and benchmark against first-class, make up for weaknesses, improve weak links and promote improvement in combination with the requirements under “two systems and one contract” and KPI indicators, so as to promote the implementation of all work. The Company will primarily carry out the following work in the second half of the year:



### **X. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR (CONTINUED)**

#### **(I) Work Plan for the Second Half of 2021 (Continued)**

1. Implement strategic planning and promote high-quality development.
2. Precisely serve customers and improve the market development capability.
3. Deepen cost reform and do benchmarking and tap potential to reduce costs.
4. Comprehensively promote reform and adopt multiple measures to activate vitality.
5. Strengthen scientific and technological research and innovate drivers to enhance impetus.
6. Adhere to the bottom line thinking and adopt lean management to avoid risk.
7. Practice co-construction and sharing and enhance cohesion and create benefits.

### X. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR (CONTINUED)

#### (II) Risks faced by the Company and countermeasures thereof

##### (1) Risk posed by COVID-19 pandemic prevention and control

###### ① Risk description

In the first half of the year, the worldwide raging COVID-19 pandemic was easing, and international economy was progressively recovering. However, in view of the situation of repeated outbreak of COVID-19 pandemic in China, the Company still needs to strictly prevent and control the COVID-19 pandemic within the Company, otherwise it will affect the normal production and operation and cause economic losses and adverse effects to the Company.

###### ② Risk management solution

The Company will continue to implement strict prevention and control, strictly put the normalized pandemic prevention and control measures into effect, conduct normalized pandemic prevention and control management mechanism, carry out normalized health knowledge education, and strengthen the supervision and inspection of pandemic prevention and control.

## X. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR (CONTINUED)

### (II) Risks faced by the Company and countermeasures thereof (Continued)

#### (2) Marketing risk

##### ① Risk description

Under the backdrop of repeated outbreak of the worldwide raging pandemic and rising trade protectionism, steel enterprises will face more and more international trade disputes, and meanwhile, the adjustment made by the state to the policies on steel product export will bring many adverse effects on steel exports. In terms of geographical region, the Company is located in the northeast region with low economic activity, serious oversupply, relatively low product prices, and long distance from east China, south China and other major steel consumption regions, resulting in high sales and logistics costs. In the second half of the year, an interim balance may be maintained between supply and demand of steel products, costs for iron enterprises may be running at a high level, downstream demand may be weak, and prices of steel products may gradually return to fundamental status.

## X. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR (CONTINUED)

### (II) Risks faced by the Company and countermeasures thereof (Continued)

#### (2) Marketing risk (Continued)

##### ② Risk management solution

The Company will develop strategic industries and hit products. With hit products as the core, the Company will continue to optimize the product structure and improve the competitiveness and market share of hit products and strategic products and unique leading products. It will focus on three major fields of energy, transportation, high-end manufacture and six key industries of pipeline, storage tank, power station, bridge, railway and building, establish a one-stop, three-level service system with synergistic development of marketing, research, production and transportation, and form an engineering three-dimensional sales network, so as to improve the bid winning rate of Angang's hit products. Following the "Belt and Road" initiative, the Company will gradually foster new markets. While avoiding trade frictions, it will closely follow the reshaping of the global industrial chain after the end of the pandemic, optimize the portfolios and structure of export products, and take the road of high-quality, high value-added and high-tech products export. Taking advantage of the opportunity of production limitation, the Company will carry out relevant overhauls on production lines and implement technological upgrading projects in a reasonable and orderly manner so as to achieve the goal of improving weak links and expanding varieties. The Company will continue to promote cost reform and effectively reduce operating costs focusing on key links.

### **X. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR (CONTINUED)**

#### **(II) Risks faced by the Company and countermeasures thereof (Continued)**

##### (3) Safe production risk

###### ① Risk description

The new version of the Safety Production Law is about to be promulgated and the Regulations on Safety Administration of Dangerous Chemicals will be implemented soon, which shows the government's intensified efforts in the supervision and management of enterprises' safety production and occupational health, as well as the imposition of relevant penalties. Where measures of the safety production are not in place, and responsibilities are not fulfilled, various potential accidents and safety risks would occur in an intertwined and superposed way during the process of production and maintenance, which may cause production safety accidents and further results in economic losses to and adverse impacts on the enterprises.

### **X. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR (CONTINUED)**

#### **(II) Risks faced by the Company and countermeasures thereof (Continued)**

##### (3) Safe production risk (Continued)

##### ② Risk management solution

The Company will thoroughly implement General Secretary Xi Jinping's important statement on safe production, firmly establish the concept of safety development, and strengthen the bottom line thinking and red line awareness; it will adhere to problem orientation, goal orientation and result orientation, deepen source governance, system governance and comprehensive governance, make efforts to change the concept and pay close attention to the root cause, so as to improve the safety production management system and enhance the governance ability. In addition, it will comprehensively improve the intrinsic safety level of equipment, facilities and environment, insist on the red line of safety production, effectively prevent all kinds of accidents, and ensure the life safety of employees, so as to provide strong guarantee for the Company's high-quality development.

## X. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR (CONTINUED)

### (II) Risks faced by the Company and countermeasures thereof (Continued)

#### (4) Environmental protection risk

##### ① Risk description

The state's supervision and law enforcement efforts on environmental pollution have been continuously strengthened, and the pollutant discharge standards have been continuously enhanced. Moreover, the public's awareness of environmental protection continues to increase, and the requirements for environmental protection of enterprises continue to improve. Furthermore, China's goal of "Carbon Emissions Peak and Carbon Neutrality" and relevant requirements for ultra-low emissions pose huge environmental pressure on steel enterprises.

### **X. BUSINESS PLAN FOR THE SECOND HALF OF THE YEAR (CONTINUED)**

#### **(II) Risks faced by the Company and countermeasures thereof (Continued)**

##### (4) Environmental protection risk (Continued)

##### ② Risk management solution

Guided by Xi Jinping's thought of ecological civilization and centered on improving the quality of ecological environment, the Company will conscientiously implement the decisions and plans of the Central Party Committee and the State Council, adhere to the idea of "ecology first, green development" to fully promote pollution treatment, pay attention to source control and consolidate the foundation of environmental protection. The Company will formulate a low-carbon action plan, initiate the "Grade A Realization" (創A) work for environmental protection, form an ultra-low emission roadmap and accelerate the upgrading and renovation of environmental protection facilities. In addition, it will continue to improve the environmental management system and speed up the realization of ultra-low emission to continuously improve the Company's environmental protection performance level, and build itself into a green, low-carbon and eco-friendly forest-type plant with the harmonious development between enterprises and society.



# Management Discussion and Analysis (Continued)

## XI. EMPLOYEES

Staff composition as at 30 June 2021 is set out as follows:

Number of current employees in the Company ( <i>person</i> )	26,738
Number of current employees in major subsidiaries ( <i>person</i> )	3,996
Total number of current employees ( <i>person</i> )	30,734
Total number of employees receiving remuneration during the period ( <i>person</i> )	30,734
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations ( <i>person</i> )	–

### Specialty composition

Category of specialty composition	Number of people ( <i>person</i> )
Production	20,862
Sales	374
Technical	2,936
Finance	226
Administration	2,094
Others	4,242
Total	30,734

## XI. EMPLOYEES (CONTINUED)

### Education level

Category of education level	Number of people <i>(person)</i>
Bachelor's degree and above	9,515
Post-secondary	8,828
Technical secondary school	11,393
Others	998
Total	30,734

In the first half of the year, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, focusing on one main line, optimizing three major layouts, enhancing six major abilities, achieving one goal, motivating with reform and promoting development with innovation, the Company made use of the opportunity of human resources optimization and formulated new ideas for training work with production and operation as its center. We speeded up the promotion of systematic, modular and precise education and training, deepened the implementation of technological talents training and further conducted lean management and training. Working closely with the principles of meticulous planning, exquisite training, fine implementation, lean management, accurate evaluation and precise motivation, with focusing on the main business, hardcore connection, the professional quality of the workforce has been improved continuously, providing a strong talent guarantee for the Company to be stronger with its talents. As at the end of June 2021, the attendance of the annual special training of the Company was 10,193 in 598 programs of 38 categories; 10,349 primary employees received training for job knowledge and skills in 1,067 programs; and the attendance of employees holding the work permits for special operations for safety qualification training was 3,911. The planned training targets were achieved.

### **XI. EMPLOYEES (CONTINUED)**

Remuneration policy of the Company: the Company has adopted position-and-performance based salary and risk-linked annual remuneration packages for senior management; the allocation method of postperformance salary and R&D bonus for scientific research positions; position-and-performance based remuneration and sales/profit-linked remuneration packages for sales personnel; and position-and-performance based remuneration packages for other personnel. The Company implemented the Restricted Share Incentive Scheme for Directors, senior management and core technical (business) staff of the Company in 2020, further established and improved the long-term incentive mechanism of the Company, attracting and retaining outstanding talents, fully mobilizing the enthusiasm of core and key employees and effectively combining the interests of shareholders, the Company and the personal interests of employees.

### **XII. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY**

On 31 December 2020, the Resolution on the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited\* (Draft) and Its Summary (《關於〈鞍鋼股份有限公司2020年限制性股票激勵計劃(草案)〉及其摘要的議案》) and other relevant resolutions were considered and approved at the 2020 third extraordinary general meeting of the Company. On 8 January 2021, the Resolution on the Adjustment in Relevant Matters of the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited\*(《關於調整鞍鋼股份有限公司2020年限制性股票激勵計劃相關事項的議案》) and the Resolution on the First Grant of the Restricted Shares to Incentive Participants (《關於向激勵對象首次授予限制性股票的議案》) were considered and approved at the thirty-eighth meeting of the eighth session of the Board and the thirteenth meeting of the eighth session of the Supervisory Committee of the Company. The first grant date of the 2020 Restricted Share Incentive Scheme was 8 January 2021. On 27 January 2021, the Company completed the registration for the first grant of the 2020 Restricted Share Incentive Scheme and granted 46,800,000 restricted shares to 174 incentive participants.

Save for the above, during the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

## Management Discussion and Analysis (Continued)

### **XIII. SECURITIES TRANSACTIONS BY DIRECTORS**

The Board has adopted the relevant code for directors' securities transactions for the purpose of complying with the Hong Kong Listing Rules. In response to the Company's specific enquiries with all Directors, the Directors have confirmed that they have complied with the standards set out in Appendix 10 to the Hong Kong Listing Rules throughout the Reporting Period.

### **XIV. INDEPENDENT NON-EXECUTIVE DIRECTORS**

Throughout the Reporting Period, the Board had been in compliance with Rule 3.10(1) of the Hong Kong Listing Rules, which requires a company to maintain at least three independent non-executive directors, and Rule 3.10(2) of the Hong Kong Listing Rules, which requires one of the independent non-executive directors to possess professional qualifications or accounting or related financial management expertise.

### **XV. AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Hong Kong Listing Rules.

The Audit Committee and the management have reviewed the accounting standards, principles and measurements adopted by the Company, and considered the related audit, internal control and the unaudited interim financial report for the six months ended 30 June 2021.

### **XVI. CHAPTER 13 DISCLOSURE OF THE HONG KONG LISTING RULES**

The Directors confirmed that there was no matter occurring for the six months ended 30 June 2021 which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules. The Company's controlling shareholder did not pledge any of its shares in the Company to secure any debts, guarantees or other support of obligations of the Company, nor did the Company sign loan agreements imposing specific performance obligations on the controlling shareholders.

### **XVII. SUFFICIENT PUBLIC FLOAT**

According to the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this interim report, the Company had been maintaining sufficient public float as required by the Hong Kong Listing Rules during the six months ended 30 June 2021.

## I. CORPORATE GOVERNANCE OF THE COMPANY

In strict compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Listing Rules, the Rules Governing the Listing of Shares on the Shenzhen Stock Exchange and the Corporate Governance Guideline of Listed Companies and other requirements, the Company has regulated its operations and established a comprehensive corporate governance system and an effective internal control system. There is no difference between the Company's corporate governance practice and the Company Law and the relevant requirements of the CSRC.

With shares listed on both Hong Kong and Shenzhen stock exchanges, the Company is committed to improving its corporate governance in accordance with international corporate governance standards. The Board and the management understand that they are responsible for establishing good corporate governance practices and procedures and the strict implementation of such practices and procedures, so as to ensure the interests of the shareholders and to create value for the shareholders in the long term.

The Company has adopted the code provisions set out in Appendix 14 to the Hong Kong Listing Rules as currently in force. The Company has periodically reviewed its corporate governance practices and properly complied with the code provisions set out in the Corporate Governance Code.

## II. INFORMATION ON THE ANNUAL GENERAL MEETINGS AND EXTRAORDINARY GENERAL MEETINGS HELD IN THE REPORTING PERIOD

### 1. General meetings held in the Reporting Period

<b>Session of Meeting</b>	<b>Type of Meeting</b>	<b>Proportion of investors involvement</b>	<b>Date of convening</b>
The 2021 first extraordinary general meeting	Extraordinary general meeting	60.62%	7 May 2021
2020 annual general meeting	Annual general meeting	60.42%	26 May 2021

## III. PROPOSALS OF PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL DURING THE REPORTING PERIOD

The Company proposed not to distribute cash dividends, issue bonus shares or transfer reserve to share capital for the interim period.



## IV. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	Position	Category	Date	Reason
Yuan Peng	Supervisor	Resigned	2021.02.02	Change of job
Yang Zhengwen	Supervisor	Elected	2021.02.02	Election
Liu Jie	Deputy General Manager	Resigned	2021.03.16	Change of job
Ma Lianyong	Director, Deputy General Manager, Chief Accountant, Joint Secretary to the Board (i.e. Joint Company Secretary)	Resigned	2021.03.16	Change of job
Wang Baojun	Deputy General Manager, Chief Accountant	Appointed	2021.03.16	-
Zhang Hongjun	Deputy General Manager	Appointed	2021.03.16	-
Wang Baojun	Director	Elected	2021.05.07	Election
Li Wenbing	Supervisor	Resigned	2021.05.07	Li Wenbing resigned as a Supervisor due to the inconvenience to perform his duty as a Supervisor as a result of discipline inspection and supervision investigation.
Shen Changchun	Supervisor	Elected	2021.05.07	Election
Wang Baojun	Joint Secretary to the Board (i.e. Joint Company Secretary)	Appointed	2021.06.16	-

**V. DISCLOSE THE SPECIFIC IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIP SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES DURING THE REPORTING PERIOD**

On 31 December 2020, the Resolution on the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited\* (Draft) and Its Summary (《關於<鞍鋼股份有限公司2020年限制性股票激勵計劃(草案)>及其摘要的議案》) and other relevant resolutions were considered and approved at the 2020 third extraordinary general meeting of the Company.

On 8 January 2021, the Resolution on the Adjustment in Relevant Matters of the 2020 Restricted A Share Incentive Scheme of Angang Steel Company Limited\* (《關於調整鞍鋼股份有限公司2020年限制性股票激勵計劃相關事項的議案》) and the Resolution on the First Grant of the Restricted Shares to Incentive Participants (《關於向激勵對象首次授予限制性股票的議案》) were considered and approved at the thirty-eighth meeting of the eighth session of the Board and the thirteenth meeting of the eighth session of the Supervisory Committee of the Company. The first grant date of the 2020 Restricted Share Incentive Scheme was 8 January 2021.

On 27 January 2021, the Company completed the registration for the first grant of the 2020 Restricted Share Incentive Scheme and granted 46,800,000 Restricted Shares to 174 Incentive Participants.

# Environmental and Social Responsibilities

## I. MAIN ENVIRONMENTAL INFORMATION

### (1) Pollutant discharge

Name of company or subsidiary	Name of major pollutants and characteristic pollutants	Discharge method	Number of discharge outlets	Distribution of discharge outlets	Discharge concentration	Pollutant discharge standards executed	Approved										
							Total discharge	Total discharge	Excessive discharge								
Angang Steel (including Anshan area of Angang Steel, Bayuquan Iron & Steel Branch Company and Chaoyang Iron and Steel)	COD	Discharged after being treated to acceptable standards	3	Main drain	<50mg/L	50mg/L	30.17 tons	Not approved by the government department	None								
										Ammonia nitrogen	Discharged after being treated to acceptable standards	3	Main drain	<5mg/L	5mg/L	2.68 tons	None
	Ironmaking	<50mg/m <sup>3</sup>	50mg/m <sup>3</sup>														
				Steelmaking	<20mg/m <sup>3</sup>	20mg/m <sup>3</sup>											
							Steel rolling	<30mg/m <sup>3</sup>	30mg/m <sup>3</sup>								
	Sulfur dioxide	Discharged after being treated to acceptable standards	214	Coking	<50mg/m <sup>3</sup>	50mg/m <sup>3</sup>	5381.8 tons	None									
									Sintering	<200mg/m <sup>3</sup>	200mg/m <sup>3</sup>						
												Steel rolling	<150mg/m <sup>3</sup>	150mg/m <sup>3</sup>			
	Nitrogen oxide	Discharged after being treated to acceptable standards	190	Coking	<500mg/m <sup>3</sup>	500mg/m <sup>3</sup>	13986.1 tons	None									
									Sintering	<300mg/m <sup>3</sup>	300mg/m <sup>3</sup>						
												Steel rolling	<200mg/m <sup>3</sup>	200mg/m <sup>3</sup>			

# Environmental and Social Responsibilities (Continued)

## I. MAIN ENVIRONMENTAL INFORMATION (CONTINUED)

### (2) Construction and operation of pollution prevention facilities

In the first half of 2021, Angang Steel approved the implementation of 25 environmental protection and renovation projects, with the planned investment amounting to RMB890 million. The existing environmental protection facilities of Angang Steel operated stably, and the exhaust gas emission met the discharge standards. The wastewater discharge by Chaoyang Iron and Steel and Bayuquan Iron & Steel Branch Company met the standard, and the Anshan plant has achieved zero discharge of wastewater in non-rainy periods.

### (3) Environmental impact assessment on construction projects and other administrative licenses for environmental protection

All new projects of Angang Steel have gone through environmental impact assessment procedures in accordance with the regulations, and environmental protection inspection and acceptance procedures have been carried out for all completed projects in accordance with the relevant requirements, and the implementation rate of the construction project environmental impact assessment system and environmental protection “three simultaneous” system reached 100%.

Angang Steel completed the renewal and change of emission and discharge permits, and has managed to discharge waste in compliance with permits and operate in accordance with the law.

# Environmental and Social Responsibilities (Continued)

## I. MAIN ENVIRONMENTAL INFORMATION (CONTINUED)

### (4) Emergency plan for environmental pollution accidents

Angang Steel has formulated and strictly implemented the Contingency Plan for Environmental Events, which is currently in effect.

### (5) Environmental protection self-monitoring plan

Angang Steel has formulated a plan on environment monitoring in accordance with the requirements in the discharge permit, and organized the monitoring.

### (6) Administrative penalty due to environmental issues during the Reporting Period

None.

### (7) Other environmental information that should be disclosed

None.

### (8) Other environmental related information

None.

## Environmental and Social Responsibilities (Continued)

### II. SOCIAL RESPONSIBILITY

The year 2021 is the 100th anniversary of the founding of the Communist Party of China and the first year of the “14th Five-Year” plan. The Company seriously implemented the important statements by General Secretary XI Jinping on consolidating the achievements in poverty alleviation and promoting rural revitalization. Staying true to its original aspiration and founding mission, the Company conscientiously performed its duties, implemented targeted poverty alleviation measures and continuously consolidated the achievements in poverty alleviation, to help to promote rural revitalization.

For 2021, we plan to provide RMB15.7 million of assistance funds, of which RMB15.3 million is for Ta County, Xinjiang and RMB400,000 is for Liaoning Province. In the first half of the year, RMB6.696 million of the assistance funds planned to be provided for Ta County, Xinjiang have been put into use for 4 support programs. We have helped solve practical problems in Ta County, Xinjiang through providing technical skills training for grassroots cadres and technicians, purchasing agricultural products, and sending cadres to Ta County, Xinjiang to offer assistance.

In the second half of 2021, RMB8.6 million of assistance funds will be appropriated to Ta County, Xinjiang and RMB400,000 of assistance funds will be appropriated to Liaoning Province, to carry out project construction and provide assistance through the way of consumption, i.e. purchase of agricultural products.

In May 2021, Angang Steel’s working group in Ta County, Xinjiang was honored as advanced collective in poverty alleviation in Xinjiang Uyghur Autonomous Region.

## I. THE UNDERTAKINGS PERFORMED BY DE FACTO CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED DURING THE REPORTING PERIOD

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Undertaking made during the restructuring of assets	Angang Holding	Non-competition undertakings	<p>The Non-competition Undertaking Letter of Anshan Iron &amp; Steel Group Complex《鞍山鋼鐵集團公司避免同業競爭承諾函》:</p> <p>(1) Angang Holding and its wholly-owned and controlled subsidiaries have complied with relevant requirements of the state on the non-competition.</p> <p>(2) Angang Holding and its wholly-owned and controlled subsidiaries have never engaged in any business which directly or indirectly competes with the iron and steel business, the principal business of the Company.</p> <p>(3) Angang Holding undertakes that the Company is entitled to the pre-emptive rights for the assets and business to be disposed by Angang Holding or the wholly-owned and controlled subsidiaries of Angang Holding under the same conditions, which are related to the iron and steel business of the Company.</p> <p>(4) If the enterprises in which Angang Holding holds equity interests produce products or engage in business which compete or may compete with the Company, Angang Holding undertakes that, at the request of the Company, it will transfer all the capital contribution, shares or equity interests it holds in such companies and grant the Company preemptive rights for such capital contribution, shares or equity interests under the same conditions.</p>	20 May 2007	Indefinite	There was no breach of such undertaking

**I. THE UNDERTAKINGS PERFORMED BY DE FACTO CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED DURING THE REPORTING PERIOD (CONTINUED)**

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
			<p>(5) If Angang Holding and its wholly-owned and controlled subsidiaries have assets and business which compete or may compete with the Company, when the Company proposes to purchase such assets and business, Angang Holding and its wholly-owned and controlled subsidiaries will transfer relevant assets and business to the Company with priority based on reasonable prices and conditions according to the processes required by laws.</p> <p>(6) During the effective period of the undertakings, on the premise of equal investment qualifications, Angang Holding shall inform the Company first of the opportunity of new business.</p> <p>If the Company accepts such opportunity of new business, Angang Holding shall transfer such new business to the Company for free. Angang Holding and its wholly-owned and controlled subsidiaries have the rights to invest in the new business only if the Company expressly refuses such opportunity.</p> <p>If the Company proposes to acquire such business in the future, Angang Holding and its wholly-owned and controlled subsidiaries still need to transfer the assets and business formed by such opportunities to the Company with priority based on reasonable prices and conditions.</p>			



# Significant Matters (Continued)

## I. THE UNDERTAKINGS PERFORMED BY DE FACTO CONTROLLERS, SHAREHOLDERS, CONNECTED PARTIES, OFFERORS AND THE COMPANY DURING THE REPORTING PERIOD AS WELL AS THE UNDERTAKINGS THAT THEY HAVE NOT YET PERFORMED DURING THE REPORTING PERIOD (CONTINUED)

Reason for Undertaking	Undertaking Party	Type of Undertaking	Details of Undertaking	Date of Undertaking	Period of Undertaking	Performance of Undertaking
Whether the commitment are fulfilled on time	Yes		<p>(7) Other effective measures to avoid and eliminate horizontal competition. The above undertakings do not limit the business of Angang Holding and its wholly-owned and controlled subsidiaries which do not compete with the Company, especially the business of provision of required materials or services necessary for the operation of the Company.</p> <p>All the undertakings made by Angang Holding are based on the national requirements and subject to the adjustments according to the national requirements. Angang Holding is eligible to engage in business not prohibited by the state. Such undertakings became effective from the date of issuance, and shall be terminated once one of following conditions occurs:</p> <ol style="list-style-type: none"> <li>(1) Angang Holding ceases to be the controlling shareholder of the Company;</li> <li>(2) The shares of the Company cease to be listed on any stock exchanges (except for temporary suspension of trading of the shares of the Company due to any reason);</li> <li>(3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically.</li> </ol> <p>Considering that Angang Holding does not have any iron and steel production projects already put into production which compete with the Company, therefore, the undertakings made in the undertaking letter shall prevail if any inconsistencies occur between such undertakings and all the undertakings made by Angang Holding concerning the competitions with the Company before the date of the issuance of the undertaking letter.</p>			

### **II. INFORMATION ON THE NON-OPERATING USE OF FUNDS OF THE COMPANY BY THE CONTROLLING SHAREHOLDER AND OTHER RELATED PARTIES**

During the Reporting Period, there was no non-operating use of funds of the Company by the controlling shareholder of the Company and other related parties.

### **III. INFORMATION ON ILLEGAL EXTERNAL GUARANTEES**

Applicable       Not applicable

During the Reporting Period, the Company had no illegal external guarantee.

### **IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM**

This interim report of the Company is unaudited.

### **V. EXPLANATION OF THE BOARD AND THE SUPERVISORY COMMITTEE REGARDING THE “NON-STANDARD AUDITOR’S REPORT” FOR THE REPORTING PERIOD ISSUED BY THE ACCOUNTING FIRM**

Applicable       Not applicable

### **VI. EXPLANATION OF THE BOARD REGARDING THE INFORMATION RELATING TO THE “NON-STANDARD AUDITOR’S REPORT” FOR THE PREVIOUS YEAR**

Applicable       Not applicable

### **VII. MATTERS RELATING TO INSOLVENCY AND RESTRUCTURING**

There was no matter relating to insolvency and restructuring during the Reporting Period.

# Significant Matters (Continued)

## VIII. LITIGATION

The Company was not involved in any material litigation and arbitration during the Reporting Period.

Other litigations

Basic information of the litigation (arbitration)	Amount involved in the Litigation (RMB'0,000)	Whether caused estimated liabilities or not	Progress of the litigation (arbitration)	Results of trial of litigation (arbitration) and effects thereof	Execution of judgment of the litigation (arbitration)	Disclosure date	Disclosure index
Non-material proceedings	118,945	-	Some of the cases which we won have entered the enforcement procedure, while other cases are still in court	-	Some of the cases are in the process of deductions and auction by the court	-	-
Non-material response to proceedings	12,117	-	Some of the cases were concluded in favour of the Company, while other cases are still in court	-	-	-	-

*Note:* The non-material proceedings were mainly the actions brought by the Company against certain financial companies and related liable entities on overdue bank acceptance bills.

## IX. PENALTY AND RECTIFICATIONS

The Company has not been subject to any material penalty and rectification during the Reporting Period.

## X. CREDIBILITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

Applicable  Not applicable

## Significant Matters (Continued)

### XI. MAJOR RELATED PARTY TRANSACTIONS

The related party transactions set out below fall within the definition relating to “Connected Transaction” or “Continuing Connected Transaction” under Chapter 14A of the Hong Kong Listing Rules. Relevant related party transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

#### 1. Related party transactions related to daily operations

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	5,500	12.13	28,697	No	In cash	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	5,469	12.06			In cash	-
Shanxi Wuchan International Energy Co., Ltd. (山西物產國際能源有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,912	4.22			In cash	-
Angang Scrap Steel Resources (Anshan) Co., Ltd. (鞍鋼廢鋼資源(鞍山)有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,661	3.66			In cash	-
Angang International Trade	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,630	3.59			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	568	1.26			In cash	-
Sub-total	-	-	Purchase main materials	-	-	16,741	36.92			-	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	318	100	450	No	In cash	-
Sub-total	-	-	Purchase steel products	-	-	318	100			-	-

# Significant Matters (Continued)

## XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

### 1. Related party transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	495	8.77	3,614	No	In cash	-
Angang Refractory Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	418	7.40			In cash	-
Angang Mining Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	110	1.95			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	506	8.96			In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	1,529	27.08			-	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	540	23.86	1,848	No	In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	23	1.02			In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	563	24.88			-	-
Delin Lugang (Anshan) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	495	9.31	6,168	No	In cash	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	476	8.95			In cash	-
Angang Group Energy-saving Technology Service Co., Ltd. (鞍鋼集團節能技術服務有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	353	6.64			In cash	-
Angang Construction Group Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	238	4.48			In cash	-
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	222	4.17			In cash	-

**XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)**
**1. Related party transactions related to daily operations (Continued)**

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	213	4.01	-	-	In cash	-
Angang Metal Structure Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	152	2.86	-	-	In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	1,032	19.40	-	-	In cash	-
Sub-total	-	-	Receive supporting services	-	-	3,181	59.82	-	-	-	-
Delin Land Port Supply Chain Service Co., Ltd. (德爾陸港供應鏈服務有限公司)	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	1,824	2.66	5,609	No	In cash	-
Angang International Trade	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	755	1.10	-	-	In cash	-
Angang Green Resources Technology Co., Ltd	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	322	0.47	-	-	In cash	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	641	0.94	-	-	In cash	-
Sub-total	-	-	Sales of products	-	-	3,542	5.17	-	-	-	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sell scrap steel material, abandoned material, minus sieve powder	Market principle	-	135	98.54	437	No	In cash	-
Sub-total	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	135	98.54	-	-	-	-
Angang Holding	Controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	-	325	21.87	2,240	No	In cash	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	-	193	12.99	-	-	In cash	-

# Significant Matters (Continued)

## XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

### 1. Related party transactions related to daily operations (Continued)

Connected party	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Connected transaction price	Connected transaction amount (RMB million)	As a percentage of the amount of similar transactions (%)	Approved transaction cap (RMB million)	Whether exceeding approved cap	Settlement method of connected transactions	Market price of available similar transactions
Sub-total	-	-	Provide comprehensive services	-	-	518	34.86	-	-	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interests	Market principle	-	11	37.93	50	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	3,479	-	3,500	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	3	0.94	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	5	100	120	No	In cash	-

Particulars on refund of bulk sale

-

Estimated total amount for continuing connected transactions to be conducted during the period and their actual implementing during the Reporting Period

During the Reporting Period, the total amount of the Company's daily connected transactions did not exceed the relevant caps applicable to such category as set out in the relevant daily connected transaction agreements approved at the general meeting and the estimated amounts of each type of daily connected transactions expected at the beginning of the year.

Reason for the large difference between transaction price and market reference price

-

Relevant explanation on connected transactions

As production in the iron and steel industry is on a continuous basis, Angang Group has been engaged in mining, supplying, processing and manufacturing of raw materials, auxiliary materials and energy and power, which is a part of the supply chain of the Company. In the meantime, its subsidiaries have a high technological level and service capabilities, which can provide necessary support services for production and operation of the Company. The Company would sell certain products, abandoned steel, abandoned materials and integrated services to Angang Group which is a client of the Company.

## XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

### 2. Related party transactions in relation to asset or equity acquisition or disposal

There was no related party transaction in relation to acquisition or disposal of assets or equity during the Reporting Period.

### 3. Related party transactions in relation to joint external investments

There was no related party transactions in relation to joint external investments during the Reporting Period.

### 4. Debts and obligations due from/owed to related parties

During the Reporting Period, the Company did not have any debts and obligations due from/owed to related parties incurred from non-operating activities.

### 5. Transactions with related financial companies and financial companies controlled by the Company

*Unit: RMB million*

Deposit business

Related party	Connected relationship	Maximum daily deposit limit	Deposit interest rate range	Opening balance	Amount incurred	Closing balance
Angang Financial Company	Controlled by the same controlling shareholder	3,500	1.725%	3,422	-	3,452



# Significant Matters (Continued)

## XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Transactions with connected financial companies and financial companies controlled by the Company (Continued)

Loan business

Related party	Connected relationship	Loan facility	Range of loan interest rate	Balance as at the beginning of the period	Amount	Balance as at the end of the period
Angang Financial Company	Controlled by the same controlling shareholder	4,000	3.48%	0	500	0

Credit extension or other financial business

Related party	Connected relationship	Type of business	Total amount	Actual amount
Angang Financial Company	Controlled by the same controlling shareholder	Credit extension	4,000	500

### XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

#### 6. Other major related party transactions

On 12 April 2021, the Resolution on Increase of Capital Contribution into Angang Energy Technology Co., Ltd.\* (“Energy Technology”) (《關於向鞍鋼能源科技有限公司以下簡稱“能源科技”增資的議案》) was approved at the forty-second meeting of the eighth session of the Board of the Company, pursuant to which, the Company and Angang Group Engineering Technology Development Co., Ltd. (“Angang Engineering”), the other shareholder of Energy Technology, will contribute additional capital of RMB100 million into Energy Technology in cash in proportion to their existing shareholding in Energy Technology, among which, the Company will contribute RMB60 million, and Angang Engineering will contribute RMB40 million. As of now, the matter has not been implemented yet. For details, please refer to the announcement of the Company dated 12 April 2021.

### XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

#### 1. Entrustment, contracting and leasing matters

##### (1) Entrustment

The Company and Angang Holding entered into the Asset and Business Entrustment and Management Service Agreement approved at the general meeting of the Company, which is the specific agreement for execution under the approved Supply of Materials and Services Agreement (2019–2021). Pursuant to the Asset and Business Entrustment and Management Service Agreement, Angang Holding authorized the Company to conduct daily operation and management over the assets, businesses, future assets and business expansion of its unlisted controlled subsidiaries.

During the Reporting Period, there was no entrusted project which generated profit of more than 10% of the gross profit of the Company for the Reporting Period.

## **XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)**

### **1. Entrustment, contracting and leasing matters (Continued)**

#### (2) Contracting

There was no contractual arrangement during the Reporting Period.

#### (3) Leasing

The Company used certain land assets of Angang Holding and its subsidiaries for its production and operation. Pursuant to the Land Lease Agreements entered into between the Company and relevant parties, the Company paid a land leasehold payment with reference to the market rates to Angang Holding and its subsidiaries, representing a total amount of RMB39 million in the first half of 2021.

During the Reporting Period, there was no lease which generated profit of more than 10% of the gross profit of the Company for the Reporting Period.

### **2. Material guarantee**

During the Reporting Period, there was no guarantee provided by the Company, nor was there any guarantee subsisting during the Reporting Period.

### **3. Entrusted wealth management**

During the Reporting Period, the Company did not have entrusted wealth management.

### **XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)**

#### **4. Material contracts in daily operation**

During the Reporting Period, the Company did not have material contracts in daily operation.

#### **5. Other material contracts**

During the Reporting Period, the Company did not have other material contracts.

### **XIII. EXPLANATION ON OTHER SIGNIFICANT MATTERS**

During the Reporting Period, there were no other significant matters need to be explained by the Company.

### **XIV. EXPLANATION ON SIGNIFICANT MATTERS OF SUBSIDIARIES**

Applicable       Not applicable

# Movements in Share Capital and Shareholding of Substantial Shareholders

## I. MOVEMENTS IN SHARES

### 1. Movements in Shares

As at 30 June 2021, the structure of share capital of the Company was as follows:

*Unit: Share*

	Before the change		Increase/decrease during the period (+/-)					After the change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Shares transferred from accumulated fund	Others	Sub-total	Number	Percentage (%)
<b>I. Shares subject to trading moratorium</b>	52,457,482	0.56	-	-	-	0	0	52,457,482	0.56
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	52,457,482	0.56	-	-	-	-	-	52,457,482	0.56
Including: shares held by domestic									
Legal persons	52,450,023	0.56	-	-	-	-46,800,000	-46,800,000	5,650,023	0.06
shares held by domestic									
natural persons	7,459	0.00	-	-	-	+46,800,000	+46,800,000	46,807,459	0.50
4. Foreign investment shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas									
legal persons	-	-	-	-	-	-	-	-	-
shares held by overseas									
natural persons	-	-	-	-	-	-	-	-	-
<b>II. Shares not subject to trading moratorium</b>	9,352,792,719	99.44	-	-	-	-	-	9,352,792,719	99.44
1. Renminbi ordinary shares	7,941,252,719	84.43	-	-	-	-	-	7,941,252,719	84.43
2. Domestically listed foreign investment shares	-	-	-	-	-	-	-	-	-
3. Overseas listed foreign investment shares	1,411,540,000	15.01	-	-	-	-	-	1,411,540,000	15.01
4. Others	-	-	-	-	-	-	-	-	-
<b>III. Total shares</b>	<b>9,405,250,201</b>	<b>100.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>0</b>	<b>9,405,250,201</b>	<b>100.00</b>

## I. MOVEMENTS IN SHARES (CONTINUED)

### 1. Movements in Shares (Continued)

*Notes:*

- (1) Reasons for movement in share capital:

On 27 January 2021, the Company completed the registration of the first grant under the restricted share incentive scheme. 46,800,000 restricted shares were granted to 174 incentive participants. Upon the completion of the first grant, there remained 5,650,023 A treasury shares in the special account of the Company designated for repurchase. As a result, the shareholding by domestic legal persons and domestic natural persons in the shares subject to trading moratorium have changed.

- (2) Approval of movement in share capital:

On 31 December 2020, the Resolution on the 2020 Restricted Share Incentive Scheme of Angang Steel Company Limited\* (Draft) and Its Summary (《關於鞍鋼股份有限公司2020年限制性股票激勵計劃(草案)及其摘要的議案》) and other relevant resolutions were approved at the 2020 third extraordinary general meeting of the Company.

On 8 January 2021, the Resolution on the First Grant of the Restricted Shares to Incentive Participants (《關於向激勵對象首次授予限制性股票的議案》) was approved at the thirty-eighth meeting of the eighth session of the Board of the Company.

- (3) Impact of movement in share capital on the basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the Company in the latest year:

Applicable                      ✓ Not applicable

# Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

## I. MOVEMENTS IN SHARES (CONTINUED)

### 2. Changes in shares subject to trading moratorium

*Unit: Share*

Name of Shareholder	Shares subject to trading moratorium at the beginning of the period	Increase in shares subject to trading moratorium during the period	Decrease in shares subject to trading moratorium during the period	Shares subject to trading moratorium at the end of the period	Reason for the trading moratorium	Date of release of the trading moratorium
Incentive participants of restricted shares	0	46,800,000	-	46,800,000	Being granted restricted A shares	-
Angang Steel	52,450,023	-	46,800,000	5,650,023	Granting restricted A shares	-
Total	52,450,023	46,800,000	46,800,000	52,450,023	-	-

## II. ISSUANCE AND LISTING OF SECURITIES

Applicable       Not applicable

## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY

*Unit: Share*

The total number of ordinary shareholders of the Company as at the end of the Reporting Period 107,404 of which 463 were holders of H shares

Details of shareholders holding more than 5% of ordinary shares or top ten shareholders holding ordinary shares

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares held as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of ordinary shares held not subject to trading moratorium	Shares pledged or frozen	
							Status of shares	Number
Anshan Iron & Steel Group Co. Ltd.	State-owned legal person	53.33%	5,016,111,529	0	-	5,016,111,529	-	-
HKSCC (Nominees) Limited	Overseas Legal person	14.87%	1,398,252,786	1,653,074	-	1,398,252,786	-	-
China National Petroleum Corporation	State-owned legal person	8.98%	845,000,000	0	-	845,000,000	-	-
Power Construction Corporation of China	State-owned legal person	3.12%	293,777,290	-174,222,710	-	293,777,290	-	-
Hong Kong Securities Clearing Company Limited	Overseas Legal person	2.96%	278,546,235	84,174,964	-	278,546,235	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	1.00%	94,348,670	0	-	94,348,670	-	-
Fang Wei (方威)	Domestic natural person	0.72%	67,461,522	67,461,522	-	67,461,522	-	-
Liao Qiang (廖强)	Domestic natural person	0.21%	20,083,000	-1,607,979	-	20,083,000	-	-
National Social Security Fund combination 116	Other	0.15%	14,074,200	14,074,200	-	14,074,200	-	-



## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Name of shareholder	Nature of shareholder	Percentage of shareholding (%)	Number of ordinary shares held as at the end of the Reporting Period	Increase/decrease during the Reporting Period	Number of ordinary shares held subject to trading moratorium	Number of ordinary shares held not subject to trading moratorium	Status of shares	Shares pledged or frozen
Shanghai Ding Feng Hon Ren Asset Management Co., Ltd. (上海鼎鋒弘人資產管理有限公司) – Hongren Jiaxin Huacheng No. 3 Private Equity Investment Fund (弘人嘉信華誠3號私募證券投資基金)	Other	0.15%	13,884,400	13,884,400	–	13,884,400	–	–

Explanations on the connected relationship or acting in concert among the shareholders mentioned above

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

Explanation on above shareholders' entrusting/ being entrusted with and waiver of voting right

–

## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Top ten shareholders holding ordinary shares not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium as at the end of the Reporting Period	Type of share	
		Type of share	Number
Anshan Iron & Steel Group Co. Ltd.	5,016,111,529	Renminbi ordinary shares	5,016,111,529
HKSCC (Nominees) Limited	1,398,252,786	Overseas listed foreign shares	1,398,252,786
China National Petroleum Corporation	845,000,000	Renminbi ordinary shares	845,000,000
Power Construction Corporation of China	293,777,290	Renminbi ordinary shares	293,777,290
Hong Kong Securities Clearing Company Limited	278,546,235	Renminbi ordinary shares	278,546,235
Central Huijin Asset Management Ltd.	94,348,670	Renminbi ordinary shares	94,348,670
Fang Wei (方威)	67,461,522	Renminbi ordinary shares	67,461,522
Liao Qiang (廖強)	20,083,000	Renminbi ordinary shares	20,083,000
National Social Security Fund combination 116	14,074,200	Renminbi ordinary shares	14,074,200
Shanghai Ding Feng Hon Ren Asset Management Co., Ltd. (上海鼎鋒弘人資產管理有限公司) – Hongren Jiaxin Huacheng No. 3 Private Equity Investment Fund (弘人嘉信華誠3號私募證券投資基金)	13,884,400	Renminbi ordinary shares	13,884,400

### III. NUMBER OF SHAREHOLDERS AND DETAILS OF SHAREHOLDING OF THE COMPANY (CONTINUED)

Explanations on the connected relationship or acting in concert among the top ten shareholders not subject to trading moratorium, and the top ten shareholders not subject to trading moratorium and the top 10 shareholders

The Company is not aware of any connected relationship among the above-mentioned shareholders of the Company or any party acting in concert as provided in the Procedures for the Administration of Information Disclosure for Changes in Shareholdings of the Shareholders of Listed Companies.

Description of top ten shareholders holding ordinary shares to participate in financing business (if any)

Among the top ten shareholders, Liao Qiang held 20,082,854 shares through an investor credit securities account, and held 146 shares through an ordinary securities account.

The top ten shareholders holding ordinary shares and the top ten shareholders holding of ordinary shares not subject to trading moratorium of the Company did not conduct any agreed repurchase transactions during the Reporting Period.

## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### IV. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

✓ Applicable       Not applicable

*Unit: Share*

Name	Position	Current status of position	No. of shares held at the beginning of the Reporting Period	No. of shares increased in the Reporting Period	No. of shares reduced in the Reporting Period	No. of shares held at the end of the Reporting Period	No. of restricted shares granted at the beginning of the Reporting Period	No. of restricted shares granted in the Reporting Period	No. of restricted shares granted at the end of the Reporting Period
Wang Yidong	Chairman and Executive Director	In office	9,945	-	-	9,945	-	-	-
Li Zhen	Executive Director and General Manager	In office	-	500,000	-	500,000	-	500,000	500,000
Li Zhongwu	Executive Director and Deputy General Manager	In office	-	450,000	-	450,000	-	450,000	450,000
Wang Baojun	Executive Director, Deputy General Manager and Chief Accountant, Joint Secretary to the Board (Joint Company Secretary)	In office	-	-	-	-	-	-	-

## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### IV. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name	Position	Current status of position	No. of shares held at the beginning of the Reporting Period	No. of shares increased in the Reporting Period	No. of shares reduced in the Reporting Period	No. of shares held at the end of the Reporting Period	No. of restricted shares granted at the beginning of the Reporting Period	No. of restricted shares granted in the Reporting Period	No. of restricted shares granted at the end of the Reporting Period
Feng Changli	Independent Non-executive Director	In office	-	-	-	-	-	-	-
Wang Jianhua	Independent Non-executive Director	In office	-	-	-	-	-	-	-
Wang Wanglin	Independent Non-executive Director	In office	-	-	-	-	-	-	-
Zhu Keshi	Independent Non-executive Director	In office	-	-	-	-	-	-	-
Mu Tiejian	Chairman of the Supervisory Committee, Supervisor	In office	-	-	-	-	-	-	-
Shen Changchun	Supervisor	In office	-	-	-	-	-	-	-
Yang Zhengwen	Supervisor	In office	-	-	-	-	-	-	-
Meng Jingsong	Deputy General Manager	In office	-	450,000	-	450,000	-	450,000	450,000
Xiao Mingfu	Deputy General Manager	In office	-	450,000	-	450,000	-	450,000	450,000

## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### IV. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name	Position	Current status of position	No. of shares held at the beginning of the Reporting Period	No. of shares increased in the Reporting Period	No. of shares reduced in the Reporting Period	No. of shares held at the end of the Reporting Period	No. of restricted shares granted at the beginning of the Reporting Period	No. of restricted shares granted in the Reporting Period	No. of restricted shares granted at the end of the Reporting Period
Zhang Hongjun	Deputy General Manager	In office	-	400,000	-	400,000	-	400,000	400,000
Chen Chun	Joint Secretary to the Board (Joint Company Secretary)	In office	-	-	-	-	-	-	-
Ma Lianyong	Executive Director, Deputy General Manager and Chief Accountant, Joint Secretary to the Board (Joint Company Secretary)	Resigned	-	-	-	-	-	-	-
Yuan Peng	Supervisor	Resigned	-	-	-	-	-	-	-
Liu Jie	Deputy General Manager	Resigned	-	450,000	-	450,000	-	450,000	450,000
Li Wenbing	Supervisor	Resigned	-	-	-	-	-	-	-
Total	-	-	9,945	2,700,000	-	2,709,945	-	2,700,000	2,700,000

*Note:* All the shares held by the persons above were A shares of the Company and were held by them in their capacity as individual beneficial owners.

#### **IV. CHANGES IN THE SHARES HELD BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)**

##### **Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company Held by Directors, Supervisors and Senior Management**

Save as disclosed above, as at 30 June 2021, none of the Directors, Supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept under Section 352 of the SFO, or which were otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules.

#### **V. CHANGE TO CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLER**

During the Reporting Period, there was no change to the controlling shareholder or the de facto controller of the Company.

#### **VI. SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

Save as disclosed below, as at 30 June 2021, no parties (other than Directors, Supervisors and senior management of the Company) had any interest or short position in the shares and underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO:

## Movements in Share Capital and Shareholding of Substantial Shareholders (Continued)

### VI. SUBSTANTIAL SHAREHOLDERS AND OTHER PARTIES' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY (CONTINUED)

Interests in ordinary shares of the Company

Name of shareholder	Number and class of shares held (shares)	Percentage of total share capital (%)	Percentage of total H shares in issue (%)	Percentage	Capacity
				of total domestic shares in issue (%)	
Anshan Iron & Steel Group Co. Ltd.	5,016,111,529 shares State-owned shares	53.33%	–	62.75%	Beneficial owner
HKSCC (Nominees) Limited	1,398,252,786 shares H shares	14.87%	99.06%	–	Nominee
China National Petroleum Corporation	845,000,000 shares A shares	8.98%	–	10.57%	Beneficial owner



## Relevant Information on Bonds

### I. COMPANY BONDS

Applicable      ✓ Not applicable

During the Reporting Period, the Company did not have company bonds.

### II. CORPORATE BONDS

Applicable      ✓ Not applicable

During the Reporting Period, the Company did not have corporate bonds.

### III. NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

Applicable      ✓ Not applicable

During the Reporting Period, the Company did not have non-financial enterprise debt financing instruments.

### IV. A SHARE CONVERTIBLE DEBENTURES

Applicable      ✓ Not applicable

During the Reporting Period, the Company did not have A share convertible debentures.

**V. H SHARE CONVERTIBLE BONDS**

The Company issued HK\$1.85 billion of zero coupon H share convertible bonds on the Hong Kong Stock Exchange on 25 May 2018. The convertible bonds have been listed and dealt in on the Hong Kong Stock Exchange on 28 May, 2018 and will expire on 25 May 2023. In accordance with the relevant terms of the issuance of the bonds and the requirements of the bondholders, the Company redeemed the bonds with a principal amount of HK\$32 million on 25 May 2021 with HK\$32,726,720 in cash. As of now, the principal of the Company's outstanding bonds is HK\$1,818 million. After the Company implemented the profit distributions for 2017, 2018, 2019 and 2020, the conversion price of the convertible bonds has been adjusted from the original HK\$9.20 per H share to HK\$6.46 per H share. As of 30 June 2021, no conversion of such convertible bonds has taken place.

The operation of the Company is currently in good condition, with sufficient liquidity and sounding debt solvency. The Company has the ability to perform bond redemption obligations as agreed.

**VI. LOSSES IN THE SCOPE OF CONSOLIDATED STATEMENTS DURING THE REPORTING PERIOD EXCEEDING 10% OF NETS ASSETS AS AT THE END OF THE PREVIOUS YEAR**

Applicable

Not applicable

## Relevant Information on Bonds (Continued)

### VII. PRINCIPAL ACCOUNTING FIGURES AND FINANCIAL INDICATORS OF THE COMPANY FOR THE PAST TWO YEARS AS AT THE END OF THE REPORTING PERIOD

Item	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared with the end of the previous year
Current ratio	<b>1.07</b>	0.83	0.24
Gearing ratio			Decreased by 2.72 percentage points
	<b>36.11%</b>	38.83%	
Quick ratio	<b>0.59</b>	0.45	0.14
			Increase/decrease for the Reporting Period as compared with the corresponding period of the previous year
Net profit attributable to the shareholders of the Company after deduction of non-recurring gains or losses items (RMB million)	<b>5,260</b>	472	1,014.41%
EBITDA to total debts ratio	<b>0.27</b>	0.09	0.18
Interest coverage ratio	<b>20.78</b>	2.30	18.48
Cash interest coverage ratio	<b>47.84</b>	12.86	34.97
EBITDA interest coverage ratio	<b>26.60</b>	6.36	20.24
Loan payment ratio	<b>1</b>	1	-
Interest payment ratio	<b>19.78</b>	1.30	18.48

## Consolidated Balance Sheet

As at 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2021	31 December 2020
<b>Current assets:</b>			
Cash and cash equivalents	VI. 1	7,191	5,329
Derivative financial assets	VI. 2	10	
Notes receivable	VI. 3	21	63
Accounts receivable	VI. 4	2,619	2,593
Receivables financing	VI. 5	1,078	1,009
Prepayments	VI. 6	3,517	3,117
Other receivables	VI. 7	128	56
Including: Interest receivable	VI. 7		
Dividends receivable	VI. 7		
Inventories	VI. 8	12,196	10,618
Other current assets	VI. 9	325	231
<b>Total current assets</b>		<b>27,085</b>	23,016
<b>Non-current assets:</b>			
Long-term equity investments	VI. 10	3,068	2,965
Other investments in equity instruments	VI. 11	498	476
Other non-current financial assets	VI. 12	28	34
Fixed assets	VI. 13	49,008	50,372
Construction in progress	VI. 14	2,620	1,814
Right-of-use assets	VI. 15	756	822
Intangible assets	VI. 16	5,901	5,988
Deferred tax assets	VI. 17	932	1,369
Other non-current assets	VI. 18	1,405	1,190
<b>Total non-current assets</b>		<b>64,216</b>	65,030
<b>Total assets</b>		<b>91,301</b>	88,046

Legal representative:  
**Wang Yidong**

Chief accountant:  
**Wang Baojun**

Person-in-charge of  
accounting department:  
**Qin Lianyu**

# Financial Report (Continued)

## Consolidated Balance Sheet (Continued)

As at 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2021	31 December 2020
<b>Current liabilities:</b>			
Short-term borrowings	VI. 19	<b>2,205</b>	8,505
Derivative financial liabilities	VI. 20	<b>38</b>	43
Notes payable	VI. 21	<b>4,052</b>	2,620
Accounts payable	VI. 22	<b>7,975</b>	7,939
Contract liabilities	VI. 23	<b>6,768</b>	5,611
Employee benefits payable	VI. 24	<b>347</b>	228
Taxes payable	VI. 25	<b>574</b>	387
Other payables	VI. 26	<b>2,530</b>	1,960
Including: Interest payable	VI. 26	<b>7</b>	15
Dividends payable	VI. 26		
Non-current liabilities due within 1 year	VI. 27	<b>910</b>	409
<b>Total current liabilities</b>		<b>25,399</b>	27,702
<b>Non-current liabilities:</b>			
Long-term borrowings	VI. 28	<b>4,650</b>	3,478
Bonds payable	VI. 29	<b>1,460</b>	1,476
Lease liabilities	VI. 30	<b>508</b>	665
Long-term employee benefits payable	VI. 31	<b>125</b>	125
Deferred income	VI. 32	<b>578</b>	595
Deferred tax liabilities	VI. 17	<b>117</b>	112
Other non-current liabilities	VI. 33	<b>133</b>	35
<b>Total non-current liabilities</b>		<b>7,571</b>	6,486
<b>Total liabilities</b>		<b>32,970</b>	34,188

# Financial Report (Continued)

## Consolidated Balance Sheet (Continued)

As at 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2021	31 December 2020
<b>Shareholders' equity:</b>			
Share capital	VI. 34	<b>9,405</b>	9,405
Capital reserve	VI. 35	<b>33,423</b>	33,485
Less: Treasury shares	VI. 36	<b>104</b>	166
Other comprehensive income	VI. 37	<b>(67)</b>	(80)
Special reserves	VI. 38	<b>123</b>	74
Surplus reserves	VI. 39	<b>3,849</b>	3,849
Retained earnings	VI. 40	<b>11,191</b>	6,798
<b>Total shareholders' equity attributable to the parent company</b>			
		<b>57,820</b>	53,365
<b>Non-controlling interest</b>			
		<b>511</b>	493
<b>Total shareholders' equity</b>			
		<b>58,331</b>	53,858
<b>Total liabilities and shareholders' equity</b>			
		<b>91,301</b>	88,046

Legal representative:  
**Wang Yidong**

Chief accountant:  
**Wang Baojun**

Person-in-charge of  
accounting department:  
**Qin Lianyu**

# Financial Report (Continued)

## Consolidated Income Statement

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>I. Total operating revenue</b>		<b>72,551</b>	44,650
Including: Operating revenue	VI. 41	<b>72,551</b>	44,650
<b>II. Total operating costs</b>		<b>66,088</b>	44,003
Including: Operating costs	VI. 41	<b>63,827</b>	42,038
Taxes and surcharges	VI. 42	<b>573</b>	479
Selling expenses	VI. 43	<b>327</b>	237
Administrative expenses	VI. 44	<b>754</b>	592
Research and development expenses	VI. 45	<b>291</b>	155
Financial expenses	VI. 46	<b>316</b>	502
Including: Interest expense	VI. 46	<b>337</b>	474
Interest income	VI. 46	<b>28</b>	25
Add: Other income	VI. 47	<b>21</b>	29
Investment income (Losses are marked with "-")	VI. 48	<b>206</b>	88
Including: Investment income from associates and joint ventures	VI. 48	<b>205</b>	85
Income from changes in fair value (Losses are marked with "-")	VI. 49	<b>(104)</b>	31
Impairment losses on assets (Losses are marked with "-")	VI. 50	<b>178</b>	(156)
Credit impairment loss (Losses are marked with "-")	VI. 51	<b>(74)</b>	
Gain on disposal of assets (Losses are marked with "-")	VI. 52	<b>1</b>	

# Financial Report (Continued)

## Consolidated Income Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>III. Operating profits</b>			
<b>(Losses are marked with “-”)</b>		<b>6,691</b>	639
Add: Non-operating revenue	VI. 53	<b>8</b>	21
Less: Non-operating expenses	VI. 54	<b>30</b>	42
<b>IV. Total profits (Total losses are marked with “-”)</b>		<b>6,669</b>	618
Less: Income tax expenses	VI. 55	<b>1,469</b>	115
<b>V. Net profits (Net losses are marked with “-”)</b>		<b>5,200</b>	503
(I) Classified by continuity of operations			
1. Net profits from continuing operations		<b>5,200</b>	503
2. Net profits of discontinuing operations			
(II) Classified by the attribution of ownership			
1. Net profits attributable to the owner of parent company		<b>5,183</b>	500
2. Minority gains and losses		<b>17</b>	3



# Financial Report (Continued)

## Consolidated Income Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>VI. The net amount after tax of other comprehensive income</b>	VI. 56	<b>13</b>	13
The net after-tax value of other comprehensive income attributable to the owner of parent company	VI. 56	<b>13</b>	13
(I) The other comprehensive income which cannot be reclassified into profit or loss	VI. 56	<b>14</b>	13
1. Changes in fair value of other investments in equity instrument	VI. 56	<b>14</b>	13
(II) The other comprehensive income which can be classified into profit or loss		<b>(1)</b>	
1. Other comprehensive income converted into profit or loss under the equity method		<b>(1)</b>	
Net other comprehensive income attributable to minority shareholders after tax			

# Financial Report (Continued)

## Consolidated Income Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>VII. Total comprehensive income</b>		<b>5,213</b>	516
Total comprehensive income attributable to shareholders of the parent company		<b>5,196</b>	513
Total comprehensive income attributable to minority shareholders		<b>17</b>	3
<b>VIII. Earnings per share:</b>			
(I) Basic earnings per share (RMB/share)	XIX. 2	<b>0.551</b>	0.053
(II) Diluted earnings per share (RMB/share)	XIX. 2	<b>0.546</b>	0.053

Legal representative:  
**Wang Yidong**

Chief accountant:  
**Wang Baojun**

Person-in-charge of  
accounting department:  
**Qin Lianyu**

# Financial Report (Continued)

## Consolidated Cash Flow Statement

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>I. Cash flows from operating activities</b>			
Cash received from selling of goods or rendering of services		<b>75,326</b>	45,755
Refund of taxes and fares		<b>11</b>	11
Cash received related to other operating activities	VI. 57	<b>75</b>	52
<b>Subtotal of cash inflow from operating activities</b>		<b>75,412</b>	45,818
Cash paid for the purchase of goods and services		<b>59,559</b>	35,760
Cash paid to and for employees		<b>2,501</b>	2,000
Taxes paid		<b>2,613</b>	1,242
Cash paid related to other operating activities	VI. 57	<b>2,100</b>	2,037
<b>Subtotal of cash outflows from operating activities</b>		<b>66,773</b>	41,039
<b>Net cash flow from operating activities</b>	VI. 58	<b>8,639</b>	4,779

# Financial Report (Continued)

## Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>II. Cash flows from investment activities</b>			
Cash received from return of investments			
Cash received from investment income		102	80
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		15	6
Cash received related to other investing activities	VI. 57	139	36
<b>Subtotal of cash inflow from investing activities</b>		<b>256</b>	122
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets		1,309	1,378
Cash paid for investment		5	14
Cash paid related to other investing activities	VI. 57	115	10
<b>Subtotal of cash outflows from investing activities</b>		<b>1,429</b>	1,402
<b>Net cash flow from investing activities</b>		<b>(1,173)</b>	(1,280)

# Financial Report (Continued)

## Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>III. Cash flows from financing activities</b>			
Cash received from investments			5
Including: Cash received from minority shareholders' investment by the subsidiary			5
Cash received from obtaining loans		<b>4,475</b>	12,155
Cash received relating to other financing activities	VI. 57	<b>86</b>	
<b>Subtotal cash inflows from financing activities</b>		<b>4,561</b>	12,160
Payment of debt in cash		<b>9,129</b>	11,599
Cash paid in dividends, profits or interest payments		<b>993</b>	936
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Cash paid in connection with other financing activities	VI. 57	<b>43</b>	42
<b>Subtotal cash outflows from financing activities</b>		<b>10,165</b>	12,577
<b>Net cash flows from financing activities</b>		<b>(5,604)</b>	(417)

# Financial Report (Continued)

## Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>	VI. 58	<b>1,862</b>	3,082
Add: Balance of cash and cash equivalents at the beginning of the period	VI. 58	<b>5,329</b>	4,671
<b>VI. Balance of cash and cash equivalents at the end of the period</b>	VI. 58	<b>7,191</b>	7,753

Legal representative:  
**Wang Yidong**

Chief accountant:  
**Wang Baojun**

Person-in-charge of  
accounting department:  
**Qin Lianyu**

# Financial Report (Continued)

## Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Current period									
	Shareholders' equity attributable to the parent company						General risk reserve	Retained earnings	Non-controlling interest	Total shareholders' equity
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve				
<b>I. Closing balance of prior year</b>	9,405	33,485	166	(80)	74	3,849		6,798	493	53,858
Add: Changes of accounting policy										
Business combination under common control										
Others										
<b>II. Opening balance of current period</b>	9,405	33,485	166	(80)	74	3,849		6,798	493	53,858
<b>III. Increase/decrease in the current period</b>										
<b>(Loss is marked with "-")</b>		(62)	(62)	13	49			4,393	18	4,473
(I) Total comprehensive income				13	49			5,183	17	5,213
(II) Capital introduced or withdrawn by shareholders		(62)	(62)							
1. Capital introduced by shareholders		(62)								(62)
2. Capital introduced by other holders in equity instrument investments										
3. Others			(62)							62
(III) Profit distribution								(790)		(790)
1. Withdrawal of surplus reserves										
2. Distribution to shareholders								(790)		(790)
3. Others										
(IV) Transfer within shareholders' equity										
1. Transfer from capital reserve to share capital										
2. Transfer from surplus reserve to share capital										
3. Making up losses with surplus reserve										
4. Transfer from other comprehensive income to retained earnings										
5. Others										
(V) Special reserve					49				1	50
1. Extracts of the current period					89				2	91
2. Usage of the current period					(40)				(1)	(41)
<b>IV. Closing balance of current period</b>	9,405	33,423	104	(67)	123	3,849		11,191	511	58,331

Legal representative:  
**Wang Yidong**

Chief accountant:  
**Wang Baojun**

Person-in-charge of  
accounting department:  
**Qin Lianyu**

# Financial Report (Continued)

## Consolidated Statement of Changes in Equity (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Prior year											
	Shareholders' equity attributable to the parent company										Non-controlling interest	Total shareholders' equity
	Share capital	Capital reserve	Treasury stock	Less: comprehensive income	Other	Special reserve	Surplus reserve	General risk reserve	Retained earnings			
<b>I. Closing balance of prior year</b>	9,405	33,485		(139)	54	3,723			5,551	469	52,548	
Add: Changes of accounting policy												
Business combination under common control												
Others												
<b>II. Opening balance of current year</b>	9,405	33,485		(139)	54	3,723			5,551	469	52,548	
<b>III. Increase/decrease in the current year</b>												
<b>(Loss is marked with "-")</b>			166	59	20	126		1,247	24	1,310		
(I) Total comprehensive income				(10)				1,978	18	1,986		
(II) Capital introduced or withdrawn by shareholders			166						5	(161)		
1. Capital introduced by shareholders									5	5		
2. Capital introduced by other holders in equity instrument investments												
3. Others			166								(166)	
(III) Profit distribution						126		(662)	(1)	(537)		
1. Withdrawal of surplus reserves						126		(126)				
2. Distribution to shareholders								(536)	(1)	(537)		
3. Others												
(IV) Transfer within shareholders' equity				69				(69)				
1. Transfer from capital reserve to share capital												
2. Transfer from surplus reserve to share capital												
3. Making up losses with surplus reserve												
4. Transfer from other comprehensive income to retained earnings				69				(69)				
5. Others												
(V) Special reserve					20				2	22		
1. Extracts of the current year					189				4	193		
2. Usage of the current year					(169)				(2)	(171)		
<b>IV. Closing balance of current year</b>	9,405	33,485	166	(80)	74	3,849		6,798	493	53,858		

Legal representative:  
**Wang Yidong**

Chief accountant:  
**Wang Baojun**

Person-in-charge of  
accounting department:  
**Qin Lianyu**



# Financial Report (Continued)

## Parent Company Balance Sheet

As at 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2021	31 December 2020
<b>Current assets:</b>			
Cash and cash equivalents		4,062	1,586
Derivative financial assets		10	
Notes receivable		4	46
Accounts receivable	XVI. 1	3,172	2,567
Receivables financing		776	716
Prepayments		2,969	2,927
Other receivables	XVI. 2	174	102
Including: Interest receivable	XVI. 2		
Dividends receivable	XVI. 2		
Inventories		8,735	8,263
Other current assets		250	304
<b>Total current assets</b>		<b>20,152</b>	16,511
<b>Non-current assets:</b>			
Long-term equity investments	XVI. 3	12,716	12,612
Other investments in equity instruments		498	476
Other non-current financial assets		28	34
Fixed assets		41,979	43,292
Construction in progress		2,387	1,529
Right-of-use assets		745	808
Intangible assets		5,479	5,561
Deferred tax assets		770	1,277
Other non-current assets		1,376	1,124
<b>Total non-current assets</b>		<b>65,978</b>	66,713
<b>Total assets</b>		<b>86,130</b>	83,224

Legal representative:

**Wang Yidong**

Chief accountant:

**Wang Baojun**

Person-in-charge of  
accounting department:

**Qin Lianyu**

# Financial Report (Continued)

## Parent Company Balance Sheet (Continued)

As at 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2021	31 December 2020
<b>Current liabilities:</b>			
Short-term borrowings		2,200	8,505
Derivative financial liabilities		38	43
Notes payable		3,843	2,519
Accounts payable		6,897	7,240
Contract liabilities		5,404	4,995
Employee benefits payable		234	176
Taxes payable		383	180
Other payables		3,251	1,732
Including: Interest payable		5	12
Dividends payable			
Non-current liabilities due within 1 year		800	300
<b>Total current liabilities</b>		<b>23,050</b>	25,690
<b>Non-current liabilities:</b>			
Long-term borrowings		4,600	3,350
Bonds payable		1,460	1,476
Lease liabilities		499	652
Long-term employee benefits payable		122	122
Deferred income		448	463
Deferred tax liabilities		117	112
Other non-current liabilities		133	35
<b>Total non-current liabilities</b>		<b>7,379</b>	6,210
<b>Total liabilities</b>		<b>30,429</b>	31,900

# Financial Report (Continued)

## Parent Company Balance Sheet (Continued)

As at 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2021	31 December 2020
<b>Shareholders' equity:</b>			
Share capital		9,405	9,405
Capital reserve		26,465	26,527
Less: Treasury shares		104	166
Other comprehensive income		(67)	(80)
Special reserves		69	25
Surplus reserves		3,839	3,839
Retained earnings		16,094	11,774
<b>Total shareholders' equity attributable to the parent company</b>		<b>55,701</b>	51,324
<b>Non-controlling interest</b>			
<b>Total shareholders' equity</b>		<b>55,701</b>	51,324
<b>Total liabilities and shareholders' equity</b>		<b>86,130</b>	83,224

Legal representative:

**Wang Yidong**

Chief accountant:

**Wang Baojun**

Person-in-charge of  
accounting department:

**Qin Lianyu**

# Financial Report (Continued)

## Parent Company Income Statement

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>I. Total operating revenue</b>		<b>65,248</b>	41,547
Including: Operating revenue	XVI. 4	<b>65,248</b>	41,547
<b>II. Total operating costs</b>		<b>60,281</b>	41,435
Including: Operating costs	XVI. 4	<b>58,303</b>	39,657
Taxes and surcharges		<b>475</b>	414
Selling expenses		<b>277</b>	207
Administrative expenses		<b>645</b>	512
Research and development expenses		<b>268</b>	150
Financial expenses		<b>313</b>	495
Including: Interest expenses		<b>323</b>	461
Interest income		<b>17</b>	18
Add: Other income		<b>18</b>	24
Investment income (Losses are marked with "-")	XVI. 5	<b>1,260</b>	91
Including: Investment income from associates and joint ventures	XVI. 5	<b>205</b>	84
Income from changes in fair value (Losses are marked with "-")		<b>(104)</b>	31
Impairment losses on assets (Losses are marked with "-")		<b>175</b>	(155)
Credit impairment loss (Losses are marked with "-")		<b>(75)</b>	
Gain on disposal of assets (Losses are marked with "-")		<b>1</b>	

# Financial Report (Continued)

## Parent Company Income Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>III. Operating profit</b>			
<b>(Losses are marked with "-")</b>		<b>6,242</b>	103
Add: Non-operating revenue		<b>5</b>	20
Less: Non-operating expenses		<b>30</b>	42
<b>IV. Total profits</b>			
<b>(Total losses are marked with "-")</b>		<b>6,217</b>	81
Less: Income tax expenses		<b>1,107</b>	3
<b>V. Net profits</b>			
<b>(Net losses are marked with "-")</b>		<b>5,110</b>	78
(I) Classified by continuity of operations			
1. Net profits from continuing operations		<b>5,110</b>	78
2. Net profits of discontinuing operations			
(II) Classified by the attribution of ownership			
1. Net profits attributable to the owner of parent company		<b>5,110</b>	78
2. Non-controlling gains and losses			

# Financial Report (Continued)

## Parent Company Income Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>VI. The net amount after tax of other comprehensive income</b>		<b>13</b>	13
The net after-tax value of other comprehensive income attributable to the owner of parent company		<b>13</b>	13
(I) The other comprehensive income which cannot be reclassified into profit or loss		<b>14</b>	13
1.Changes in fair value of other investments in equity instrument		<b>14</b>	13
(II) The other comprehensive income which can be classified into profit or loss		<b>(1)</b>	
1.Other comprehensive income converted into profit or loss under the equity method		<b>(1)</b>	
Net other comprehensive income attributable to minority shareholders after tax			

# Financial Report (Continued)

## Parent Company Income Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>VII. Total comprehensive income</b>		<b>5,123</b>	91
Total comprehensive income attributable to shareholders of the parent company		<b>5,123</b>	91
Total comprehensive income attributable to minority shareholders			

Legal representative:

**Wang Yidong**

Chief accountant:

**Wang Baojun**

Person-in-charge of  
accounting department:

**Qin Lianyu**

# Financial Report (Continued)

## Parent Company Cash Flow Statement

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>I. Cash flows from operating activities:</b>			
Cash received from selling of goods or rendering of services		<b>66,672</b>	42,585
Refund of taxes and fares		<b>7</b>	
Cash received related to other operating activities		<b>47</b>	80
<b>Subtotal of cash inflow from operating activities</b>		<b>66,726</b>	42,665
Cash paid for the purchase of goods and services		<b>53,254</b>	33,499
Cash paid to and for employees		<b>2,130</b>	1,733
Taxes paid		<b>1,745</b>	1,026
Cash paid related to other operating activities		<b>2,521</b>	2,002
<b>Subtotal of cash outflows from operating activities</b>		<b>59,650</b>	38,260
<b>Net cash flow from operating activities</b>		<b>7,076</b>	4,405



# Financial Report (Continued)

## Parent Company Cash Flow Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>II. Cash flow from investment activities</b>			
Cash received from return of investments			
Cash received from investment income		1,155	96
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		21	37
Cash received related to other investing activities		125	29
<b>Subtotal of cash inflow from investing activities</b>		<b>1,301</b>	162
Cash paid for the acquisition of fixed assets, intangible assets and other long-term assets		1,249	1,274
Cash paid for investment		5	119
Cash paid related to other investing activities		115	10
<b>Subtotal of cash outflows from investing activities</b>		<b>1,369</b>	1,403
<b>Net cash flow from investing activities</b>		<b>(68)</b>	(1,241)

# Financial Report (Continued)

## Parent Company Cash Flow Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>III. Cash flow from financing activities</b>			
Cash received from obtaining loans		<b>4,470</b>	12,205
Cash received relating to other financing activities		<b>1,088</b>	5
Subtotal cash inflow from financing activities		<b>5,558</b>	12,210
Payment of debt in cash		<b>9,052</b>	11,645
Cash paid in dividends, profits or interest payments		<b>988</b>	934
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Cash paid in connection with other financing activities		<b>50</b>	90
<b>Subtotal cash outflows from financing activities</b>		<b>10,090</b>	12,669
<b>Net cash flows from financing activities</b>		<b>(4,532)</b>	(459)

# Financial Report (Continued)

## Parent Company Cash Flow Statement (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period	Prior period
<b>IV. Effect of changes in foreign exchange rate on cash and cash equivalents</b>			
<b>V. Net increase in cash and cash equivalents</b>		<b>2,476</b>	2,705
Add: Balance of cash and cash equivalents at the beginning of the period		<b>1,586</b>	3,237
<b>VI. Balance of cash and cash equivalents at the end of the period</b>		<b>4,062</b>	5,942

Legal representative:

**Wang Yidong**

Chief accountant:

**Wang Baojun**

Person-in-charge of  
accounting department:

**Qin Lianyu**

# Financial Report (Continued)

## Parent Company Statement of Changes in Equity

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Current period									Total shareholders' equity
	Shareholders' equity attributable to the parent company						General risk reserve	Retained earnings	Non-controlling interest	
	Share capital	Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve				
<b>I. Closing balance of prior year</b>	9,405	26,527	166	(80)	25	3,839		11,774		51,324
Add: Changes of accounting policy										
Business combination under common control										
Others										
<b>II. Opening balance of current period</b>	9,405	26,527	166	(80)	25	3,839		11,774		51,324
<b>III. Increase/decrease in the current period</b>										
<b>(Loss is marked with "-")</b>										
(I) Total comprehensive income		(62)	(62)	13	44			4,320		4,377
(II) Capital introduced or withdrawn by shareholders		(62)	(62)					5,110		5,123
1. Capital introduced by shareholders		(62)								(62)
2. Capital introduced by other holders in equity instrument investments										
3. Others			(62)							62
(III) Profit distribution								(790)		(790)
1. Withdrawal of surplus reserves										
2. Distribution to shareholders								(790)		(790)
3. Others										
(IV) Transfer within shareholders' equity										
1. Transfer from capital reserve to share capital										
2. Transfer from surplus reserve to share capital										
3. Making up losses with surplus reserve										
4. Transfer from other comprehensive income to retained earnings										
5. Others										
(V) Special reserve						44				44
1. Extracts of the current period						67				67
2. Usage of the current period						(23)				(23)
<b>IV. Closing balance of current period</b>	9,405	26,465	104	(67)	69	3,839		16,094		55,701

Legal representative:  
**Wang Yidong**

Chief accountant:  
**Wang Baojun**

Person-in-charge of  
accounting department:  
**Qin Lianyu**

# Financial Report (Continued)

## Parent Company Statement of Changes in Equity (Continued)

For the six months ended 30 June 2021 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Prior year										
	Share capital	Capital reserve	Shareholders' equity attributable to the parent company				General risk reserve	Retained earnings	Minority interests	Total shareholders' equity	
			Treasury stock	Less: comprehensive income	Other income	Special reserve	Surplus reserve				
<b>I. Closing balance of prior year</b>	9,405	26,527			(139)	22	3,713		11,244		50,772
Add: Changes of accounting policy											
Business combination under common control											
Others											
<b>II. Opening balance of current year</b>	9,405	26,527			(139)	22	3,713		11,244		50,772
<b>III. Increase/decrease in the current year (Loss is marked with "-")</b>				166	59	3	126		530		552
(I) Total comprehensive income					(10)				1,261		1,251
(II) Capital introduced or withdrawn by shareholders				166							(166)
1. Capital introduced by shareholders											
2. Capital introduced by other holders in equity instrument investments											
3. Others				166							(166)
(III) Profit distribution							126		(662)		(536)
1. Withdrawal of surplus reserves							126		(126)		
2. Distribution to shareholders									(536)		(536)
3. Others											
(IV) Transfer within shareholders' equity					69				(69)		
1. Transfer from capital reserve to share capital											
2. Transfer from surplus reserve to share capital											
3. Making up losses with surplus reserve											
4. Transfer from other comprehensive income to retained earnings					69				(69)		
5. Others											
(V) Special reserve							3				3
1. Extracts of the current year							140				140
2. Usage of the current year							(137)				(137)
<b>IV. Closing balance of the current year</b>	9,405	26,527	166	(80)	25	3,839			11,774		51,324

Legal representative:  
**Wang Yidong**

Chief accountant:  
**Wang Baojun**

Person-in-charge of  
accounting department:  
**Qin Lianyu**

# Financial Report (Continued)

## Notes to Financial Statements

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### I. COMPANY PROFILE

Angang Steel Company Limited (abbreviated as “the Company” or “Company”) was formally established on 8 May 1997 as a joint-stock limited company, currently with the headquarter located in Angang Factory, Tie’xi District, Anshan City, Liaoning Province, PRC.

The financial statements have been approved by the Board of Directors on 27 August 2021.

For details about subsidiaries that have been included in the scope of consolidation by the end of the period, please refer to Note VIII. “Interests in other entities”. There was no change in the scope of consolidation during the period.

The Company and its subsidiaries (abbreviated as “the Group”) are principally engaged in ferrous metal smelting and steel pressing and processing.

### II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The Group has evaluated its ability to continue as a going concern for the 12 months from 30 June 2021, and no matters or circumstances that cast significant doubt on its ability to continue as a going concern have been identified. Therefore, the financial statements are prepared on the assumption of going concern principle. In addition, the Group has prepared this report based on the actual transactions and events and in accordance with the Basic Standard and 42 specific standards of the Accounting Standards for Business Enterprises (Ministry of Finance issued No. 33, the Ministry of Finance amended No. 76) issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as the “Accounting Standards for Business Enterprises” or “ASBE”) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of Public Listed Companies No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission (CSRC) in 2014.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### **II. PREPARATION BASIS OF THE FINANCIAL STATEMENTS (CONTINUED)**

According to the relevant provisions of ASBE, the Group adopted an accrual accounting basis. Except for certain financial instruments, the financial statements are reported at historical cost. If assets are impaired, relevant provisions are made in accordance with relevant standards.

### **III. STATEMENTS ON COMPLIANCE WITH THE ASBE**

The Group declares that the Financial Report prepared by the Group is in compliance with requirements of Accounting Standards for Business Enterprise. These financial statements present truly, accurately and completely the financial position of the Group as of 30 June 2021, the financial performance and cash flow of the Group for the six months ended 30 June 2021. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of Preparation Convention of Information Disclosure of Public Listed Companies No. 15 – General Requirements on Financial Reports, revised by the China Securities Regulatory Commission (CSRC) in 2014.

### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES**

As for the statements of significant accounting judgments and estimates made by the management, please refer to Note IV. 26 “Significant accounting judgments and estimates”.

#### **1. Accounting period**

The Group’s fiscal year is based on the calendar year, which begins on 1 January and ends on 31 December of each year.

## **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

### **2. Operating cycle**

The normal operating cycle refers to the period from purchasing the assets for processing to realize the cash and cash equivalents. The operating cycle consists of 12 months which is the standard of the classification for the liquidity of the assets and liabilities.

### **3. Recording currency**

The recording currency is the prevailing currency of the primary economic environment in which business of the Group operated. RMB is chosen as its recording currency by the Group and the financial statements of the Group are presented in RMB.

### **4. Accounting treatment of business combination**

Business combination refers to a transaction or event bringing together two or more separate entities into one. Business combinations are classified into business combination under common control and business combination not under common control.

#### **(1) Business combination under common control**

A business combination under common control is a business combination in which all of the combined entities are ultimately controlled by the same party or the same parties both before and after the business combination and on (in) which the control is not temporary. In a business combination under common control, the party which obtains control power over the other combined entity on the combining date is the acquirer and the other combined entity is the acquiree. The acquisition date refers to the date on which the combining party actually obtains control power over the combined party.



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

#### 4. Accounting treatment of business combination (Continued)

##### (1) Business combination under common control (Continued)

The assets and liabilities that the combining party obtained in a business combination are measured on the basis of their carrying value in the combined party on the combining date. The difference between the carrying value of the net assets obtained from the combination and the carrying amount of the consideration paid (or the total par value of the shares issued) for the combination is treated as an adjustment to capital reserve (share premium). If the capital reserve (share premium) is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

The direct cost occurred in the business combination is recorded into the profit or loss in the current period when they actually occurred.

##### (2) Business combination not under common control

A business combination not under common control is a business combination in which the combined entities are ultimately controlled by the same party or the same parties neither before nor after the business combination. In a business combination not under common control, the party which obtains the control power over the other combined entities at the purchase date is the acquirer, and other combined entity is the acquiree. The purchase date refers to the date on which the acquirer actually obtains the control power over the acquiree.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **4. Accounting treatment of business combination (Continued)**

###### (2) Business combination not under common control (Continued)

For business combinations not under common control, the combination cost is the assets paid, liabilities incurred or assumed and the equity securities issued by the acquirer, at fair value at the acquisition date, in exchange for the control power over the acquiree. The direct cost, of the business combination including the expenses for audit, legal service, valuation and other administrative expenses, is recorded into the profit or loss in the current period. Transaction expenses of the issued equity securities or liability securities for the consideration are recorded into the amount of initial measurement of the equity securities or liability securities. The relevant contingent consideration is recorded into the combination costs at its fair value at the acquisition date, and the goodwill is adjusted if the new or additional evidences of adjustment to contingent considerations emerged within 12 months from the acquisition date.

The cost of combination and identifiable net assets obtained by the acquirer in a business combination is measured at fair value at the acquisition date. If the cost of combination exceeds the fair value of the share of the acquirer in the identifiable net assets, the difference is recognized as goodwill; if the cost of combination is lower than the fair value of the share of the acquirer in the identifiable net assets, the acquirer shall firstly review the measurement of the fair value of the identifiable assets obtained, liabilities incurred and contingent liabilities incurred, as well as the combination costs. After that, if the combination costs are still lower than the fair value of the identifiable net assets obtained, the acquirer shall recognize the difference as the profit or loss in the current period.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

#### **5. Methods for preparation of consolidated financial statements**

(1) Recognition principle of consolidated scope

The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Control refers to the right to obtain the variable returns by the involvement with the investee, and has the ability to affect those returns through its power to direct the activities of the investee. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to the entities over which the Company has control power.

The Company shall reevaluate if there are changes of relevant elements of defined control due to the changes in the relevant facts and circumstances.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **5. Methods for preparation of consolidated financial statements (Continued)**

(2) Preparation of consolidated financial statements

The financial statements of subsidiaries are included in consolidated financial statements from the date that control commences until the date that control ceases, which the control is over the net assets and the operating decision-makings. For the disposed subsidiary, financial performance and cash flows before the disposal date have been properly included in the consolidated income statement and consolidated cash flow statement; the opening balance of the consolidated balance sheet shall not be adjusted due to the disposal. For the subsidiary acquired from business combination not under common control, its financial performance and cash flows after the acquisition date have been properly included in the consolidated income statement and consolidated cash flow statement, and the opening balance of the consolidated financial statements and comparable data of prior year shall not be adjusted due to this combination. For the subsidiary acquired from business combination under common control, its financial performance and cash flow from the beginning of the Reporting Period to combination date have been properly included in the consolidated income statement and consolidated cash flow statement, and the comparable data of the consolidated financial statement shall be adjusted simultaneously.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 5. Methods for preparation of consolidated financial statements (Continued)

##### (2) Preparation of consolidated financial statements (Continued)

In preparing the consolidated financial statements, where the accounting policy or accounting period of the Company and subsidiaries is inconsistent, the financial statements of subsidiaries shall be adjusted in accordance with the accounting policies and accounting period of the Company. For the subsidiaries acquired from the business combination not under common control, financial statements of the subsidiaries shall be adjusted based on the fair value of identifiable net assets on acquisition date.

All significant balances, transactions and unrealized profits shall be offset during the preparation of the consolidated financial statements.

The portion of a subsidiary's equity and the net profit or loss that is not attributable to the Company, shall be recognized as "non-controlling interest" and "minority gains and losses", and presented on the consolidated financial statements under the "shareholders' equity" and the "net profits" respectively. The portion of subsidiary's net profit or loss for the period attributable to non-controlling interest is presented in the consolidated income statement below the "net profits" as "minority gains and losses". Where the amount of the losses for the current period attributed to minority shareholders of the subsidiary exceeds the minority shareholders' portion of the opening shareholders' equity of the subsidiary, the amount in excess shall be presented as non-controlling interest.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **6. The classification of the joint venture arrangement and accounting treatment of joint operation**

The joint venture arrangement refers to the arrangement jointly controlled by two or more parties. According to the differences in the rights and responsibilities, the joint venture arrangement is classified as a joint operation and joint venture. A joint operation refers to a joint arrangement whereby the parties have the rights to the assets, and obligations for the liabilities, and joint venture refers to the entity which is only entitled to the joint venture arrangement of the net assets.

The equity method is adopted for the investment of the joint venture, please refers to Note IV. 11. (2). ② Long-term equity investments accounted by equity method.

As a joint venture, the Company recognizes the assets held by the Company separately, the liabilities assumed separately, and the co-held assets and co-owned liabilities recognized by the Company's share; confirms its revenue from the sale of its share of the output arising from the joint operation; and recognizes the expenses incurred by the company separately and the expenses incurred arising from the joint operation according to the share of the company.

When the Company invests or sells assets (which do not constitute a business, hereinafter) to a joint operation as a joint venture, or purchases assets from a joint operation, the Company recognizes only the portion of the gain or loss arising from the transaction attributable to the other participants in the joint operation until such assets are sold to a third party. In the event of an impairment loss on such assets in accordance with the provisions of ASBE No. 8 – Impairment of Assets, the Company recognizes such loss in full in the case of assets contributed or sold by the Company to a joint operation, or in the case of assets purchased by the Company from a joint operation, the Company recognizes such loss on the basis of the Company's share.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

#### **7. Recognition standard for cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, deposits that can be readily drawn on demand, and highly liquid short-term (within 3 months from the purchase date) investments that are readily convertible to known amounts of cash, and which are subject to insignificant risk of changes in value.

#### **8. Foreign currency transactions and the translation of foreign currency financial statement**

##### (1) Foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the foreign currency is translated to RMB at the spot exchange rate at the transaction date (Generally, a spot exchange rate is the middle rate quoted by the People's Bank of China on the day of transaction). Transaction in foreign currency exchange or transaction involving foreign currency exchange shall be translated into RMB at the actual exchange rate.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **8. Foreign currency transactions and the translation of foreign currency financial statement (Continued)**

- (2) Translation of foreign monetary items and foreign non-monetary items

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date, and the resulting exchange differences are treated in accordance with the principle of capitalization of borrowing costs, except for those arising from special borrowings in foreign currencies related to the acquisition of assets eligible for capitalization; exchange differences arising from changes in the carrying balance of foreign currency monetary items of investments in other equity instruments other than amortized cost are recorded in other comprehensive income, they are recognized in profit or loss for the current period.

Foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate at the transaction date, of which the amount of functional currency shall not be changed. The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate at the date of fair value evaluation, and the translation difference, treated as the variation of fair value (including the variation of exchange rate), shall be recorded into the profit or loss at the current period and recognized as other comprehensive income.



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities

Financial assets and liabilities are recognized when the Group becomes one party under the financial instrument contract.

(1) Financial assets

1) Classification, confirmation basis and measurement method of financial assets

The Group classifies financial assets based on the business model of managing financial assets and the contractual cash flow characteristics of financial assets as financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income, and financial assets measured at fair value through profit or loss.

The Group measures financial assets at amortized cost if both of the following conditions are met: ① The financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; ② the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount; they are subsequently measured at amortized cost. Except for those designated as hedged items, the difference between the initial amount and the amount due is amortized in accordance with the effective interest method. Amortization, impairment, exchange gains and losses, and gains or losses arising from derecognition are recognized in profit or loss.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

##### (1) Financial assets (Continued)

##### 1) Classification, confirmation basis and measurement method of financial assets (Continued)

The Group measures financial assets at fair value through other comprehensive income if both of the following conditions are met: ① The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; ② the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Such financial assets are initially measured at fair value, and related transaction costs are included in the initial recognition amount. Except for those designated as hedged items, such financial assets, other than credit impairment losses or gains, foreign exchange gains or losses and interest on the financial assets calculated according to the effective interest method, are recognized in other comprehensive income. Upon derecognition, the cumulative gains or losses recognized in other comprehensive income is transferred to profit or loss for the current period.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

##### (1) Financial assets (Continued)

##### 1) Classification, confirmation basis and measurement method of financial assets (Continued)

The Group designates its investments in non-trading equity instruments as financial assets at fair value through other comprehensive income. The designation, once made, cannot be revoked. Investments in non-trading equity instruments designated by the Group as at fair value through other comprehensive income are initially measured at fair value, with related transaction costs recognized in the initial recognition amount. Except for dividends received (except for the portion of investment cost recovery), which are recognized in profit or loss, all other related gains and losses (including exchange gains and losses) are recognized in other comprehensive income and are not subsequently transferred to current profit or loss. When it is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is transferred out of other comprehensive income and included in retained earnings.

Financial assets other than those classified as financial assets carried at amortized cost and those classified as financial assets at fair value through other comprehensive income as described above. The Group classifies them as financial assets at fair value through profit or loss. Such financial assets are initially measured at fair value, and the related transaction costs are recognized directly in profit or loss for the period. Gains or losses on such financial assets are recognized in profit or loss for the current period.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **9. Financial assets and financial liabilities (Continued)**

(1) Financial assets (Continued)

1) Classification, confirmation basis and measurement method of financial assets (Continued)

If the contingent consideration recognized by the Group in a business combination not under common control constitutes a financial asset, the financial asset is classified as a financial asset at fair value through profit or loss.

At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can arbitrarily designate financial assets that should be measured at amortized cost or measured at fair value through other comprehensive income as the financial assets that are measured at fair value through profit and loss.

When the Group changes its business model of managing financial assets, it reclassifies all affected financial assets.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

##### (1) Financial assets (Continued)

##### 1) Classification, confirmation basis and measurement method of financial assets (Continued)

The interest income on a financial asset shall be recognized based on the effective interest rate method. Interest income is calculated by multiplying the carrying balance of a financial asset by the effective interest rate, except the following situations: ① For a purchased or derived financial asset with credit impairment, the Group shall, starting from the initial recognition, determine its interest income by multiplying the amortized cost of the financial asset by the adjusted effective interest rate due to credit impairment. ② For a purchased or derived financial asset which does not initially suffer credit impairment but has credit impairment in subsequent periods, the Group shall determine its interest income by using the amortized cost of the financial assets multiple the effective interest rate in subsequent periods.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

2) Confirmation basis and measurement method of financial asset transfer

The Group shall stop recognizing a financial asset when one of the following conditions is met: ① The contractual rights to receive cash flows from the financial asset terminated; ② financial assets are transferred and the Group transfers substantially all the risks and rewards of ownership of the financial assets; ③ a financial asset is transferred and the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control over the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and the cumulative gain or loss, resulting from the changes of fair value of the financial asset, recorded in other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding) shall be recognized in profit and loss.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

#### **9. Financial assets and financial liabilities (Continued)**

(1) Financial assets (Continued)

2) Confirmation basis and measurement method of financial asset transfer (Continued)

If a partial transfer of a financial asset satisfies the conditions for derecognition, the carrying amount of the financial asset transferred as a whole is apportioned between the derecognized portion and the unrecognized portion in accordance with their respective relative fair values. The difference between the sum of the consideration received for the transfer and the amount corresponding to the derecognized portion of the accumulated changes in fair value that should be apportioned to the derecognized portion of other comprehensive income (the contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding), and the apportioned overall carrying amount of the aforementioned financial assets is recognized in profit or loss in the current period.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instrument

On the basis of expected credit loss, the Group adopts the impairment accounting treatment for the following items and confirms impairment provision: ① Debt investment; ② Lease receivables; ③ Contract assets; ④ Accounts receivable; ⑤ Financial guarantee contract.

The expected credit loss refers to the weighted average of the credit losses of financial instruments that are weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable from the contract by the Group at the original effective interest rate and all cash flows expected to be received, that is, the present value of all cash shortages.

The Group always measured the following items at the amount of the expected credit losses for the entire duration of the period for their impairment provision: ① Accounts receivable or provision for loss of contract assets formed by transactions regulated by the ASBE No. 14 – Revenue Standards, regardless of whether the item contains a significant financing component. ② Finance lease receivables. ③ Operating lease receivables.



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instrument (Continued)

In addition to the above items, the Group measured the other items in the following situations for their impairment provision: ① For a financial instrument whose credit risk has not increased significantly since initial recognition, the Group measured the expected credit losses for the next 12 months for their impairment provision. ② For a financial instrument whose credit risk has increased significantly since initial recognition, the Group measured the expected credit losses for the entire duration of the period for their impairment provision. ③ For a purchased or derived financial instrument with credit impairment, the Group measured the expected credit losses for the entire duration of the period for their impairment provision.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instrument (Continued)

The judgment of whether the credit risk has increased significantly since the initial recognition. By comparing default risk of financial instruments on the balance sheet date with that on initial recognition date, the Group determines the relative change for the estimated duration period, therefore, to evaluate whether the financial instrument credit risk has increased significantly since the initial recognition. However, if the Group determines that a financial instrument has only a low credit risk on the balance sheet date, it can be assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition. In general, if the overdue period exceeds 30 days, it indicates that the credit risk of financial instruments has increased significantly. Unless the Group obtains reasonable and evidence-based information without unnecessary additional costs or effort, it proves that even if the overdue period exceeds 30 days, the credit risk has not increased significantly since the initial confirmation. In determining whether the credit risk has increased significantly since the initial recognition, the Group considers reasonable and evidence-based information that can be obtained without unnecessary additional costs or effort, including

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

#### 9. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

3) Impairment of financial instrument (Continued)

forward-looking information. The information considered by the Group includes: ①The debtor's failure to pay the principal and interest on the contractual maturity date; ②Serious deterioration of external or internal credit ratings (if any) of financial instruments that have occurred or are expected; ③ Serious deterioration of the debtor's operating results that have occurred or are expected; ④ Changes in existing or anticipated technical, market, economic or legal circumstances that will have a material adverse effect on the debtor's ability to repay the Group.

The Group assesses whether credit risk has increased significantly on the basis of a single financial instrument or combination of financial instruments. When conducting an assessment based on a combination of financial instruments, the Group can classify financial instruments based on common credit risk characteristics, such as overdue information and credit risk ratings.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

(1) Financial assets (Continued)

4) Presentation of expected credit loss provision

To reflect the change of credit risk since the initial recognition, the Group remeasures financial instruments for their expected credit loss at each balance sheet date. The increase or reverse of impairment provision from this method should be recognized in profit or loss as impairment losses or gains. For financial assets measured at amortized cost, their impairment provision should compensate their book value presented in the balance sheet.

5) Written off

For the contract cash flow of a financial asset that no longer reasonably be expected to recover, the full amount or partially, the Group directly writes down the carrying balance of the financial asset. The write-down constitutes derecognition of related financial assets. This usually happens when the Group determines that the debtor has no assets or a source of income to generate sufficient cash flow to cover the amount that will be written down. However, in accordance with the Group's procedures for recovering due receivables, the write-down of financial assets may still be affected by implementation activities. If the impairment of financial assets is recovered at a later stage, it should be recognized as reverse and recorded into the profit or loss in the recovery period.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

##### (2) Financial liabilities

- 1) Classification, confirmation basis and measurement method of financial liabilities

The financial liabilities of the Group measured initially are classified as financial liabilities at fair value through profit or loss and other financial liabilities.

Financial liabilities at fair value through profit or loss include trading financial liabilities and financial liabilities designated as at fair value through profit or loss on initial recognition (The relevant classification is based on the disclosure of the financial assets classification basis). The subsequent measurement is based on fair value. Gains or losses arising from changes in fair value and dividends and interest expense related to the financial liabilities are recognized in profit or loss.

Other financial liabilities (disclosure of specific financial liabilities based on actual conditions) are subsequently measured at amortized cost with effective rate. Except for the following, the Group classifies financial liabilities as financial liabilities measured at amortized cost: ① Financial liability at fair value through profit or loss, which include trading financial liabilities (containing derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss. ② Financial liabilities arising from the transfer of financial assets that do not qualify for derecognition or from the continued involvement in the transferred financial assets. ③ Financial guarantee contracts that do not fall into the above ① or ② cases, and loan commitments that are not subject to the above ① situation and are loans at a lower than market rate.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

##### (2) Financial liabilities (Continued)

- 1) Classification, confirmation basis and measurement method of financial liabilities (Continued)

If the Group, as an acquirer, recognizes a contingent consideration to form a financial liability in a business combination not under the common control, it is measured at fair value through profit or loss.

- 2) Derecognition of financial liabilities

A financial liability or a portion of an obligation that is discharged is derecognized when all or part of the present obligation of the financial liability has been discharged. If the Group enters into an agreement with a creditor to replace an existing financial liability by assuming a new financial liability and the contractual terms of the new financial liability are materially different from those of the existing financial liability, the existing financial liability is derecognized and the new financial liability is recognized at the same time. If the Group materially modifies the contractual terms of all or part of an existing financial liability, the Group derecognizes the existing financial liability or part of it, and recognizes the modified financial liability as a new financial liability. The difference between the carrying value of the derecognized portion and the consideration paid is recognized in profit or loss for the current period.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

- (3) Method for determining the fair value of financial assets and financial liabilities

The Group measures the fair value of financial assets and financial liabilities at the prices of major markets. If there is no major market, the fair value of financial assets and financial liabilities is measured at the most favorable market price. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other supporting information are available to measure fair value. The input values used in fair value measurement are divided into three levels: Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date; level 2 inputs are inputs other than level 1 inputs that are directly or indirectly observable for the related assets or liabilities; and level 3 inputs are unobservable inputs for the related assets or liabilities. The Group prioritizes the use of level 1 inputs and finally uses level 3 inputs.

The Group's investments in equity instruments are measured at fair value. However, in limited circumstances, if the short-term information used to determine the fair value is insufficient, or the possible estimated amount of fair value is widely distributed, and the cost represents the best estimate of the fair value within the scope, the cost may represent appropriate estimates of fair value within this distribution.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

(4) Offset of financial assets and financial liabilities

The Group's financial assets and financial liabilities are presented separately in the balance sheet and are not offset against each other. However, they are presented in the balance sheet in net amounts after offsetting each other if the following conditions are met: ① The Group has a legal right to offset the recognized amounts and such legal right is currently enforceable; ② the Group plans to settle the financial assets on a net basis, or to realize the financial assets and settle the financial liabilities simultaneously.

(5) The distinction between financial liabilities and equity instruments and related treatment methods

The Group distinguishes financial liabilities and equity instruments according to the following principles: ① If the Group cannot unconditionally avoid fulfilling a contractual obligation by paying cash or other financial assets, the contractual obligation is consistent with the definition of financial liability. Some financial instruments, although not explicitly containing the terms and conditions of delivery of cash or other financial assets obligations, may indirectly form contractual obligations through other terms and conditions. ② If a financial instrument is required or can be settled by the Group's own equity instruments, it is necessary to consider the Group's own equity instruments used to settle the instrument, whether it is a substitute for cash or other financial assets, or



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

#### 9. Financial assets and financial liabilities (Continued)

- (5) The distinction between financial liabilities and equity instruments and related treatment methods (Continued)

for the holder of the instrument to enjoy the remaining interest in the assets of the issuer after deducting all liabilities. In the former case, the instrument is the issuer's financial liability; if it is the latter, the instrument is the issuer's equity instrument. In some cases, a financial instrument contract stipulates that the Group settles the financial instrument with its own equity instruments, where the amount of contractual rights or contractual obligations equals the amount of equity instruments available or to be delivered multiplied by the fair value at settlement. Whether the amount of the contractual rights or obligations is fixed, or totally or partly based on changes in variables other than the market price of the Group's own equity instruments (interest rate, price of a commodity, or price of a financial instrument), the contract is classified as a financial liability.

When the Group classifies financial instruments (or their components) in the consolidated statements, it considers all the terms and conditions between the group members and the holders of financial instruments. If the group as a whole assumes the obligation to settle cash, other financial assets, or other means of causing the instrument to become a financial liability due to the financial instruments, the instrument should be classified financial liability.

If the financial instrument or its components are classified as financial liabilities, the relevant interest, stock dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are recognized in profit or loss.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 9. Financial assets and financial liabilities (Continued)

- (5) The distinction between financial liabilities and equity instruments and related treatment methods (Continued)

If the financial instrument or its components are equity instruments, it is treated as a change in equity and not recognized changes in the fair value of equity instruments when it is issued (including refinancing), repurchased, sold or canceled.

#### 10. Inventories

- (1) Category

The inventories of the Group comprise raw material, work in progress, finished goods, turnover materials, spare parts, materials in transit, and outsourced materials etc.

- (2) Pricing of inventories

Inventories are initially measured by actual cost, which consists of purchase price, processing cost and other costs. Inventories are measured by either the weighted average method, specific-unit-cost method or other method while requisitioned or delivered.

- (3) Measurement of net realizable, value of inventory and measurement of provision for impairment of inventories

The net realizable value refers to the selling price deducted by the estimated cost before completion, estimated selling expense and relevant taxes in the daily operations. Net realizable value of inventories is on the basis of reliable evidence obtained and in consideration of the purpose for holding inventories and the effects of subsequent events.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 10. Inventories (Continued)

- (3) Measurement of net realizable, value of inventory and measurement of provision for impairment of inventories (Continued)

On the balance sheet date, the inventory is measured at the lower of cost and net realizable value and a provision for impairment shall be made while the cost of inventories is higher than the net realizable value. Provision for impairment of inventory shall be incurred independently except that impairment of spare parts according to the actual situation and the estimation of the management.

If factors once result in impairment disappeared and the net realizable value exceeds the carrying value, the write-down shall be reversed from the provision to the extent of provision previously made and recorded into profit and loss for the current year.

- (4) Physical inventory at fixed period is taken under perpetual inventory system.
- (5) Amortization of reusable materials

Reusable materials such as low-value consumables, packaging materials and other consumables shall be amortized by one-off method, workload method or amortization method according to their nature. Amount of amortization shall be recorded into the cost of the relevant assets or profit or loss for the current period.

**IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES  
(CONTINUED)**

**11. Long-term equity investment**

The long-term equity investment refers to the investment in which the company has control, joint control or significant influence over the invested entities. On the other hand, the long-term equity investments which not result in the control, jointly control or significantly influence on the invested entities, are treated as other investments in equity instruments or financial assets held for trade and their accounting policies refer to Notes 4.9 “Financial Instruments”.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Significant influence refers to the right that the Company can participate in the decision-making of the financial and operating policies over the invested company, but is not able to control or jointly control the policy formulation.

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

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

(1) Determination of investment cost

For long-term equity investment formed by business combination under common control, the initial cost shall, on the date of acquisition of the final controller, be measured by the share of carrying value of the owner's equity of the acquired entity. The difference between the investment cost, and cash payment and transferred non-cash assets or liabilities on fair value shall be adjusted against the capital reserve; If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings. For the insurance of the equity securities which is seen as consideration cost, the share of the carrying value is recognized as initial investment cost in the consolidated financial statement of the ultimate controlling party's owner's equity. The capital stock is the aggregate nominal amount of the outstanding ordinary shares. The difference between the initial investment cost and the aggregate nominal amount of the long-term equity investment shall be adjusted against the capital reserve; If the capital reserve is not sufficient to cover the difference, the rest shall be deducted from retained earnings.

For the long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control over the acquiree. The direct cost for the business combination incurred by the acquirer, including the expenses for audit, valuation, legal services and other administrative expenses, shall be recorded into the profit or loss for the current period.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **11. Long-term equity investment (Continued)**

(1) Determination of investment cost (Continued)

For long-term equity investment other than those formed by business combination, the initial cost of other long-term equity investment shall be measured at the amount of actual cash paid, the fair value of the equity securities issued, the conventional value stipulated in the investment contract or agreement, the fair value or carrying value of the assets surrendered in the non-monetary assets exchange transaction, the fair value of the long-term equity investment itself, and etc. The initial cost consists of the expenses directly related to the acquisition of the long-term equity investment, taxes and other necessary expenses.

(2) Subsequent measurement and recognition method of gains and losses

For the long-term equity investment obtained by business combination not under common control, on the date of combination, the initial cost shall be the sum of the fair value of assets transferred, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the Long-term equity investments with joint control or significant influence over invested entities shall be accounted by equity method (except the co-operator). Besides, a long-term equity investment is measured in cost method if the Group is able to control the invested entity.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

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

(2) Subsequent measurement and recognition method of gains and losses (Continued)

① Long-term equity investments accounted by cost method

Long-term equity investment stated by applying the cost method shall be measured at initial investment cost. Except those included in the consideration, dividends or profits declared enjoyed by the investor shall be recognized as the current investment income.

② Long-term equity investments accounted by equity method

In the equity method, if the initial cost of a long-term equity investment exceeds the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, initial cost of the long term equity investment shall not be adjusted, and if the initial cost of a long-term equity investment lower than the proportion of the fair value of the invested entity's identifiable net assets attributable to the investor, the difference shall be recorded into profit or loss for the current year, and the cost of the long-term equity investment shall be adjusted simultaneously.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

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

(2) Subsequent measurement and recognition method of gains and losses (Continued)

② Long-term equity investments accounted by equity method (Continued)

In the equity method, the investment income and other comprehensive income are recognized in accordance with the proportion of the net profit or loss and other comprehensive income of the invested entity attributable to the investor and adjusting the carrying value of long-term equity investment; It shall be decreased of the carrying value of long-term equity investment according to the portion of the declaration of dividend or cash dividends; It shall adjust the carrying value of long-term equity investment and recognize in capital reserve if there is any other changes besides net profit or loss, other comprehensive income and profit distribution of the owner's equity. The invested entity's profit or loss shall be adjusted on the basis of the fair value of all identifiable assets of the invested entity at the acquisition date and adjusted to comply with the accounting policies and accounting periods adopted by the investor. All inter-Group unrealized profits from the jointly ventures and associates attributable to the Group shall be eliminated to recognize the investment income. If there are differences in the accounting policies and accounting period between the company and the invested company, the financial statements shall be adjusted according to the company, and the investment income and other comprehensive income shall be recognized. However, if the unrealized inter-Group loss constitutes impairment of the transferred



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

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

(2) Subsequent measurement and recognition method of gains and losses (Continued)

② Long-term equity investments accounted by equity method (Continued)

assets, the losses shall not be adjusted. The investor shall recognize the net losses of the invested entity to the extent that the carrying value of the long-term equity investment and other long-term rights and interests which substantially exist in the net investment to the invested entity is reduced to zero. Furthermore, if the investor has the obligation to reimburse extra losses, the extra obligation shall be recognized as provision and be recognized in investment loss. If the invested entity realizes any net profits in the subsequent periods, the investor shall not recognize its attributable share of profits unless the unrecognized attributable share of loss has been restored.

When the net loss incurred by the investee is recognized to be shared, the book value of the long-term investment and other long-term interests that substantially constitute the net investment of the investee shall be written down to zero. In addition, if the Company has responsibilities to bear extraneous losses of the investee, the estimated liabilities shall be recognized in accordance with expected obligations and included in current investment losses. If net profits are made by the investee in subsequent period, the Company is able to restore the recognition of the share of profits after the share of unrecognized losses being compensated by the share of profits.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **11. Long-term equity investment (Continued)**

(2) Subsequent measurement and recognition method of gains and losses (Continued)

③ Acquisition of minority interests

While preparing consolidated financial statements, the difference, between the increase in the cost of long-term equity investments as a result of acquisition of minority interests and the share of net assets of the subsidiary calculated continuously from the date of the acquisition or merger based on the new shareholding proportion, shall be offset by capital surplus. If the capital surplus is not sufficient to compensate for the difference, the rest shall be offset by retained earnings.

④ Disposal of long-term equity investment

In consolidated financial statements, when the parent company disposes part of the investment in subsidiary without losing control power, the difference between the consideration received and the carrying value of net asset disposed shall be recognized in equity, while losing control power of subsidiary due to disposal, the relevant terms in Note IV. 5. (2) shall be applicable.

Under other means of disposal of long-term equity investment, the difference between the carrying value of disposed investment and the consideration received shall be recognized in the current profit or loss.

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

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

(2) Subsequent measurement and recognition method of gains and losses (Continued)

④ Disposal of long-term equity investment (Continued)

If the equity method is still adopted after the disposal of the rest equity, it shall adopt the same accounting policies to other comprehensive income of the equity by proportion, as the invested company disposing the related assets and liabilities. For the other changes of the owner's equity except for the net income or losses, other comprehensive income and profit distribution, originally recognized in the equity shall be transferred into profit or loss by the percentage disposed.

For long-term equity investments accounting under the cost method, the residual equity after disposal is still accounted for using the cost method, other comprehensive income accounted for the entity method or recognized by financial instrument and standards of measurement before taking control of the investee, shall use the same basis to dispose of related assets and liabilities for accounting treatment just like the investee do, and carry forward current profits and losses simultaneously in proportion. Changes in shareholder's equity, other than net profits and losses, other comprehensive income and profit distribution from net assets of the investee recognized by the entity method are carried forward to current profits and losses proportionately.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 12. Fixed Assets

(1) Recognition

Fixed assets plant and equipment refer to the tangible assets held by the Group for producing goods, rendering service, renting or operation and administration purpose with useful lives over 1 year. The fixed assets are recognized only when the economic interests are likely to flow into the company and its cost can be measured reliably. The fixed assets are initially measured only when considering the influence of the cost and the expected impact of the disposal expenses.

(2) Depreciation method of fixed assets

Fixed assets are initially recorded at cost and the estimated asset retirement obligation shall be taken into consideration. From the next month since fixed assets are in state of expected conditions for use, fixed assets are depreciated using the straight-line method over their estimated useful life. The useful life, scrap value rates for each category of fixed assets are as follows:

Category of fixed assets	Useful lives	Annual	
		Estimate residual rate	depreciation rate
		(%)	(%)
Plants and buildings	40 years	3-5	2.375-2.425
Machinery and equipment	17-24 years	3-5	3.958-5.706
Other fixed assets	5-12 years	3-5	7.917-19.40

Estimate residual value refers to the expected disposal proceeds after compensated estimated disposal expenses while the asset is worn out or retired.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 12. Fixed Assets (Continued)

- (3) Method for impairment test and recognition of impairment provision

Method of impairment test and measurement of impairment provision of fixed assets, please refer to Note IV. 16 “Impairment of non-current assets”.

- (4) Other explanations

Subsequent expenditure relating to a fixed asset shall be capitalized if the economic benefits related to the fixed asset are likely to flow into the Group and the cost could be measured reliably and the carrying value of replaced parts shall stop recognizing. Subsequent expenditures excluding fore-mentioned shall be recorded into current profit and loss.

The proceeds, from fixed asset disposed, transferred, discarded or destroyed, shall be recorded into current profit and loss after deducting carrying value and relevant taxes.

Significant changes of useful life or residual value or depreciation method of fixed asset shall be considered as changes in accounting estimation.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **13. Construction in progress**

The cost of construction in progress shall be measured according to the actual expenditure for the construction in progress, including the expenditure for the construction project incurred during the construction period, and capitalized borrowing costs before the project is ready for its intended use and other related costs. Construction in progress is transferred to fixed asset while it is ready for its intended use.

Method of impairment test and measurement of the provision of construction in progress, refer to Note IV. 16" Impairment of non-current assets".

##### **14. Borrowing costs**

Borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange gain or loss on foreign currency borrowings. The borrowing costs, directly attributable to the acquisition, construction or production of assets eligible for capitalization, shall be capitalized while the capital expenditure and borrowing cost has already occurred and the acquisition, construction or production activities necessary to satisfy intended use or get ready for sale have already started. Capitalization of borrowing costs shall be ceased while the qualified for capitalization asset under acquisition and construction or production is ready for its intended use or sale, and other borrowing costs shall be recognized into the current profit and loss while occurred.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 14. Borrowing costs (Continued)

The interests of special borrowings shall be capitalized after deducted the interests or investment income derived from the unused borrowings by depositing in the bank or making short term investment. The amount of interests on general borrowings to be capitalized shall be calculated by multiplying the weighted average of the accumulative capital expenditure exceeding the special borrowings by the capitalization rate of the general borrowings. The capitalization rate is the weighted average rate of interest of general borrowings.

During the period of capitalization, the exchange gain or loss on foreign currency special borrowings shall be capitalized, while general borrowings into the current profit and loss.

Assets eligible for capitalization refers to the fixed assets, investment properties, inventories and other assets, of which the acquisition, construction or production may take quite a long time to get ready for intended use or be sale.

If the acquisition, construction or production of a qualified asset is interrupted abnormally for more than 3 months, the capitalization of borrowing costs shall be suspended, till acquisition, construction or production of the asset restarts.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 15. Intangible assets

##### (1) Intangible assets

Intangible asset refers to the identifiable non-monetary asset with no physical form, possessed or controlled by the Group.

Intangible asset shall be initially measured at its cost. Subsequent expenditure relevant to an intangible asset shall be recorded into the cost of an intangible asset, if the economic benefits associated with the intangible assets are likely to flow into the Group and the cost can be reliably measured. Other expenditures except mentioned before for an intangible item shall be recorded into the profit or loss for the current period.

Land use right is usually recognized as an intangible asset. For self-constructed plants and buildings, the expenditure on land use right and the cost of constructions shall be recognized as intangible assets and fixed assets respectively. For purchased plants and buildings, the relevant cost shall be allocated between the land use right and plants, and if it is impossible to be allocated, all the relevant cost shall be recognized as fixed assets.

The original value of an intangible asset with a definite useful life shall be amortized by the straight-line method over its useful life after deducting estimate residual value and impairment provision, while intangible assets with indefinite useful life shall not be amortized.



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 15. Intangible assets (Continued)

##### (1) Intangible assets (Continued)

Significant change of useful life and amortization method shall be taken as a change in accounting estimation after reviewing the useful life and the amortization method of intangible assets with definite useful life. After reviewing useful life and economic benefits inflow term of an intangible asset with an indefinite useful life, if the latter is predictable, intangible asset with an indefinite useful life shall be amortized according to policies applying to an intangible asset with a definite useful life.

##### (2) Research and development expenditure

Expenditure on an internal research and development project is classified into expenditure on research phase and expenditure on development phase.

Research expenditure shall be recorded into current profits and losses.

Development expenditure is capitalized as intangible assets if the following conditions were met:

- ① It is technically feasible to get the intangible asset ready for intended use or for sale;
- ② It is intended to get the intangible asset ready for use or sale;
- ③ The intangible asset could be sold out in prevailing market with profit or be applied to production for well selling products, and could be proven useful for internal use;

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **15. Intangible assets (Continued)**

- (2) Research and development expenditure (Continued)
- ④ It is technically and financially capable of completing the development of the intangible asset, and capable of using or selling such intangible asset;
  - ⑤ Development expenditure attributed to the intangible asset could be reliably measured.

While it is difficult to distinguish research phase from the development phase, all expenditure shall be recorded into current profit or loss.

- (3) Method of impairment test and measurement of impairment provision

Impairment test and measurement of intangible assets refer to Note IV. 16 “Impairment of non-current assets”.

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

#### 16. Impairment of non-current assets

Non-financial and non-current assets, such as fixed assets, construction in progress, intangible assets with definite useful life, and long-term equity investments in subsidiaries and joint ventures and associations, judgment shall be made on the balance sheet date, to ensure whether there is any evidence of possible impairment of the assets. If there is, the recoverable amount of the assets shall be estimated and an impairment test shall be conducted. The intangible assets with indefinite useful life and those are not ready for intended use, shall be subject to impairment test every year.

If the recoverable amount of an asset is lower than its carrying value, the difference shall be recognized as impairment loss and a provision shall be made accordingly. The recoverable amount is the higher of fair value of an asset deducted disposal expense and the present value of expected future cash flow from the asset. The fair value of an asset is determined according to the price stipulated in a selling agreement, and if there is no selling agreement but a dynamic market exists, the fair value shall be determined according to a bid from a buyer. If there is neither a selling contract nor a dynamic market, the fair value of an asset shall be estimated based on maximum information available. The disposal expenses shall include the relevant legal expenses, relevant taxes, transport expenses as well as the direct expenses to get the asset ready for sale. The present value of expected future cash flow of an asset shall be established by discounting cash flow generated by continuous use and final disposal of the asset with an appropriate discount rate. Provision for impairment shall be determined on the basis of a single asset. If it is difficult to estimate the recoverable amount of a single asset, the asset shall be integrated into an asset group and impairment shall be carried out by the asset group. Asset group refers to minimum group of asset which can generate cash flow independently.

Once impairment loss is recognized, it could not be reversed in subsequent accounting periods.

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

#### 17. Projected liabilities

Obligations arising from contingent events shall be recognized as projected liability provided that: ① The Group has a practical obligation as a result of the past event; ② probable economic benefit will flow out to settle the obligation and; ③ the obligation could be measured reliably.

On the balance sheet date, projected liability shall be initially measured at reasonably estimated necessary expenditure for settling the obligation, taking into account the risk and uncertainty and time value of money and other factors related to the contingent event.

If the expenditure necessary for the settlement of an obligation is expected to be reimbursed entirely or partially by a third party, the reimbursement shall be separately recognized as an asset only under the circumstance that it is virtually certain that reimbursement will be received, and shall not exceed the amount of the provision incurred previously.

#### 18. Revenue

The Group shall recognize the revenue when and, only when, the Group fulfills its performance obligations in a contract and the customer in the contract take the control of the right of the good or service.

Where there are two or more performance obligations included in a contract, the Group shall, on the commencement of the contract, apportion the transaction price to each individual performance obligation in accordance with the relative proportion of each individual selling price of the good or service promised by each individual performance obligation and recognize the income according to the transaction price apportioned to each individual performance obligation.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 18. Revenue (Continued)

The transaction price is the amount of consideration that the Group expects to be entitled to collect for the transfer of a good or service to its customers, excluding payments collected on behalf of third parties. The transaction price recognized by the Group does not exceed the accumulated revenue amount that has been recognized when the relevant uncertainties disappear and the amount is highly unlikely to be returned. The amount expected to return to the customer as a liability will not be included in the transaction price. Where there is a significant financing element in a contract, the Group shall recognize the transaction price based on the cash amounts the Group should receive at the time when the Group acquires the control of a good or service. The difference between the transaction price recognized and the contract consideration shall be amortized by the effective interest rate method during the contract period. On the contract commencement date, the interval under the contract between the anticipated date customers acquire the control over the good or service and the date customers make payments for the good or service does not exceed one year, the Group shall not consider the significant financing element in the contract to determine the transaction price.

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

##### 18. Revenue (Continued)

If one of the following conditions is satisfied, it is believed that the Group performs its obligations within a certain period of time; otherwise it is believed that the Group performs its obligations at a certain point of time:

- ① Customers are acquiring and are consuming the economic benefits arising from the Group's contract obligation performances while the Group is performing its contract obligations;
- ② Customers are able to control the good under construction by the Group;
- ③ The effects of the good or service produced by the Group in the course of obligation performance are irreplaceable and the Group has the right to collect payments for the part of the performance that has been completed so far throughout the contract period.

For the contract obligations performed within a certain period of time, the Group shall recognize the revenue in accordance with the progress of the obligation performance. Where the progress of obligation performance cannot be reasonably determined and the cost incurred by the group can be expected to be compensated, the revenue can be recognized according to the amount of cost incurred until the progress of obligation performance can be reasonably determined.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 18. Revenue (Continued)

For the obligations performed at a certain point of the time, the Group shall recognize revenue at the point when customers gain control of the right of a good or service. In determining whether a customer has acquired the control of the right of a good or service, the Group will consider the following indications:

- ① The Group has the right to receive cash as the consideration of the good or service immediately;
- ② the Group has transferred the legal title of the goods to the customer;
- ③ the Group has transferred the real good to customers;
- ④ the Group has transferred the substantial risks and rewards of the ownership of the good or the ownership of the good to its customers;
- ⑤ customers have accepted the good or service.

A contract asset is recognized when the group has transferred a good or service to its customers and has the right to receive consideration. The impairment loss of a contract asset is recognized on the basis of expected credit losses. An account receivable is recognized when the group has, unconditionally, the right to collect consideration from customers. A contractual liability is recognized when the Group has the obligation to transfer a good or service to its customers in consideration of its account receivables.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **19. Government grants**

Government grant is the gratuitous monetary asset or non-monetary asset received from the government, excluding the capital injected by the government as an investor. Government grant is classified into government grant pertinent to assets and government grants pertinent to income.

Government grant, designed to purchase or construct or form long-term assets, shall be recognized as a government grant pertinent to assets while others classified into government grants pertinent to income. Government grant received without clear objective shall be categorized according to following rules: ① Government grant subject to a certain project shall be separated according to the proportion of expenditure budget and capitalization budget, and the proportion shall be reviewed and modified if necessary on the balance sheet date; ② government grant shall be categorized as pertinent to income if its usage is just subject to general statement but specific project in relevant document.

A government grant of monetary asset shall be measured at the amount received or receivable while government grant of non-monetary asset at fair value. If fair value cannot be obtained in a reliable way, government grant of a non-monetary asset shall be measured at its nominal amount and recorded into profit and loss for the current year accordingly.



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

#### 19. Government grants (Continued)

Government grant shall be recognized while received and be measured at the amount received. If there concrete evidence demonstrates that relevant monetary or non-monetary assets are likely to be received in terms of fiscal supporting policy, government grant shall be measured at the receivable amount. Generally, government grant shall be measured at receivable amount while all the following conditions are satisfied simultaneously: ① Receivable amount shall be confirmed by the documents issued by relevant government departments, or be reasonably calculated according to relevant document without significant uncertainty; ② The fiscal Funds Management Regulations, which will be of benefit to any enterprise but designed enterprise, are formally published according to the Regulations on Government Information Disclosure, and fiscal support projects are previously disclosed. ③ It is reasonable assure that government grant, scheduled in the relevant government documents and guaranteed by the fiscal budget, could be received on schedule.

Government grant pertinent to assets shall be initially recognized as deferred income and amortized into profit and loss on a straight-line basis over the useful life of the relevant asset. Government grant pertinent to income, designed to compensate future expenses or loss in subsequent periods, shall be initially recognized as deferred income and recorded to profit and loss in subsequent periods while relevant expenses occur or loss incurs.

Government grants related to the daily activities of the Group are included in other income in accordance with the nature of the economic business; government grants not related to daily activities are included in the non-operating income and expenditure.

If recognized government grant need be returned, the balance of relevant government grant shall be returned first and the shortage shall be recorded into current profit and loss.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **20. Deferred tax asset and liability**

(1) Current income tax

On the balance sheet date, the current income tax liability (or asset) incurred in the current period or prior periods shall be measured at expected payable (refundable) amount of income tax in terms of the tax law. Current income tax shall be calculated based on the taxable income resulted from accounting profit before tax adjusted in terms of the relevant tax law and regulations.

(2) Deferred tax asset and liability

The difference between the book value of some assets and liabilities and their tax basis and the difference between the book value of accounting items that are not recognized as assets and liabilities but their tax basis can be recognized in accordance with the tax laws are regarded as temporary differences, and deferred income tax assets and liabilities are thus recognized by the use of debt method based on balance sheet.

If deductible temporary difference relates to initial recognition of good will, and not result from business combination and relate to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, relevant deferred income tax asset shall not be recognized. Moreover, for taxable temporary difference related to investment to subsidiaries, associates and joint ventures, if the group is able to schedule the reversal of temporary difference which is unlikely to be reversed in the expected future. Except above-mentioned, deferred income tax liability resulted from any other taxable temporary difference shall be recognized.

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

#### 20. Deferred tax asset and liability (Continued)

##### (2) Deferred tax asset and liability (Continued)

If deductible temporary difference relates to initial recognition of asset and liability arising from transaction, by which accounting profit and taxable income (or deductible loss) will not be affected, or not result from business combination, relevant deferred income tax asset shall not be recognized. Moreover, for deductible temporary difference related to investment to subsidiaries, associates and joint ventures, if the temporary difference is unlikely to be reversed in the foreseeable future or to be compensated by future taxable income, deferred income tax asset shall not be recognized. Except the above-mentioned, deferred income tax asset resulted from any other deductible temporary difference shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate a deductible temporary difference.

As for deductible loss or tax deduction that can be carried forward to next year, the corresponding deferred tax assets shall be recognized and calculated to the extent of future taxable income, which is likely to be gained and be used to compensate deductible loss and tax payable.

On the balance sheet date, the deferred tax asset and liability shall be calculated by the tax rate applicable to the period during which the asset is expected to be recovered or the obligation is expected to be settled.

After reviewing the carrying value of deferred tax asset on the balance sheet date, the carrying value of the deferred tax assets shall be written-down if future taxable income is not sufficient to compensate benefit from deferred income tax asset, and if sufficient, the written-down shall be reversed.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 20. Deferred tax asset and liability (Continued)

##### (3) Income tax expenses

Income tax expenses comprise current income tax expense and deferred income tax expense.

The current income tax and deferred income tax, associated with the transaction recorded into other comprehensive income or shareholder's equity, shall be recorded into other comprehensive income or shareholder's equity, while resulted from a business combination shall be taken as an adjustment to goodwill. Income taxes and deferred taxes except mentioned before shall be recorded into current profit or loss.

#### 21. Leases

As the contract gets started, the Group will assess whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is leased or includes a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customer in the contract is entitled to almost all of the economic benefits arising from the use of the identified assets and has the right to leads the use of identified assets during the period of use.

If the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met: ① The lessee may profit from using the asset alone or in conjunction with other resources that are readily available; ② there is no high dependence or high correlation between the asset and other assets in the contract.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 21. Leases (Continued)

If the contract includes both the lease and non-lease parts, the lease and non-lease parts are separated and accounted for when the Group acts as the lessor and lessee.

(1) Lease to a lessee

The types of the Group's right-of-use assets mainly include: leased houses and buildings, machines and equipment, other equipment, land use right.

1) Initial measurement

When the lease starts, the Group recognizes its right to use the leased asset over the lease term as the right-of-use asset, and recognizes the present value of the lease payments that have not been paid as lease liability, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 21. Leases (Continued)

(1) Lease to a lessee (Continued)

2) Subsequent measurement

In the subsequent measurement, if it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group depreciates the remaining useful life of the leased asset. If it is not reasonable to determine that the leasehold asset can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the leased asset.

The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognizes it in profit or loss for the current period.

The variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss when incurred.

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

#### 21. Leases (Continued)

(1) Lease to a lessee (Continued)

2) Subsequent measurement (Continued)

After the commencement date of the lease, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, the index or ratio used to determine the lease payment amount changes, the evaluated result of the purchase option, the renewal option or the termination option or the actual exercise situation changes, the Group re-measures the lease liability according to the present value of the changed lease payment, and adjusts the book value of the right-of-use asset accordingly. The carrying amount of the right-of-use asset has been reduced to zero. However, if the lease liability still needs to be further reduced, the Group will include the remaining amount in the current profit and loss.

3) Lease alteration

The lease alteration is the lease scope, lease consideration, and change of lease terms outside the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **21. Leases (Continued)**

(1) Lease to a lessee (Continued)

3) Lease alteration (Continued)

If the lease changes and meets the following conditions, the Group will account for the lease change as a separate lease: ① The lease change expands the scope of the lease by increasing the right to use one or more leased assets; ② the increased consideration and the individual price of the enlarged part of the lease are equivalent to the amount adjusted by the contract.

If the lease change is not accounted for as a separate lease, the Group re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease interest rate of the remaining lease period as the discount rate; If it is not possible to determine the lease interest rate for the remaining lease period, the Group's incremental borrowing rate at the effective date of the lease change is used as the discount rate.



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

#### 21. Leases (Continued)

(1) Lease to a lessee (Continued)

3) Lease alteration (Continued)

In view of the above effects of the adjustment of the lease liability, the Group distinguishes between the following cases for accounting treatment: ① If the lease change results in a narrower lease or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the termination or complete termination of the lease. The Group recognizes the related gains on the termination or the complete termination of the leases into the current profits and losses; ② for other lease changes, the Group adjusts the book value of the right-of-use assets accordingly.

4) Short-term leases and low-value asset leases

The Group does not recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During the period of the lease term, the related asset cost or current profit and loss is included in the straight-line method.

(2) Operational lease to a lessor

Rental received from operational lease shall be recorded in the profit and loss for the current period by a straight-line approach over the lease term. Initial direct significant cost occurred shall be capitalized when actually occur, and subsequently recorded into the profit and loss according to the way, by which the rental recorded into profit or loss. Contingent rental shall be recorded into profit and loss in when actually occur.

**IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES  
(CONTINUED)**

**21. Leases (Continued)**

(3) Finance lease as a lessor

At the commencement of lease term, finance lease receivable shall be measured at the sum of minimum lease receipts and initial direct cost, risk exposure shall be recorded simultaneously, and unrealized finance income shall be measured at the difference between the sum of minimum finance lease receipt and initial direct expenditure and risk exposure, and its present value. Finance lease receivable deducted by unrealized finance income shall be separately listed as long-term receivable and long-term receivable due within one year according to its due term.

Unrecognized finance income shall be amortized with the effective interest rate, and contingent rental shall be recorded into profit and loss while occur.

(4) Sale-Leaseback Transactions

As a lessee, if the transfer of assets in the sale and leaseback transaction belongs to sales, the Group, as a lessee, measures the right-of-use assets formed by the sale and leaseback based on the portion of the book value of the original assets related to the use rights obtained from the leaseback, and only recognize the relevant gains or losses on the right transferred to the lessor; if the transfer of assets in the sale and leaseback transaction is not part of the sale, the Group continues to recognize the transferred assets as the lessee and also recognizes a financial liability equal to the transfer income.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 21. Leases (Continued)

##### (4) Sale-Leaseback Transactions (Continued)

When the lessor is a seller, if the asset transfer in the sale and leaseback transaction belongs to the sales, The Group accounts it for the purchase of the asset as the lessor, and performs accounting treatment on the asset lease according to the foregoing provisions; if the asset transfer in the sale and leaseback transaction does not belong to the case of sales, the Group as the lessor does not recognize the transferred assets, but recognizes a financial asset equal to the transfer income.

#### 22. Contract liabilities

Contract liabilities reflect the obligation of the Group to transfer goods to customers due to the consideration received or receivable by the Group. Before the Group transfers the goods to the customer, the customer has already paid the contract consideration or the Group has obtained the unconditional right to receive the contract consideration. The Group confirms the contract liability according to the amount received or receivable at the earlier of the actual payment and the due payment due by the customer.

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

#### 23. Employee benefits

The employee benefits, including short-term employee benefits, post-employment benefits, terminal benefits and other long-term employee benefits.

Short-term employee benefits, including wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing fund, labor union funds, employee education fund and non-monetary benefits. The short-term employee benefits are recognized as liabilities when actually incurred of rend services from the employees during the accounting period and eventually recognized in current profit or loss or related assets cost. The non-monetary benefits are measured at fair value.

Post-employment benefits include making contribution plans, which include basic old-age insurance, unemployment insurance and annuities and etc. The amount shall be accrued to the relevant assets cost or profit or loss.

The Group shall recognize the termination benefits as a provision and report in profit or loss accordingly, when the company is not able to withdraw the termination benefits unilaterally due to the relief of labor relationship or lay-off proposal, the terminal benefits are recognized as employee liabilities and recognized in profit or loss at the date which is earlier between recognizing and paying off the terminal benefits related to the recombination. However, terminal benefits shall be recognized as long-term employee benefits if the benefits cannot be settled within 12 months after the reporting date.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

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

#### 23. Employee benefits (Continued)

The group applied an internal retirement plan which shall be accounted in terms of above-mentioned principal to the termination benefits. Salary and social insurance expected to be paid shall be recorded into current profit or loss from the date stopping rendering service to the normal retirement date, if the relevant expenditure satisfies the recognition criteria of contingent liability.

#### 24. Changes of significant accounting policies and estimates

- (1) There are no significant changes in accounting policies for the period.
- (2) There are no significant changes in estimates for the period.

#### 25. Corrections of prior period errors

There are no corrections of prior year errors for the period.

#### 26. Significant accounting judgments and estimates

Judgments, estimates and assumptions shall be made to financial statements items, which could not be measured accurately, due to the inherent uncertainties of operating activities, while applying accounting policy. Management bases its judgments, estimates and assumptions on historical experience and other various factors, these judgments will influence the amount of revenues, expenses, assets and liabilities presented in financial reports and the disclosure of contingent liabilities on the balance sheet date. However, these uncertainties have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

**IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES  
(CONTINUED)**

**26. Significant accounting judgments and estimates (Continued)**

The judgments, estimates and assumptions mentioned above shall be reviewed on a going concern basis. If the revisions to accounting estimates only influence the current period, relevant adjustment due to the effect shall be recognized in the current period; otherwise, in the current and future period.

On the balance sheet date, the significant fields involving judgments, estimates and assumptions about financial report items are listed as follows:

(1) Provisions for inventories

Inventories are measured by lower of historical cost or net realizable value method according to the accounting policies of inventories; for obsolete and unsalable inventories or whose historical costs are higher than the net realizable, provision for write-down of inventories shall be incurred. The carrying value of inventory shall be written down to the net realizable value on the basis of the marketability of inventories and the net realizable value. Inventory write-down shall be incurred in consideration of solid evidence and the purpose of holding inventories and the effect of subsequent events and etc. The difference between the actual outcome and the previously estimated outcome will influence the carrying value of inventories and accrual or reversal of provision for write-down of inventories during the period accounting estimates are changed.

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

#### 26. Significant accounting judgments and estimates (Continued)

##### (2) Impairment of non-current assets

On the balance sheet date, the Group shall judge whether there is any possible indication of impairment against non-financial non-current assets. The intangible assets with indefinite useful life must be tested for impairment on an annual basis as well as when there is any indication of impairment. Other non-financial non-current assets shall be tested for impairment when there is an indication showing that the carrying value is not recoverable.

Impairment occurs while the carrying value of an asset or asset group is higher than the recoverable value, which is the higher of its fair value deducted disposal expenses and the present value of expected future cash flow.

The fair value deducted by disposal expenditure is determined in consideration that sale agreement regarding analogous asset, and approachable market price and relevant dispose expenditures.

Significant judgments regarding the production amount, sales price, relevant operating costs of the assets (or assets group) and the discount rate used to calculate the present value shall be made, while determining the present value of future cash flows. Recoverable amount shall be estimated by using all accessible relevant information, including production amount, sales price, and relevant operating costs predictions made based on reasonable and supportive assumptions.

#### **IV. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)**

##### **26. Significant accounting judgments and estimates (Continued)**

(3) Depreciation and amortization

Fixed and intangible assets are depreciated and amortized by a straight-line approach over their estimated useful life by taking the residual value into consideration. Useful life shall be periodically reviewed to determine the depreciation and amortization expenses for each Reporting Period and be determined on the basis of historical experience regarding analogous assets and the expected technological innovation. Significant changes to previous accounting estimates will result in adjustments against depreciation and amortization expenses in the future periods.

(4) Deferred tax assets

Deferred tax asset is recognized for all the uncompensated tax losses to the extent of the amount of deductible taxable income. In order to determine the amount of deferred tax assets, the management needs to predict the timing and the amount of taxable profits in the future by taking into account the influence of tax planning.

(5) Income tax

Within the normal operating activities of the group, some of them are possibly uncertain in the tax treatment and calculation. The approval of tax authority is required by tax expenses of some items. If there is a difference between the final identified result and the original estimated amount, it will have an impact on the current income tax and deferred income tax during the final determination period.



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

#### 26. Significant accounting judgments and estimates (Continued)

(6) Early retirement pension and supplementary social pension

Expense and liability resulted from early retirement pension and supplementary social pension are determined based on a variety of assumptions, including the discount rate, the growth rate of average medical cost, the growth rate of retired employees' subsidies and other factors. Differences between actual and estimated results will be recognized accordingly as current expenses. Although the management believes that the assumptions are reasonable, the changes in actual empirical value and assumptions will affect the amount of expenses and the balance of liabilities resulted from early retirement pension and supplementary social pension.

(7) Impairment of financial instruments

Expected credit loss model is adopted for assessing impairment of financial instruments. The application of expected credit loss model requires significant judgement and estimates, all reasonable and evidence-based information, including forward-looking information is taken into account. When making such judgments and estimates, the Group infers the expected changes in debtors' credit risk based on historical repayment data, combining with economic policies, macroeconomic indicators, industry risks, major changes in debtors, early warning customer lists, collateral and other considerable factors.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### V. TAXATION

#### Main taxes and tax rate

Type of tax	Specific tax rate
Value added tax ("VAT")	Output VAT is calculated based on taxable income, according to the applicable tax rate, and deducting the VAT from the difference after deduction of input tax in current period.
City construction and Education surtax	Paid circulating tax: 7%, 3%, 2%
Enterprise income tax	Taxable income: 15%, 25%
Environmental protection tax	<p>Atmospheric pollutant: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.2.</p> <p>Water pollutants: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.4.</p> <p>Solid wastes: Multiply the emission of solid wastes by 25.</p> <p>Noise: Multiply the noise coefficient of exceeding standards by 350, 700, 2800 or 1400.</p>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified in the notes below, the current period refers to the six-month period ending 30 June 2021 and the prior period refers to the six-month period ending 30 June 2020.

#### 1. Cash and cash equivalents

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Bank deposits	<b>6,891</b>	5,176
Other cash balance	<b>300</b>	153
Total	<b>7,191</b>	5,329

#### 2. Derivative financial assets

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Futures contracts	<b>10</b>	
Total	<b>10</b>	

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 3. Notes receivable

- (1) Classification of notes receivable

Items	30 June 2021			31 December 2020		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank acceptance notes	21		21	63		63
Commercial acceptance notes						
<b>Total</b>	<b>21</b>		<b>21</b>	<b>63</b>		<b>63</b>

- (2) Notes receivable transferred to accounts receivable due to insolvency of the issuer as of 30 June 2021

Items	Amount transferred to accounts receivable at the end of the year
Bank acceptance notes	947
Commercial acceptance notes	
<b>Total</b>	<b>947</b>

- (3) The aging of the notes receivable at the end of the year

The above aging of the Group's notes receivable at the end of the year is within 1 year.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Accounts receivable

(1) Classification of accounts receivable

Items	30 June 2021				Net Book Value
	Book Balance		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,030	29.96	813	78.93	217
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,408	70.04	6	0.25	2,402
Risk group combination on the basis of aging-matrix	833	24.23			833
	1,575	45.81	6	0.38	1,569
<b>Total</b>	<b>3,438</b>	<b>100.00</b>	<b>819</b>	<b>23.82</b>	<b>2,619</b>

Items	31 December 2020				Net Book Value
	Book Balance		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,031	30.89	739	71.68	292
Account receivable for which bad debt is prepared based on group combination including: Risk-free group combination	2,307	69.11	6	0.26	2,301
Risk group combination on the basis of aging-matrix	455	13.63			455
	1,852	55.48	6	0.32	1,846
<b>Total</b>	<b>3,338</b>	<b>100.00</b>	<b>745</b>	<b>22.32</b>	<b>2,593</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Accounts receivable (Continued)

- (2) Accounts receivable subject to separate assessment for bad debts provision

Debtors	30 June 2021			
	Book	Bad Debt	Percentage	Reason
	Balance	Provision		
Tianjin Resources Group Finance Co., Ltd. (Department of finance)	605	472	78.02	Notes overdue
HNA Group Finance Co., Ltd. (HNA Finance Division)	264	225	85.23	Notes overdue
Chongqing Lifan Finance Co., Ltd. (Lifan Finance)	78	34	43.59	Notes overdue
Anshan Zhongyou Tianbao Steel Pipe Co., Ltd.	67	66	98.51	Business is in trouble. It does not have repayment ability
Dongbei Special Steel Group Dalian material trading Co., Ltd.	15	15	100.00	The company has gone into liquidation
Shenyang Brilliance Dongxing Auto Parts Co., Ltd.	1	1	100.00	The company has filed for bankruptcy
<b>Total</b>	<b>1,030</b>	<b>813</b>	<b>-</b>	<b>-</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Accounts receivable (Continued)

- (3) Accounts receivable classified by aging

Aging	30 June	31 December
	2021	2020
Within 1 year	2,341	2,234
1 to 2 years	959	968
2 to 3 years	14	14
3 to 4 years	11	14
4 to 5 years	17	16
Over 5 years	96	92
Total	3,438	3,338

*Note:* In the above analysis, the aging of accounts receivable (RMB947 million in total) transferred from overdue notes receivable is calculated on the transfer date. The aging is 1 to 2 years. Meanwhile, the rest of accounts receivable is based on the invoice date.

- (4) Bad debt provision

Type	31 December 2020	Increase/Decrease		30 June 2021
		Bad debt provision	Resale or Reverse verification	
Accounts receivable	745	75	1	819

- (5) Accounts receivable written off this period

There are no accounts receivables that have been written off this period.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Accounts receivable (Continued)

- (6) The condition of accounts receivable of the top five debtors by the balances as of 30 June 2021

The aggregate amount of the Group's top five accounts receivable with 30 June 2021 balances aggregated by party in default for the period was RMB2,202 million, representing 64.05% of the total 30 June 2021 balances of accounts receivable, and the corresponding aggregate amount of bad debt provision for 30 June 2021 balances was RMB697 million.

- (7) Accounts receivable derecognized resulting from transfer of financial assets

The Group transferred accounts receivable on a non-recourse basis of RMB620 million during the period and incurred costs related to derecognition of RMB11 million during the period. See Note IX. 4 for details.

#### 5. Receivables financing

- (1) Classification of receivables financing

Type	30 June 2021			31 December 2020		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank acceptance notes	1,078		1,078	991		991
Commercial acceptance notes				18		18
<b>Total</b>	<b>1,078</b>		<b>1,078</b>	1,009		1,009



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 5. Receivables financing (Continued)

- (2) Receivables financing of the Company pledged as of 30 June 2021

<b>Items</b>	<b>Pledged Notes by End of 30 June 2021</b>
Bank acceptance notes	<b>170</b>
<b>Total</b>	<b>170</b>

The Group pledged notes receivable with a carrying value of RMB170 million to banks and obtained notes payable of RMB163 million during the period, with the pledge period ranging from January 2021 to September 2021.

- (3) Receivables financing that have been endorsed or discounted and have not expired at the end of 30 June 2021

<b>Items</b>	<b>Amount of Termination Confirmation</b>	Amount of Non- termination Confirmation
Bank acceptance notes	<b>14,391</b>	
Commercial acceptance notes	<b>396</b>	
<b>Total</b>	<b>14,787</b>	

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6. Prepayments

- (1) Prepayments classified by aging

Items	30 June 2021		31 December 2020	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	3,445	97.95	3,022	96.96
1 to 2 years	63	1.79	91	2.92
2 to 3 years	7	0.20	2	0.06
Over 3 years	2	0.06	2	0.06
<b>Total</b>	<b>3,517</b>	<b>100.00</b>	3,117	100.00

- (2) The condition of prepayment of the top five debtors by the balances at the end of year

The aggregate amount of the Group's top five prepaid accounts for 30 June 2021 balances, grouped by prepaid objects, was RMB2,598 million, representing 73.87% of the aggregate prepaid accounts for 30 June 2021 balances.

#### 7. Other receivables

Items	30 June 2021	31 December 2020
Dividends receivable		
Other receivables	128	56
<b>Total</b>	<b>128</b>	56

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables (Continued)

(1) The condition of other receivables

1) Classification of other receivables

Items	30 June 2021				Net Book Value
	Book Balance		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	6.47	9	100.00	
Other receivables for which bad debt is prepared based on group combination	130	93.53	2	1.54	128
Including: Risk-free group combination	15	10.80			15
Risk group combination on the basis of aging-matrix	115	82.73	2	1.74	113
Total	139	100.00	11	7.91	128

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables (Continued)

(1) The condition of other receivables (Continued)

1) Classification of other receivables (Continued)

Items	31 December 2020				Net Book Value
	Book Balance		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	13.43	9	100.00	
Other receivables for which bad debt is prepared based on group combination	58	86.57	2	3.45	56
Including: Risk-free group combination	1	1.49			1
Risk group combination on the basis of aging-matrix	57	85.08	2	3.51	55
Total	67	100.00	11	16.42	56

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables (Continued)

(1) The condition of other receivables (Continued)

2) Other receivables classified by the nature

Type	30 June 2021	31 December 2020
The remaining factoring receivable	97	44
The service fee of land acquisition	9	9
Petty cash	4	6
Others	29	8
Total	139	67

3) Other receivables classified by aging

Aging	30 June 2021	31 December 2020
Within 1 year	123	52
1 to 2 years	2	1
2 to 3 years	1	1
3 to 4 years	1	1
4 to 5 years		3
Over 5 years	12	9
Total	139	67

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Other receivables (Continued)

(1) The condition of other receivables (Continued)

4) The accrual condition of bad debt provision

	The first stage Expected credit losses within the next 12 months	The second stage Expected credit losses for the entire duration of the period (no credit impairment)	The third stage Expected credit losses for the entire duration of the period (credit impairment has occurred)	Total
Balance at 1 January 2021		2	9	11
Bad debt provision				
Reverse				
Resale or verification				
Write off				
Other changes				
Balance at 30 June 2021		2	9	11

5) Bad debt provision at the end of the period

Type	31 December 2020	Increase/Decrease			30 June 2021
		Bad debt provision	Reverse	Resale or verification	
Other receivables	11				11

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 7. Other receivables (Continued)

(1) The condition of other receivables (Continued)

6) Other receivables subject to separate assessment for bad debts provision

Debtors	30 June 2021			Reason
	Book Balance	Bad Debt Provision	Percentage (%)	
Land acquisition service station of Chaoyang City	9	9	100.00	Less likely to recover
Total	9	9	-	-

7) The condition of other receivables of the top five debtors by the balances at the end of the period

The aggregate amount of the Group's top five other receivables with 30 June 2021 balances, grouped by party in default, for the period was RMB124 million, representing 89.21 % of the total other receivables 30 June 2021 balances, and the corresponding aggregate amount of bad debt provision for 30 June 2021 balances was RMB10 million.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. Inventory

(1) Classification of Inventory

Items	30 June 2021		
	Book Balance	Provision for written- down of inventories	Net Book Value
Raw materials	2,891	36	2,855
Work in progress	3,665	220	3,445
Finished goods	3,971	50	3,921
Revolving materials	622	1	621
Spare parts	901	54	847
Materials in transit	501		501
Work in progress– outsourced	6		6
<b>Total</b>	<b>12,557</b>	<b>361</b>	<b>12,196</b>



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 8. Inventory (Continued)

(1) Classification of Inventory (Continued)

Items	31 December 2020		
	Book Balance	Provision for written-down of inventories	Net Book Value
Raw materials	2,778	58	2,720
Work in progress	3,387	344	3,043
Finished goods	2,978	91	2,887
Revolving materials	641	1	640
Spare parts	1,152	53	1,099
Materials in transit	224		224
Work in progress– outsourced	5		5
<b>Total</b>	<b>11,165</b>	<b>547</b>	<b>10,618</b>

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Inventory (Continued)

(2) Changes in provision for written-down of inventories

Items	31 December 2020	Increase	Decrease	30 June 2021
		Provision for written-down of inventories	Written Back	
Raw materials	58	41	63	36
Work in progress	344	44	168	220
Finished goods	91		41	50
Revolving materials	1			1
Spare parts	53	2	1	54
<b>Total</b>	<b>547</b>	<b>87</b>	<b>273</b>	<b>361</b>

*Note:* The net realizable value for finished goods and the relevant raw materials is lower than the cost, therefore, provision for inventory was accrued this year. Meanwhile, due to market price recovery or product cost decline, part of inventory's net realized value is higher than its book value, therefore, the provision is reversed within the amount of its original provision.

### 9. Other current assets

Items	30 June 2021	31 December 2020
The amount of input tax to be deducted and certified	160	75
Input tax retained	165	156
<b>Total</b>	<b>325</b>	<b>231</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 10. Long-term equity investments

Details of long-term equity investments

The invested entity	31 December 2020	Increase/Decrease		Investment income under the equity method	Other comprehensive income
		Increase	Decrease		
<b>I. Joint venture</b>					
TKAS Auto Steel Company Limited ("ANSC-TKS")	622			129	
Angang Steel Co., Ltd. – DSIC Dalian Steel Processing and Distribution Co., Ltd. ("ANSC – Dalian Shipbuilding")	216			(8)	
Ansteel Guangzhou Automotive Steel Co., Ltd. ("Guangzhou Automotive Steel")	336			30	
Subtotal	1,174			151	
<b>II. Associate</b>					
Ansteel Group Finance Co., Ltd. ("Ansteel Finance")	1,428			49	
Anshan Ansteel Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder Company")	3			3	
Guangzhou Nansha Steel Logistics Co., Ltd. ("Nansha Logistics")	71				
Ansteel Jingu (Hangzhou) Metal Company Limited ("Ansteel Jingu")	111				
Guangzhou GAC Bao-Business Steel Processing Co., Ltd. ("GAC Bao-Business")	97			4	
Meizhou GAC Automobile Spring Co., Ltd. ("GAC Spring")	45			(2)	
Chaoyang Zhong'an Water Co., Ltd. ("Zhong'an Water")	36				
Subtotal	1,791			54	
Total	2,965			205	

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**10. Long-term equity investments (Continued)**

The invested entity	Increase/Decrease				Closing balance	Closing balance of the provision for impairment
	Other equity changes	Declaration of cash dividends or profits	Provision for impairment	Others		
<b>I. Joint venture</b>						
ANSC-TKS		99			652	
ANSC – Dalian Shipbuilding					208	
Guangzhou Automotive Steel				(2)	364	
Subtotal		99		(2)	1,224	
<b>II. Associate</b>						
Ansteel Finance					1,477	
Iron Oxide Powder Company					6	
Nansha Logistics					71	
Ansteel Jingu					111	
GAC Bao-Business					101	
GAC Spring					43	
Zhong'an Water		1			35	
Subtotal		1			1,844	
Total		100		(2)	3,068	

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 11. Other equity instrument investments

(1) Details of other equity investments

The invested entity	Book balance	
	30 June 2021	31 December 2020
WISDRI Engineering & Research Incorporation Limited ("WISDRI")	423	399
Heilongjiang Longmay Mining Group Co., Ltd. ("Longmay Group")	33	36
Anshan Falan Company Limited ("Anshan Falan")	25	24
DSIC Ship Engineering Co., Ltd. ("Dalian Ship")		
Changsha Baosteel Steel Processing and Distribution Co., Ltd. ("Changsha Baosteel")	9	8
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd. ("CSSC Equipment and Materials")	3	4
China Automotive Lightweight Technology Research Institute Co., Ltd. ("China Automotive Lightweight")	3	3
Shanghai B-Chemical Digital Technology Co., Ltd. ("B-Chemical")	2	2
Jindian (Hangzhou) Technology Co., Ltd. ("Jindian")		
<b>Total</b>	<b>498</b>	<b>476</b>

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**11. Other equity instrument investments (Continued)**

(2) Analysis of other equity investments

<b>Items</b>	<b>30 June 2021</b>
Listed investments including : Hongkong Mainland China	
Non-listed investments	<b>498</b>
Total	<b>498</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 11. Other equity instrument investments (Continued)

- (3) Non-tradable investments in equity instruments in current period

Items	Dividend income recognized in current period	Accumulated gain	Accumulated loss	Other comprehensive income transfer to retained earnings	Reason (Designated to be measured at fair value and its changes included in other comprehensive income)	Reason (other comprehensive income transfer to retained earnings)
WISDRI		283				
Longmay Group			(212)			
Anshan Falan	1	4				
Dalian Ship			(151)			
Changsha Baosteel			(8)			
CSSC Equipment and Materials			(7)			
China Automotive Lightweight						
B-Chemical		1				
Jindian			(2)			
Total	1	288	(380)			

*Note:* The Group's investment in equity instruments that are not quoted in the open market is an investment that the Group plans to hold for a long period of time. Therefore, the Group designates it as a financial asset that is measured at fair value and whose changes are included in other comprehensive income.

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**12. Other non-current financial assets**

<b>The invested entity</b>	<b>Book balance</b>	
	<b>30 June 2021</b>	31 December 2020
Zhuzhou Smelter Group Co., Ltd. ("Zhuzhou Smelter Group")	<b>28</b>	34
<b>Total</b>	<b>28</b>	34

*Note:* The Group's equity instruments that are active in the open market and are quoted are designated as financial assets measured at fair value through profit or loss. As the Group plans to hold the investment of Zhuzhou Smelter Group for a strategic purpose, the investment is reclassified to other non-current financial assets at the end of the period.



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 13. Fixed assets

(1) Details of fixed assets

Items	Houses and buildings	Machinery	Others	Total
<b>① Original book value</b>				
31 December 2020	33,459	83,848	6,289	123,596
Increase in the period	13	376	79	468
(1) Purchase	3	5	5	13
(2) Transform from construction in progress	30	376	74	480
(3) Increase from business combinations				
(4) Others	(20)	(5)		(25)
Decrease in the period	6	115	18	139
(1) Disposal or scrap	6	115	18	139
(2) Others				
30 June 2021	33,466	84,109	6,350	123,925
<b>② Accumulated depreciation</b>				
31 December 2020	12,920	51,946	5,175	70,041
Increase in the period	372	1,324	104	1,800
(1) Provision	379	1,317	104	1,800
(2) Increase from business combinations				
(3) Others	(7)	7		
Decrease in the period	2	89	16	107
(1) Disposal or scrap	2	89	16	107
(2) Others				
30 June 2021	13,290	53,181	5,263	71,734

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**13. Fixed assets (Continued)**

(1) Details of fixed assets (Continued)

Items	Houses and buildings	Machinery	Others	Total
<b>③ Provision for impairment</b>				
31 December 2020	528	2,511	144	3,183
Increase in the period				
(1) Provision				
(2) Others				
Decrease in the period				
(1) Disposal or scrap				
(2) Others				
30 June 2021	528	2,511	144	3,183
<b>④ Book value</b>				
30 June 2021	19,648	28,417	943	49,008
31 December 2020	20,011	29,391	970	50,372

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 13. Fixed assets (Continued)

(2) Temporarily idle fixed assets

Items	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Machinery	3	2		1	
Total	3	2		1	

(3) Fixed assets leased out by operating lease

Type	30 June 2021	31 December 2020
Houses and buildings	19	19
Machinery	5	6
Total	24	25

#### 14. Construction in progress

Items	30 June 2021	31 December 2020
Construction in progress	2,569	1,772
Construction materials	51	42
Total	2,620	1,814

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 14. Construction in progress (Continued)

(1) Construction in progress

1) Details of construction in progress

Items	30 June 2021			31 December 2020		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Angang Steel Co., Ltd. Bayuquan 1# sintering machine added activated carbon flue gas desulfurization and denitrification device transformation project	183		183	183		183
Energy centralized control platform Project of energy management and control center	181		181	131		131
17 share reform 7-Angang Steel Co., Ltd. Hot Rolling Plant 1700 Line Upgrade Project	144		144	100		100
17 shares reform 104-Angang Steel Co., Ltd. Steelmaking General Plant No. 1 Branch 1# billet casting machine major modification project	74		74	67		67
18 shares reform 158-Ansteel Chemical Technology Co., Ltd. ("Chemical Technology") Desulfurization waste liquid acid production project	59		59	54		54
Angang Steel Co., Ltd. Bayuquan Branch Converter Primary Dust Removal and Third Dust Removal Reform Project	55		55	54		54
17 share reform 79-Chemical business unit newly built 40,000 tons/year needle coke project	55		55	51		51
18 share reform 015-Ansteel Group Co., Ltd. Steel Smart Logistics Phase I Project (smelting transportation)	53		53	50		50
20 Gai 088A Ironmaking-Angang Steel Co., Ltd. Ironmaking General Plant Sintering machine environmental upgrade project (Ironmaking property rights)	49		49			
19GX026 Smart Raw Material Plant Project of Bayuquan Branch	49		49	3		3
Others	1,673	6	1,667	1,085	6	1,079
<b>Total</b>	<b>2,575</b>	<b>6</b>	<b>2,569</b>	<b>1,778</b>	<b>6</b>	<b>1,772</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 14. Construction in progress (Continued)

(1) Construction in progress (Continued)

2) Changes in major constructions in progress

Items	Budget	31 December 2020	Increase in the period	Transferred into fixed assets	Other decrease	30 June 2021
Angang Steel Co., Ltd. Bayuquan 1# sintering machine added activated carbon flue gas desulfurization and denitrification device transformation project	252	183				183
Energy centralized control platform Project of energy management and control center	300	131	50			181
17 share reform 7-Angang Steel Co., Ltd. Hot Rolling Plant 1700 Line Upgrade Project	350	100	44			144
17 shares reform 104-Angang Steel Co., Ltd. Steelmaking General Plant No. 1 Branch 1# billet casting machine major modification project	135	67	7			74
18 shares reform 158- Ansteel Chemical Technology Co., Ltd. ("Chemical Technology") Desulfurization waste liquid acid production project	90	54	5			59
Angang Steel Co., Ltd. Bayuquan Branch Converter Primary Dust Removal and Third Dust Removal Reform Project	75	54	1			55
17 share reform 79-Chemical business unit newly built 40,000 tons/year needle coke project	458	51	4			55
18 share reform 015-Anshan Iron and Steel Group Co., Ltd. Steel Smart Logistics Phase I Project (smelting transportation)	53	50	3			53
20 Gai 088A Ironmaking-Angang Steel Co., Ltd. Ironmaking General Plant Sintering machine environmental upgrade project (Ironmaking property rights)	1,025		49			49
19GX026 Smart Raw Material Plant Project of Bayuquan Branch	74	3	46			49
Others	10,955	1,079	1,076	480	8	1,667
<b>Total</b>		<b>1,772</b>	<b>1,285</b>	<b>480</b>	<b>8</b>	<b>2,569</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 14. Construction in progress (Continued)

(1) Construction in progress (Continued)

2) Changes in major constructions in progress (Continued)

(Continued)

Items	Accumulated amount of interest capitalization	Including: Interest capitalization amount	Interest capitalization rate (%)	Expenditure over budget (%)	Project progress (%)	Resource of fund
Angang Steel Co., Ltd. Bayuquan 1# sintering machine added activated carbon flue gas desulfurization and denitrification device transformation project				72	72	Self-financing
Energy centralized control platform Project of energy management and control center				60	60	Self-financing
17 share reform 7-Angang Steel Co., Ltd. Hot Rolling Plant 1700 Line Upgrade Project				41	41	Self-financing
17 shares reform 104-Angang Steel Co., Ltd. Steelmaking General Plant No. 1 Branch 1# billet casting machine major modification project				55	55	Self-financing
18 shares reform 158-Ansteel Chemical Technology Co., Ltd. ("Chemical Technology") Desulfurization waste liquid acid production project				66	66	Self-financing
Angang Steel Co., Ltd. Bayuquan Branch Converter Primary Dust Removal and Third Dust Removal Reform Project				74	74	Self-financing
17 share reform 79-Chemical business unit newly built 40,000 tons/year needle coke project				90	90	Self-financing
18 share reform 015-Anshan Iron and Steel Group Co., Ltd. Steel Smart Logistics Phase I Project (smelting transportation)	4	1		100	100	Self-financing
20 Gai 088A Ironmaking-Angang Steel Co., Ltd. Ironmaking General Plant Sintering machine environmental upgrade project (Ironmaking property rights)				5	5	Self-financing
19GX026 Smart Raw Material Plant Project of Bayuquan Branch				66	66	Self-financing
Others	130	3		60	60	Self-financing
Others	134	4	-	-	-	-

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 14. Construction in progress (Continued)

(1) Construction in progress (Continued)

3) Provision for impairment of construction in progress

Items	31 December 2020	Increase in the period	Decrease in the period	30 June 2021
		Provision	Reversal or transfer	
Hot Rolling Pickling Board Production Line Project	6			6
<b>Total</b>	<b>6</b>			<b>6</b>

(2) Construction materials

Items	30 June 2021	31 December 2020
Special equipment	51	42
<b>Total</b>	<b>51</b>	<b>42</b>

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Right-of-use assets

Items	Land use right	Machinery	Total
<b>I. Original book value</b>			
1. 31 December 2020	254	781	1,035
2. Increase in the period			
(1) Lease			
(2) Increase from combination			
(3) Others			
3. Decrease in the period			
(1) Disposal			
(2) Decrease from business combination			
4. 30 June 2021	254	781	1,035
<b>II. Accumulated depreciation</b>			
1. 31 December 2020	167	46	213
2. Increase in the period	43	23	66
(1) Provision	43	23	66
(2) Increase from business combinations			
3. Decrease in the period			
(1) Disposal			
(2) Decrease from business combination			
4. 30 June 2021	210	69	279
<b>III. Provision for impairment</b>			
1. 31 December 2020			
2. Increase in the period			
(1) Provision			
3. Decrease in the period			
(1) Disposal			
4. 30 June 2021			
<b>IV. Book value</b>			
1. 30 June 2021	44	712	756
2. 31 December 2020	87	735	822



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 16. Intangible assets

Items	Land use right	Non-patented technology	Software	Trademark right	Total
<b>I. Original book value</b>					
1. 31 December 2020	8,311	47	117		8,475
2. Increase in the period			8		8
(1) Purchase					
(2) Internal R&D					
(3) Increase from combination					
(4) Others			8		8
3. Decrease in the period	1				1
(1) Disposal	1				1
(2) Decrease from business combination					
4. 30 June 2021	8,310	47	125		8,482
<b>II. Accumulative amortization</b>					
1. 31 December 2020	2,355	47	85		2,487
2. Increase in the period	84		10		94
(1) Provision	84		10		94
(2) Increase from business combinations					
3. Decrease in the period					
(1) Disposal					
(2) Decrease from business combination					
4. 30 June 2021	2,439	47	95		2,581
<b>III. Provision for impairment</b>					
1. 31 December 2020					
2. Increase in the period					
(1) Provision					
3. Decrease in the period					
(1) Disposal					
4. 30 June 2021					
<b>IV. Book value</b>					
1. 30 June 2021	5,871		30		5,901
2. 31 December 2020	5,956		32		5,988

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 17. Deferred tax assets and deferred tax liabilities

(1) Recognized deferred tax assets

Items	30 June 2021		31 December 2020	
	Deferred tax assets	Deductible temporary difference and deductible loss	Deferred tax assets	Deductible temporary difference and deductible loss
Provision for impairment of assets	330	1,317	331	1,324
Deductible loss	203	813	692	2,768
Unrealized internal profit	78	313	19	76
Dismissal welfare	38	154	47	188
Depreciation of fixed assets	34	136	34	136
Salaries payable	22	88	22	88
Employee education expenses	8	32	8	32
Deferred income	116	464	116	464
Changes in fair value of other equity instrument investments	95	379	94	376
Changes in fair value of trading financial assets (liabilities)	2	8	1	4
Others	6	24	5	20
<b>Total</b>	<b>932</b>	<b>3,728</b>	<b>1,369</b>	<b>5,476</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 17. Deferred tax assets and deferred tax liabilities (Continued)

##### (2) Recognized deferred tax liabilities

Items	30 June 2021		31 December 2020	
	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference
Valuation of trading financial instruments and derivative financial instrument- equity conversion	43	172	43	172
Changes in fair value of other equity instrument investments	72	288	67	267
Unrealized internal profit	2	8	2	8
<b>Total</b>	<b>117</b>	<b>468</b>	<b>112</b>	<b>447</b>

##### (3) Unrecognized deferred tax assets

Items	30 June 2021	31 December 2020
Deductible temporary difference- Provision for impairment	2,280	2,362
Deductible loss	50	50
<b>Total</b>	<b>2,330</b>	<b>2,412</b>

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**17. Deferred tax assets and deferred tax liabilities (Continued)**

- (4) Deductible loss of unrecognized deferred tax assets will expire in the following years

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
2024	<b>50</b>	50
Total	<b>50</b>	50

**18. Other non-current assets**

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Prepayment for construction projects	<b>1,405</b>	1,190
Total	<b>1,405</b>	1,190

**19. Short-term borrowings**

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Credit loans	<b>2,205</b>	8,505
Total	<b>2,205</b>	8,505

*Note:* Guaranteed loans of short-term borrowings are mainly used to replenish working capital.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 20. Derivative financial liabilities

Items	30 June 2021	31 December 2020
Future contracts	1	13
Foreign exchange swap contracts	37	30
Total	38	43

#### 21. Notes payable

Items	30 June 2021	31 December 2020
Bank acceptance notes	3,886	2,444
Commercial acceptance notes	166	176
Total	4,052	2,620

*Note:* There are no notes payable that have expired but have not been paid on 30 June 2021. The above aging of the Group's notes payable at the end of the period is within 1 year.

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Accounts payable

(1) Aging of accounts payable

Items	30 June 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	7,879	98.80	7,858	98.98
1 to 2 years	21	0.26	10	0.13
2 to 3 years	4	0.05		
Over 3 years	71	0.89	71	0.89
<b>Total</b>	<b>7,975</b>	<b>100.00</b>	<b>7,939</b>	<b>100.00</b>

*Note:* The above aging analysis is based on the invoice date.

(2) Significant account payable aging over 1 year

Creditors	Amount owed	Aging
Tangyuan County Tianyu Coal Coke Energy Co., Ltd.	65	2 to 3 years, 4 to 5 years, Over 5 years
<b>Total</b>	<b>65</b>	

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### 23. Contract liabilities

Items	30 June 2021	31 December 2020
Products selling payment	<b>6,743</b>	5,594
Others	<b>25</b>	17
Total	text-align: right;"> <b>6,768</b>	text-align: right;">5,611

### 24. Employee benefits payable

(1) Presentation of employee benefits payable

Items	31 December 2020	Increase	Decrease	30 June 2021
I. Short-term remuneration	165	2,280	2,130	<b>315</b>
II. Post-employment benefits – defined contribution plans		299	299	
III. Dismissal welfare	63	84	115	<b>32</b>
Total	text-align: right;">228	text-align: right;">2,663	text-align: right;">2,544	text-align: right;"> <b>347</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 24. Employee benefits payable (Continued)

##### (2) Presentation of Short-term remuneration

Items	31 December 2020	Increase	Decrease	30 June 2021
1. Salaries, bonus, allowance and subsidies	123	1,659	1,631	151
2. Staff welfare		216	114	102
3. Social insurance	1	181	181	1
Including: Medical insurance	1	157	157	1
Staff and workers				
injury insurance		24	24	
Maternity insurance				
Others				
4. Housing fund		142	142	
5. Labor union fee and staff training fee	41	58	38	61
6. Short paid absences				
7. Short-term profit sharing plan				
8. Other short-term remuneration		24	24	
<b>Total</b>	<b>165</b>	<b>2,280</b>	<b>2,130</b>	<b>315</b>



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 24. Employee benefits payable (Continued)

(3) Presentation of defined contribution plans

Items	31 December	Increase	Decrease	30 June
	2020			2021
1.Basic pension insurance		205	205	
2.Unemployment insurance		6	6	
3.Occupational pension		88	88	
Total		299	299	

#### 25. Taxes payable

Items	30 June 2021	31 December 2020
VAT	139	100
Environmental protection tax	31	32
Resource tax	1	1
Corporate income tax	301	158
City maintenance and construction tax	22	14
Property tax	14	14
Land use tax	37	37
Individual income tax	4	12
Educational surcharges	16	10
Others	9	9
Total	574	387

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**26. Other payables**

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Interest payable	<b>7</b>	15
Dividends payable		
Other payables	<b>2,523</b>	1,945
<b>Total</b>	<b>2,530</b>	1,960

(1) Interest payable

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Interest on long-term borrowings with interest paid by installments and principal repaid at maturity	<b>2</b>	3
Interest on short-term borrowings	<b>5</b>	12
<b>Total</b>	<b>7</b>	15

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 26. Other payables (Continued)

(2) Other payables

1) Other payables listed by nature of payment

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Construction payment	<b>593</b>	511
Quality assurance funds	<b>578</b>	603
Deposit	<b>474</b>	230
Deposit for steel shelves	<b>17</b>	12
Freight charges	<b>31</b>	33
Special funds paid by Anshan Iron and Steel Group Co., Ltd. ("Anshan Iron and Steel")	<b>457</b>	457
Others	<b>373</b>	99
<b>Total</b>	<b>2,523</b>	1,945

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 26. Other payables (Continued)

(2) Other payables (Continued)

2) Significant other payables aging over 1 year

Creditors	Amount	Reasons for non-repayment	Whether paid after 30 June 2021
Ansteel Group Engineering Technology Co., Ltd.	133	Construction payment, project quality assurance funds	No
ACRE Coking & Refractory (Dalian) Engineering Consulting Corporation, MCC	52	Construction payment, project quality assurance funds	No
Ansteel Construction Group Co., Ltd.	45	Construction payment, project quality assurance funds	No
Ansteel Group Automation Co., Ltd.	27	Construction payment, project quality assurance funds	No
Sinosteel Anshan Research Institute of Thermo-energy Co., Ltd.	18	Project quality assurance funds	No
Angang Metal Construction Co., Ltd.	17	Construction payment, project quality assurance funds	No
Anshan Metallurgical Group Construction Engineering Co., Ltd.	12	Construction payment, project quality assurance funds	No
Anshan Metallurgical Group Power Engineering Co., Ltd.	12	Project quality assurance funds	No
Ansteel Information Industry Co., Ltd.	12	Construction payment, project quality assurance funds	No
<b>Total</b>	<b>328</b>	-	-

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 27. Non-current liabilities due within 1 year

Items	30 June 2021	31 December 2020
Long-term borrowings due within 1 year (Note VI. 28)	910	409
Total	910	409

#### 28. Long-term borrowings

(1) Classification of long-term borrowings

Items	30 June 2021	31 December 2020
Guaranteed loans	103	154
Credit loans	5,457	3,733
Subtotal	5,560	3,887
Less: Long-term borrowings due within 1 year (Note VI. 27)	910	409
Total	4,650	3,478

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 28. Long-term borrowings (Continued)

(2) Analysis of the maturity of long-term borrowings

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Within 1 year	<b>910</b>	409
1 year to 2 years (including 2 years)	<b>4,600</b>	1,601
2 years to 3 years (including 3 years)	<b>50</b>	1,877
3 years to 5 years (including 5 years)		
Total	<b>5,560</b>	3,887

#### 29. Bonds payable

(1) Bonds payable

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Convertible bond	<b>1,460</b>	1,476
Total	<b>1,460</b>	1,476

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 29. Bonds payable (Continued)

(2) Increase or decrease in bonds payable

Name of bonds	Par value	Issuance date	Bond duration	Issuance amount	31 December 2020
2018 Convertible bond (Note 1)	1,512	25 May 2018	5 years	1,299	1,476
Total	1,512	-	-	1,299	1,476

(Continued)

Name of bonds	Current issue	Accrued interest at face value	Amortization with the Premium or Discount of Bond (the positive refer to increase, the negative refer to decrease)	Exchange conversion (the positive refer to increase, the negative refer to decrease)	Repayment this period	30 June 2021
2018 convertible bond			28	(17)	27	1,460
Total			28	(17)	27	1,460

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29. Bonds payable (Continued)

(2) Increase or decrease in bonds payable (Continued)

*Note 1:* The company issued a five-year zero-rate convertible bond on 25 May 2018 with a total principal amount of HKD1.85 billion. The bond conversion period is from 5 July 2018 to 15 May 2023. The price of the H Shares to be issued will be initially at HKD9.54 per share (H Share). The shareholders of the Company have approved the cash dividend in the 2020 Annual General Meeting of Shareholders, therefore the conversion price has been adjusted to HKD6.46 per share (H Share) since 8 June 2021. On the issuance date, the convertible bonds-embedded derivative financial instruments are initially recognized at fair value, and the portion of the issue price that exceeds the initial recognition as a derivative financial instrument is recognized as a debt instrument.

*Note 2:* The maturity dates of the above-mentioned bonds payable are between 2 and 3 years (include 3 years).

### 30. Lease liability

Items	30 June 2021	31 December 2020
lease payments	529	699
Less: Unrecognized financing expenses	21	34
<b>Total</b>	<b>508</b>	665



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 31. Long-term employee benefits payable

Items	30 June 2021	31 December 2020
Dismissal welfare	125	125
Total	125	125

#### 32. Deferred income

Items	31 December 2020	Increase	Decrease	30 June 2021	Causes of formation
Government grants	595	6	23	578	
Total	595	6	23	578	

Among them, the projects involved the government grants are as follows:

Items	31 December 2020	New grants	Included in non-operating income	Included in other income	Other decrease	30 June 2021	Associated with the asset/income
Government subsidies related to environmental protection	98			13		85	Asset-related
Government grants related to scientific research	320	2		2		320	Asset/income-related
Others	177	4	3	5		173	Asset/income-related
Total	595	6	3	20		578	

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Other non-current liabilities

Items	30 June 2021	31 December 2020
Embedded derivative financial instruments	133	35
<b>Total</b>	<b>133</b>	<b>35</b>

### 34. Share capital

Items	31 December 2020		Increase/Decrease					30 June 2021	
	Amount	Proportion (%)	New shares issued	Bonus issue	Conversion of provident fund into shares	Others	Subtotal	Amount	Proportion (%)
Shares unrestricted on sale:									
1. Ordinary A shares	7,942	84						7,942	84
2. Foreign shares listed overseas	1,411	15						1,411	15
Restricted shares:									
1. Ordinary A shares	52	1						52	1
<b>Total</b>	<b>9,405</b>	<b>100</b>						<b>9,405</b>	<b>100</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 35. Capital reserve

Items	31 December 2020	Increase	Decrease	30 June 2021
Capital premium	33,110		62	33,048
Other capital reserve	375			375
<b>Total</b>	<b>33,485</b>		<b>62</b>	<b>33,423</b>

*Note:* The Company completed the restricted share grant on 8 January 2021 and the difference between the acquisition of restricted share subscriptions paid by incentive recipients and the cost of repurchase was included in capital premium, resulting in a decrease in capital premium of RMB62 million. Please refer to Note XII. for further details.

#### 36. Treasury shares

Items	31 December 2020	Increase	Decrease	30 June 2021
Stock incentive plan (Note XII.)	166	87	149	104

*Note:* The decrease in treasury shares for the period was RMB149 million due to the implementation of the stock incentive plan. At the same time, there was an increase in treasury shares of RMB87 million due to the recognition of the buyback obligation of the stock incentive plan.

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Other comprehensive income

Items	31 December 2020	The amount of this period				30 June 2021
		Amount for the period before tax	Less: Transfer to retained earnings or profit or loss in the period previously charged to other comprehensive income	Less: Income tax effect	After-tax amount attributed to the parent company	
<b>I. Other comprehensive income that cannot be reclassified to profit or loss</b>	(81)	18		4	14	(67)
Including: Changes in fair value of other equity instrument investments	(81)	18		4	14	(67)
<b>II. Other comprehensive income that will be reclassified to profit or loss</b>	1	(1)			(1)	
Including: Other comprehensive income that can be transferred to profit or loss under the equity method	1	(1)			(1)	
<b>Total</b>	(80)	17		4	13	(67)

### 38. Special reserve

Items	31 December 2020	Increase	Decrease	30 June 2021
Safety production expenses	74	89	40	123
<b>Total</b>	74	89	40	123

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 39. Surplus reserve

Items	31 December 2020	Increase	Decrease	30 June 2021
Statutory surplus reserve	3,849			<b>3,849</b>
Total	3,849			<b>3,849</b>

#### 40. Undistributed profit

Items	Current period
31 December 2020	<b>6,798</b>
Changes in accounting policies	
Business combination under the common control	
1 January 2021	<b>6,798</b>
Increase in the period	<b>5,183</b>
Including: Net profit transferred this period	<b>5,183</b>
Other adjustment factors	
Decrease in the period	<b>790</b>
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions this period	
Distribution of cash dividend this period ( <i>Note</i> )	<b>790</b>
Converted capital	
Other decrease	
30 June 2021	<b>11,191</b>

*Note:* According to the resolution of the 2020 Annual General Meeting of Shareholders held on 26 May 2021, the Company distributed cash dividends to all shareholders at RMB0.84 every 10 shares. According to the issued shares of 9,399,600,178 shares, it's totaling RMB790 million. All of them have been released as of 30 June 2021.

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41. Operating revenue and operating costs

(1) Classified by production

Items	Current period		Prior period	
	Income	Costs	Income	Costs
Main business	72,269	63,682	44,482	41,883
Other business	282	145	168	155
<b>Total</b>	<b>72,551</b>	<b>63,827</b>	44,650	42,038

*Note:* The Group is classified into an operating segment based on the type of business: production and sale of steel products.

(2) Classified by region of income source

Items	Current period	Prior period
Foreign transaction income from the within borders	68,571	43,023
Foreign exchange income from outside borders	3,980	1,627
<b>Total</b>	<b>72,551</b>	44,650

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 41. Operating revenue and operating costs (Continued)

(3) Classified by the time when the income is confirmed

Items	Current period	Prior period
Confirmed at a certain point	72,551	44,650
Total	72,551	44,650

#### 42. Taxes and surcharges

Items	Current period	Prior period
City maintenance and construction tax	95	67
Educational surcharges	68	48
Land use tax	214	213
Property tax	78	76
Stamp tax	60	40
Resources tax	1	1
Environmental protection tax	57	34
Total	573	479

*Note:* Please refer to Note V. Tax for details of various taxes and surcharges payment standards.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### 43. Selling expenses

Items	Current period	Prior period
Packing expense	20	33
Sales and service expense	39	28
Employee benefits	133	78
Warehouse storage expense	42	32
Agency fee for commissioned sales	14	8
Insurance expense	5	4
Others	74	54
<b>Total</b>	<b>327</b>	<b>237</b>

*Note:* In accordance with Accounting Standard for Business Enterprises No. 14 – Revenue published by the Ministry of Finance, transportation fees that qualify as performance costs in the current and prior periods are included in operating costs.

### 44. Administrative expenses

Items	Current period	Prior period
Employee benefits	494	370
Amortization of intangible asset	93	92
Depreciation	70	69
Computer maintenance expense	10	13
Repair and maintenance	2	7
Security and firefighting costs	51	28
Agency fees	12	5
Others	22	8
<b>Total</b>	<b>754</b>	<b>592</b>



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 45. Research and development expenses

Items	Current period	Prior period
Raw material consumption fee	103	17
Labor cost	90	64
Depreciation	12	8
Outsourcing expenses	82	64
Travel expenses	2	1
Others	2	1
Total	291	155

#### 46. Financial expenses

Items	Current period	Prior period
Interest expenses	341	479
Including: Interest expenses from long-term borrowings and long-term bonds	100	125
Interest expenses from Short-term borrowings and letter of credit	104	263
Other interest expenses	137	91
Less: Interest income	28	25
Less: Interest capitalization amount	4	5
Exchange gain or loss	(15)	29
Less: Capitalized exchange gain or loss		
Others	22	24
Total	316	502

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 47. Other income

Items	Current period	Prior period	Amount included in current non-recurring profit and loss
Government subsidies related to environmental protection	13	19	13
Government grants related to scientific research	2	3	2
Others	6	7	6
<b>Total</b>	<b>21</b>	29	21

#### 48. Investment income

Items	Current period	Prior period
Long-term equity income under the equity method	205	85
Investment income of other equity instrument investments in the holding period	1	2
Others		1
<b>Total</b>	<b>206</b>	88

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 49. Profit and loss from changes in fair value

Sources	Current period	Prior period
Changes in fair value of derivative financial assets	24	2
Changes in fair value of other non-current financial assets	(6)	(12)
Changes in fair value of derivative financial liabilities	(24)	
Changes in fair value of embedded derivative financial instruments	(98)	41
Total	(104)	31

#### 50. Impairment losses on assets

Items	Current period	Prior period
Provision for written-down of inventories	178	(156)
Total	178	(156)

*Note:* The positive numbers refer to gains and negative numbers refer to losses.

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**51. Credit impairment loss**

<b>Items</b>	<b>Current period</b>	Prior period
Accounts receivable	<b>(74)</b>	
<b>Total</b>	<b>(74)</b>	

*Note:* The positive numbers refer to gains and negative numbers refer to losses.

**52. Gain on disposal of assets**

<b>Items</b>	<b>Current period</b>	Prior period
Gain on disposal of fixed assets	<b>1</b>	
<b>Total</b>	<b>1</b>	

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 53. Non-operating income

Items	Current period	Prior period	Amount included in current non-recurring profit and loss
Gains from destroy or scrap of non-current assets	1	9	1
Government grants	3		3
Liquidated damages	4	3	4
Payable that can not be paid		8	
Others		1	
<b>Total</b>	<b>8</b>	<b>21</b>	<b>8</b>

Government grants recorded into profit/loss for current period:

Items	Current period	Prior period	Associated with the asset/income	Whether subsidies affect the profit and loss of the period
Shanghai Baoshan District Enterprise Support Fund	3		Income-related	No
<b>Total</b>	<b>3</b>		-	-

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**54. Non-operating expenses**

<b>Items</b>	<b>Current period</b>	Prior period	Amount included in current non-recurring profit and loss
The loss on destroy or scrap of non-current assets	<b>29</b>	27	29
External donation	<b>1</b>	14	1
Others		1	
<b>Total</b>	<b>30</b>	42	30

**55. Income tax expenses**

(1) Income tax expenses

<b>Items</b>	<b>Current period</b>	Prior period
Income tax expenses during this period	<b>1,031</b>	238
Changes on deferred income tax expenses	<b>438</b>	(123)
<b>Total</b>	<b>1,469</b>	115

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 55. Income tax expenses (Continued)

- (2) Adjustment process of accounting profit and income tax expense

Items	Current period
Total profit	6,669
Income tax expenses calculated at statutory/ applicable tax rates	1,667
Effect of different tax rates applied by subsidiary companies	(2)
Effect of adjustments for income tax for prior period	(8)
Effect of income not subject to tax	(289)
Effect of costs, expenses and loss not deductible for tax purpose	
Effect of deductible loss of deferred tax assets not recognized in prior periods	
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax assets	(20)
Changes in the balance of deferred tax assets/liabilities at the beginning of the period resulting from tax rate adjustments	
Others	121
Income tax expenses	1,469

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 56. Other comprehensive income

Please refer to Note VI. 37.

#### 57. Items on statements of cash flow

(1) Cash received from other operating activities

<b>Items</b>	<b>Current period</b>	Prior period
Deposit income	<b>41</b>	27
Government grants	<b>4</b>	8
Others	<b>30</b>	17
<b>Total</b>	<b>75</b>	52



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 57. Items on statements of cash flow (Continued)

(2) Cash paid for other operating activities

Items	Current period	Prior period
Freight charges	834	967
Commission for processing products	412	389
Testing fee for energy saving	294	229
Selling operation fee	131	84
Collection and payment of retired salaries	72	53
Pipeline transportation fee	25	28
Security and firefighting costs	47	27
Research and development expenses	54	25
Rental fee	14	24
Storage expenses	18	22
Computer maintenance fee	13	15
Special inspection fee	6	9
Traveling expenses	14	7
Fees for employing intermediaries	11	6
Retirement hardship allowance	4	6
Insurance expense	23	5
Other operating expenses	128	141
Total	2,100	2,037

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**57. Items on statements of cash flow (Continued)**

(3) Cash received from other investment activities

<b>Items</b>	<b>Current period</b>	Prior period
Interest income	<b>28</b>	25
Future contract income	<b>111</b>	11
<b>Total</b>	<b>139</b>	36

(4) Cash paid for other investment activities

<b>Items</b>	<b>Current period</b>	Prior period
Future contract loss	<b>115</b>	10
<b>Total</b>	<b>115</b>	10

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 57. Items on statements of cash flow (Continued)

(5) Cash received from other financing activities

Items	Current period	Prior period
Equity-based incentive payments	86	
Total	86	

(6) Cash paid for other financing activities

Items	Current period	Prior period
Land rent	42	40
Intermediary fees incurred on loans		1
Others	1	1
Total	43	42

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 58. Supplement of cash flow statement

- (1) Reconciliation of net profit to cash flows from operating activities

Items	Current period	Prior period
<b>1. Reconciliation of net profit to cash flows from operating activities</b>		
Net profit	5,200	503
Add: Provision for impairment of assets	(178)	156
Credit impairment loss	74	
Depreciation of fixed assets	1,800	1,772
Depreciation of fixed assets	94	93
Depreciation of right-of-use asset	66	63
Loss on disposal of fixed assets, intangible assets and other non-current assets ("-" for gains)	(1)	
Loss on scrap of fixed assets ("-" for gains)	28	18
Loss on the change of fair value ("-" for gains)	104	(31)
Financial expenses ("-" for gains)	211	447
Investment loss ("-" for gains)	(206)	(88)
Decrease in deferred tax assets ("-" for increase)	438	(124)
Increase in deferred tax liabilities ("-" for decrease)		(1)
Decrease in inventories ("-" for increase)	(1,472)	(921)
Decrease in operating receivables ("-" for increase)	(1,934)	2,055
Increase in operating payable ("-" for decrease)	4,363	816
Others	52	21
Net cash flow from operating activities	8,639	4,779
<b>2. Net change in cash and cash equivalent</b>		
Cash at the end of the period	7,191	7,753
Less: cash at the beginning of the period	5,329	4,671
Add: cash equivalent at the end of the period		
Less: cash equivalent at the beginning of the period		
Net increase in cash and cash equivalents	1,862	3,082

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 58. Supplement of cash flow statement (Continued)

(2) Composition of cash and cash equivalent

Items	30 June 2021	31 December 2020
<b>I. Cash</b>	<b>7,191</b>	5,329
Including: Cash on hand		
Bank deposits readily available for payment	<b>6,891</b>	5,176
Other monetary funds readily available for payment	<b>300</b>	153
<b>II. Cash equivalent</b>		
Including: Bond investment due within 3 months		
<b>III. Cash and cash equivalent at the end of the period</b>	<b>7,191</b>	5,329

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(CONTINUED)**

**59. Restricted assets of ownership or use rights**

Items	30 June 2021	Reason for restriction
Receivables financing	170	Pledge of notes
Total	170	–

**60. Foreign currency monetary items**

Items	Foreign currency amount at the end of period	Conversion calculation	Amount converted into RMB at the end of the period
Bonds payable	1,755	0.8321	1,460
Other non-current liabilities (2018 Convertible bond-Embedded derivative financial instruments)	160	0.8321	133
Total	1,915		1,593

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VI. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 61. Government grants

(1) Details of government grants

Items	Government grants initially identified at the beginning of the period		Amount included in the current profit or loss
	Amount	Presented items	
Government subsidies related to environmental protection		Deferred income, other income	13
Government grants related to scientific research	2	Deferred income, other income	2
Others	1	Deferred income, other income	6
Others	3	Deferred income, operating income	3
<b>Total</b>	<b>6</b>		<b>24</b>

(2) Return of Government grants

The Group has not received any government grants refund this period.

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VII. CHANGE IN THE SCOPE OF CONSOLIDATION

There was no change in the scope of consolidation of the Company during the period.

## VIII. INTERESTS IN OTHER ENTITIES

### 1. Interest in the subsidiary

#### (1) Constitution of the enterprise group

Full name of subsidiaries	Principal place of business	Registration place	Registration capital	Nature of business	Shareholding proportion(%)		Acquisition	Nature of subsidiaries
					Direct	Indirect		
Angang Steel Distribution (Wuhan) Co., Ltd. ("Angang Wuhan")	Wuhan	Wuhan	237	Steel processing and distribution	100		Establishment	Wholly-owned
Angang Steel Distribution (Hefei) Co., Ltd. ("Angang Hefei")	Hefei	Hefei	101	Steel processing and distribution	100		Establishment	Wholly-owned
Shenyang Angang International Trade Co., Ltd. ("Shenyang International Trade")	Shenyang	Shenyang	300	Sales of metal materials and products, building materials, etc.	100		Business combination under common control	Wholly-owned
Shanghai Angang International Trade Co., Ltd. ("Shanghai International Trade")	Shanghai	Shanghai	300	Sales of steel, metal materials, building materials, machinery, etc.	100		Business combination under common control	Wholly-owned
Tianjin Angang international North Trade Co., Ltd. ("Tianjin International Trade")	Tianjin	Tianjin	200	Sales of steel, metal materials, building materials, machinery, etc.	100		Business combination under common control	Wholly-owned
Guangzhou Angang International Trade Co., Ltd. ("Guangzhou International Trade")	Guangzhou	Guangzhou	300	Wholesale and retail of steel, import and export of goods	100		Business combination under common control	Wholly-owned



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 1. Interest in the subsidiary (Continued)

##### (1) Constitution of the enterprise group (Continued)

Full name of subsidiaries	Principal place of business	Registration place	Registration capital	Nature of business	Shareholding proportion(%)		Acquisition	Nature of subsidiaries
					Direct	Indirect		
Ansteel Shenyang Steel Processing and Distribution Co., Ltd. ("Shengyang Steel")	Shenyang	Shenyang	157	Steel processing and distribution	100		Business combination under common control	Wholly-owned
Angang Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian")	Dalian	Dalian	266	Steel processing and distribution	100		Establishment	Wholly-owned
Ningbo Angang International Trade Co., Ltd. ("Ningbo International Trade")	Ningbo	Ningbo	100	Steel trade	100		Establishment	Wholly-owned
Yantai Angang International Trade Co., Ltd. ("Yantai International Trade")	Yantai	Yantai	200	Steel trade	100		Establishment	Wholly-owned
Angang Steel Processing and Distribution (Zhengzhou) Co., Ltd. ("Angang Zhengzhou")	Zhengzhou	Zhengzhou	149	Steel processing and distribution	100		Establishment	Wholly-owned
Guangzhou Angang Steel Processing Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	120	Steel processing and distribution	75		Establishment	Joint venture
Tianjin Angang Steel Processing and Distribution Co., Ltd. ("Tianjin Steel")	Tianjin	Tianjin	43	Steel processing and distribution	51		Business combination under common control	Joint venture
Ansteel-Kobelco Cold Rolled High Strength Automotive Steel Plate Co., Ltd. ("Ansteel-Kobelco")	Anshan	Anshan	700	Processing and sale of steel rolling	51		Establishment	Sino-Japanese joint venture

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interest in the subsidiary (Continued)

#### (1) Constitution of the enterprise group (Continued)

Full name of subsidiaries	Principal place of business	Registration place	Registration capital	Nature of business	Shareholding proportion(%)		Acquisition	Nature of subsidiaries
					Direct	Indirect		
Angang Steel Processing and Distribution (Changchun) Co., Ltd. ("Changchun Steel")	Changchun	Changchun	382	Sales of self-produced products, research and development of logistics and distribution technology	100		Business combination not under common control	Wholly-owned
Ansteel Technology Development Co., Ltd. ("Ansteel Technology")	Anshan	Anshan	50	Metallurgy and related materials, equipment R& D and production	100		Establishment	Wholly-owned
Ansteel Chemical Technology Co., Ltd. ("Chemical Technology")	Anshan	Anshan	2500	Coking gas purification and production of coal products	100		Establishment	Wholly-owned
Ansteel Energy Technology Co., Ltd. ("Energy Technology")	Anshan	Anshan	50	Production of dissolved acetylene; Sales of compressed gases, and liquefied gas	60		Business combination under common control	Joint venture
FAW Angang Steel Processing and Distribution Co., Ltd. ("FAW Angang")	Changchun	Changchun	90	Steel processing and distribution	60		Business combination not under common control	Joint venture
Ansteel Group Chaoyang Steel & Iron Co., Ltd. ("Chaoyang Steel & Iron")	Chaoyang	Chaoyang	8000	Processing and sale of steel rolling	100		Business combination under common control	Wholly-owned
Ansteel (Hangzhou) Automotive Materials Technology Co., Ltd. ("Hangzhou Automotive Materials")	Hangzhou	Hangzhou	118	Steel and steel coil processing, sales and distribution	51	49	Establishment	Wholly-owned
Ansteel (Beijing) Automotive Parts Technology Co., Ltd. ("Ansteel Parts")	Beijing	Beijing	50	Technology development, consulting, service, production of auto parts	100		Establishment	Wholly-owned

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 1. Interest in the subsidiary (Continued)

##### (1) Constitution of the enterprise group (Continued)

Full name of subsidiaries	Principal place of business	Registration place	Registration capital	Nature of business	Shareholding proportion(%)		Acquisition	Nature of subsidiaries
					Direct	Indirect		
Delin Zhilian (Anshan) Co., Ltd. ("Delin Zhilian")	Anshan	Anshan	60	E-commerce and technology consulting, technology development, technology services, technology transfer, value-added telecommunications services in this field	91		Establishment	Joint venture

*Note:* The subsidiaries mentioned above are all registered and established in accordance with Chinese law, and the types of legal persons are limited liability companies.

(2) By the end of 30 June 2021, no subsidiaries of the Company issued share capital or debt securities.

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures or associates

(1) Joint ventures or associates

Name	Principal place of business	Registration place	Nature of business	Direct shareholding ratio (%)	Accounting Treatment
ANSC-TKS	Dalian	Dalian	Production and sales of hot-dip galvanized and alloyed steel plate products	50	Equity method
ANSC – Dalian Shipbuilding	Dalian	Dalian	Steel processing and selling	50	Equity method
Guangzhou Automotive Steel	Guangzhou	Guangzhou	Metal products industry	50	Equity method
Ansteel Finance	Anshan	Anshan	De posits and loans and financing	20	Equity method
Iron Oxide Powder Company	Anshan	Anshan	Iron oxide powder processing	35.29	Equity method
Nansha Logistics	Guangzhou	Guangzhou	Freight Forwarding, steel packaging, trade, warehousing services	49.8	Equity method
Ansteel Jingu	Hangzhou	Hangzhou	Steel processing and selling	49	Equity method
GAC Bao-Business	Guangzhou	Guangzhou	Steel processing and distribution	30	Equity method
GAC Spring	Meizhou	Meizhou	Manufacture of automotive parts and accessories	25	Equity method
Zhong'an Water	Chaoyang	Chaoyang	Water production and supply	45	Equity method

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 2. Interests in joint ventures or associates (Continued)

(2) Key financial information on significant joint ventures

Items	ANSC-TKS	
	30 June 2021/ Amount occurred in the period	31 December 2020/ Amount occurred in prior period
Current assets	1,996	1,921
Including: Cash and cash equivalents	592	544
Non-current assets	576	568
Total Assets	2,572	2,489
Current liabilities	1,212	1,197
Non-current liabilities		
Total Liabilities	1,212	1,197
Minority interests		
Shareholders' equity attributable to shareholders of parent Company	1,360	1,292
Net assets calculated by the share percentage held	680	646
Adjustments		
–goodwill		
–unrealized profit resulting from trade within the group	(28)	(24)
–Others		
Book value of equity investments in joint ventures	652	622
Fair value of equity investment in joint ventures with publicly quoted price		
Operating income	2,847	2,100
Financial costs	(3)	3
Income tax expenses	44	(10)
Net profit	267	91
Net profit from discontinued operations		
Other comprehensive income		
Total comprehensive income	267	91
Dividends received from joint ventures this period	99	74

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures or associates (Continued)

(3) Key financial information on significant associates

Items	Ansteel Finance	
	30 June 2021/ Amount occurred in the period	31 December 2020/ Amount occurred in prior period
Current assets	7,239	8,895
Including: Cash and cash equivalents	6,866	8,289
Non-current assets	19,824	18,934
Total Assets	27,063	27,829
Current liabilities	19,658	20,663
Non-current liabilities	4	8
Total Liabilities	19,662	20,671
Minority interests	16	20
Shareholders' equity attributable to shareholders of parent company	7,385	7,138
Net assets calculated by the share percentage held	1,477	1,428
Adjustments		
–goodwill		
–unrealized profit resulting from trade within the group		
–Others		
Book value of equity investments in associates	1,477	1,428
Fair value of equity investment in associates with publicly quoted price		
Operating income	445	455
Financial costs		
Income tax expenses	82	97
Net profit	248	295
Net profit from discontinued operations		
Other comprehensive income	(2)	
Total comprehensive income	246	295
Dividends received from associates this period		

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### VIII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 2. Interests in joint ventures or associates (Continued)

- (4) Aggregate financial information of insignificant joint ventures and associates

Items	30 June 2021/ Amount occurred in the period	31 December 2020/ Amount occurred in prior period
Joint ventures:		
Total book value of investments	572	553
Total of the following items calculated by shareholding ratio		
– Net profit	22	(11)
–Other comprehensive income		
–Total comprehensive income	22	(11)
Associates:		
Total book value of investments	367	362
Total of the following items calculated by shareholding ratio		
– Net profit	5	(6)
–Other comprehensive income		
–Total comprehensive income	5	(6)

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### **IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS**

The Group's principal financial instruments comprise equity investment, debt investments, loans, accounts receivable, accounts payable, bonds payable and cash and cash equivalents and etc. the details of the financial instruments described in Note VI. Risks associated with these financial instruments, as well as the Group's risk management policies to mitigate these risks are described as below. The group's management controlled these exposures within certain limits by management and monitoring.

Sensitivity analysis techniques are adopted by the Group to analyze the rationality of risk variables, and the effects of the changes on profit or loss or shareholders' equity. The risk variables seldom changes individually, and the changes of one risk variables may have a significant effect on the amount of the other with a correlation, therefore, the following content is based on the assumption that changes of each variable are independent.

#### **The objectives and policies of risk management**

The Group's objective in risk management is to achieve balance between the risks and benefits, to reduce the risk's negative impact to the lowest level and maximize the interests of shareholders and other equity investors. Based on the risk management objectives, the basic strategy of the Group's risk management is to identify and analyze the risks faced by the Group, to establish an appropriate baseline for risk tolerance and risk management, to monitor a variety of risk timely and reliably, and to control the risk within a limited range.



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Market risk

##### (1) Exchange risk

Foreign currency risk refers to the risk of loss due to the fluctuation of exchange rate. The foreign currency risk of the Group exposed is mainly related to the U.S. dollar and the H.K. dollar. Besides the following assets or liabilities in U.S. dollar and the H.K. dollar by end of 30 June 2021, other assets and liabilities of the Group are denominated in RMB balances.

Unit: Yuan

Items	30 June 2021	31 December 2020
Bank deposits (USD)	100,761.29	100,761.29
Bank deposits (HKD)		
Bond Payable (HKD)	1,755,127,082.14	1,753,971,405.06
Other non-current liabilities (HKD)	161,445,781.05	42,187,306.84

In terms of the major foreign currency transactions such as exporting sales of products, importing and procurement of raw materials for production and engineering equipment, the Group conducts imports and exports agency transactions through trading with Ansteel Trade. The foreign exchange risk is mainly reflected in the impact of exchange rate changes on sales and purchase costs during agency settlement.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Market risk (Continued)

(1) Exchange risk (Continued)

A. On 30 June 2021, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note VI. 1, 29 and 33.

B. The Group's main foreign exchange rates apply as follows:

Items	Average Exchange Rate		Middle Exchange Rate on the Reporting Date	
	Current period	Prior period	Current period	Prior period
U.S. dollar	<b>6.4718</b>	7.0292	<b>6.4601</b>	6.5249
H.K. dollar	<b>0.8338</b>	0.9057	<b>0.8321</b>	0.8416

C. Sensitivity analysis

On 30 June 2021, 1% increase in the foreign exchange rate would result in an increase (decrease) of RMB in shareholders' equity and net profit as follows:

*Unit: Million*

Date	Item	The impact on net profit	The impact on shareholders' equity
30 June 2021	U.S. dollar		
	H.K. dollar	(12)	(12)
31 December 2021	U.S. dollar		
	H.K. dollar	(11)	(11)

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

#### 1. Market risk (Continued)

##### (1) Exchange risk (Continued)

##### C. Sensitivity analysis (Continued)

By end of 30 June 2021, under the assumption that all other variables remain the same premise, if the RMB against the USD and HKD exchange rate reduced by 1% would result in the same amount of change in shareholders' equity and net profit on the table above, whereas in the opposite direction.

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to the Group's entire derivative and non-derivative financial instruments. 1% change is based on the reasonable projection for exchange rate from the Group's balance sheet date to the next balance sheet date. Prior period analysis based on the same assumptions.

## **IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)**

### **1. Market risk (Continued)**

#### (2) Interest risk

The Group's interest-bearing financial instruments on 30 June 2021. Please refer to notes VI. 1, 19, 27, 28 and 29.

Sensitivity analysis :

The principles of the Group's interest rate risk management aim to reduce the impact of short-term fluctuations on the Group's profits. However, in the long term, permanent changes in interest rates will affect profits.

As of 30 June 2021, with all other variables held constant, assuming that the interest rate of bank deposits, available for sale financial assets, short-term borrowings, non-current liabilities due within one year, short-term bonds, long-term loans and bonds payable increase 1 percentage point, would result in RMB18 million decrease (31 December 2020: RMB65 million) of the Group's net income and shareholders' equity.

The sensitivity analysis above is based on the assumption that changes in the exchange rate on the balance sheet date, and this change applies to all of the Group's derivative and non-derivative financial instruments. 1 percentage point change is based on the reasonable expectations for the exchange rate among the Group's balance sheet date to the next balance sheet date. The analysis of Prior period is based on the same assumptions.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

#### 2. Credit risk

Credit risk refers to the risk that counter party will default on its contractual obligation resulting in financial loss to the other party. The Group's credit risk is primarily attributable to receivables. Management will continue to review the credit risk exposure.

For receivables, the Group has established a credit policy under the actual situation, the amount of credit is determined by the customer's credit assessments. The Group requires most customers to pay the full amount in cash or notes of the products before delivery. The accounts receivable associated with the clients is mature within 1–4 months since the bills issued. The debtor overdue more than one month will be required to settle all the outstanding balances before any further credit. Under normal circumstances, the Group does not prescribe collateral from customers.

The majority of the Group's customers have business transactions with the Group for many years, losses are therefore infrequently occurred. The Group analyzed the aging, maturity and other customer information in order to monitor the Group's credit risk.

As of 30 June 2021, except for the impairment provision of RMB731 million for accounts receivable transferred from overdue notes receivable, the other receivables of the Group had no significant impairment.

Due to the accounts receivables of the top five customers, which are accounted for 61.56% of the receivables and other receivables on the balance sheet date (31 December 2020: 49%), the Group may face a certain degree of credit risk concentration.

The maximum credit risk exposure faced by the Group, which is not guaranteed, is the book value of the financial assets in the balance sheet.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

#### 3. Liquidity risk

The Group is responsible for its own cash management to cover projected cash arrangements including the short-term investments by using the cash surpluses and loans. The Group monitor short-term and long-term liquidity requirements regularly aimed to find out whether is in compliance with the loan agreements, to ensure that the group maintains sufficient cash reserves and readily realizable securities, and to maintain sufficient funds of major committed financial institutions to meet short-term and longer-term liquidity needs.

The repayment date of the Group's long-term debts, please refer to Note VI. 28.

#### 4. Transfer of financial assets

Transferred financial assets which have been derecognized entirely but continue to be involved in.

On 30 June 2021, the amount of bank acceptance notes endorsed by the Group to suppliers for settlement of accounts payable was RMB4,945 million, and the amount of commercial acceptance notes was RMB0 million; The amount of bank acceptance notes discounted to financial institutions is RMB9,446 million, and the amount of commercial acceptance notes was RMB396 million; On 30 June 2021, the maturity date is 1 to 12 months. According to the relevant provisions of the Bills Law, if the drawer refuses to pay, the holder has the right to pursue the group. The Group believes that almost all of its risks and rewards has been transferred. Therefore, the Group derecognized the book value of its settled accounts payable and related.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### **IX. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)**

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

On 30 June 2021, the Group and the bank reached an open-type non-recourse factoring agreement, transferred RMB620 million accounts receivable to banks, the proceeds of the transfer was RMB571 million. After the accounts receivable were transferred, with regard to the unrecoverable portion that could happen without commercial disputes, the bank should bear its default and bad debt risk. The Group believed that all the risks and rewards of the ownership of the financial asset had been transferred, therefore derecognized accounts receivable of RMB620 million. The Group did not recognized gains or losses on the transfer date, the difference between proceeds of the transfer and accounts receivable was recorded into other receivables.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### X. DISCLOSURE OF THE FAIR VALUE

#### 1. The amount of asset and liability measured at fair value and the measurement hierarchies

The fair value measurement is classified into three hierarchies, listed as follows:

Level 1: The quoted price (unadjusted) in dynamic market for identical asset or liability.

Level 2: Inputs other than quoted price included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: The unobservable inputs for asset or liability (unobservable inputs).

Items	The Fair Value on 30 June 2021			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
<b>Continues fair value measurement:</b>				
Derivative financial assets	10			10
Receivables financing		1,078		1,078
Other investments in equity instruments			498	498
Other non-current financial assets	28			28
Derivative financial liabilities	38			38
Other non-current liabilities ( <i>note</i> )			133	133



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### X. DISCLOSURE OF THE FAIR VALUE (CONTINUED)

#### 1. The amount of asset and liability measured at fair value and the measurement hierarchies (Continued)

Items	The Fair Value on 31 December 2020			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
<b>Continues fair value measurement:</b>				
Derivative financial assets				
Receivables financing		1,009		1,009
Other investments in equity instruments			476	476
Other non-current financial assets	34			34
Derivative financial liabilities				
Other non-current liabilities <i>(note)</i>			36	36

*Note:* Other non-current liabilities are the part of convertible bonds embedded in derivative financial instruments in 2018, and are measured by using the valuation technology of the binary tree option pricing model. The Group conducted a sensitivity analysis on the volatility of stock prices and risk-free interest rates. On 30 June 2021, with the values of other parameters unchanged, the stock price volatility increased or decreased by 1%, which had almost no impact on the value of the embedded derivatives of convertible bonds. The risk-free interest rate increased or decreased by 1%, which also had almost no effect on the value of the embedded derivative part of the convertible bond.

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## X. DISCLOSURE OF THE FAIR VALUE (CONTINUED)

### 2. Adjustment information between the book value of the continuous third-level fair value measurement project

	Other investments in equity instruments	Other non-current liability
<b>Balance at 1 January 2021</b>	<b>476</b>	<b>35</b>
Increase investment	4	
Changes in fair value (included in other comprehensive income)	18	
Changes in fair value (included in current profit and loss)		98
<b>Balance at 30 June 2021</b>	<b>498</b>	<b>133</b>

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

### 1. Information on the parent company

Group Name	Registration Place	The Nature of Business	Registered Capital	The Group's Shareholding (%)	Proportion of Voting-Right (%)
Ansteel Group	Tie Xi District Anshan Liaoning Province	Production and sale of steel and metal products, steel filament Tubes, and etc.	26,000	53.33	53.33

Note: Ansteel Group Co., Ltd. is the ultimate controlling party.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 2. Information on the subsidiaries of the Company

Please refer to Note VIII. 1 Interest in the subsidiary.

#### 3. Information on the joint ventures and associates of the Company

Please refer to Note VIII. 2 Interests in joint ventures or associates.

#### 4. Other related parties of the Company

Name of Enterprise	Relation with the Parent Company
Guangzhou Automotive Steel	Joint venture
ANSC-TKS	Joint venture
ANSC – Dalian Shipbuilding	Joint venture
Ansteel Jingu	Associate
Nansha Logistical	Associate
Zhong'an Water	Associate
GAC Bao-Business	Associate
Ansteel Finance	Associate, Fellow subsidiary
Shanxi Wuchan International Energy Co., Ltd.	Associate of Ansteel Group
Ansteel Mine Construction Co., Ltd.	Associate of Ansteel Group
Falan Packing	Fellow subsidiary
Ansteel Cast Steel Co., Ltd.	Fellow subsidiary
Ansteel Mining	Fellow subsidiary
Ansteel Steel Rope Co., Ltd.	Fellow subsidiary
Anshan Yingkou Harbor Co., Ltd.	Fellow subsidiary
Ansteel Refractory Co., Ltd.	Fellow subsidiary
Ansteel Auto Transport Co., Ltd.	Fellow subsidiary
Ansteel Cold Rolled Steel Plate Co., Ltd. Putian	Fellow subsidiary
Ansteel House Property Construction	Fellow subsidiary

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 4. Other related parties of the Company (Continued)

<b>Name of Enterprise</b>	<b>Relation with the Parent Company</b>
Anshan Iron and Steel Group Construction Supervision Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Research institute technology Co., Ltd.	Fellow subsidiary
Delin Land Port Supply Chain Service Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	Fellow subsidiary
Ansteel Group Information Industry Co., Ltd.	Fellow subsidiary
Ansteel Electric Co., Ltd.	Fellow subsidiary
Anshan Jidong Cement Co., Ltd.	Joint venture of Ansteel Group
Delin Land Port Supply Chain Service Co., Ltd.	Joint venture of Ansteel Group
Anshan Kede Roll Surface treatment Co., Ltd.	Joint venture of Ansteel Group
Ansteel Yasheng Special Materials Co., Ltd.	Associate of Ansteel Group
Ansteel Group International Economic and Trade Co., Ltd. ("Ansteel Trade")	Fellow subsidiary
Ansteel Group Beijing Research Institute Co., Ltd.	Fellow subsidiary
AnsteelLianzhong (Guangzhou) Stainless Steel Co., Ltd	Fellow subsidiary
Pansteel Group Xichang Steel and Vanadium Co., Ltd.	Fellow subsidiary
Pansteel Group International Economic and Trade Co., Ltd.	Fellow subsidiary
Pansteel Group Vanadium and Titanium Resources Co., Ltd.	Fellow subsidiary
Pansteel Group Jiangyou Great Wall Special Steel Co., Ltd.	Fellow subsidiary
Pansteel Group Engineering Technology Co., Ltd.	Fellow subsidiary
Panzhuhua Steel & Vanadium Co., Ltd. of Panzhuhua Iron and Steel Group	Fellow subsidiary
Chengdu Western IOT Group Co., Ltd.	Fellow subsidiary
Ansteel Group Engineering Technology Development Co., Ltd.	Fellow subsidiary
Ansteel Group Zhongyuan Industry Development Co., Ltd.	Fellow subsidiary

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related-party transactions

(1) Related-party transactions within Ansteel Group Co., Ltd.

① Related-party transactions on procurement of goods and services

<b>Contents</b>	<b>Pricing Policy</b>	<b>Current period</b>	Prior period
Raw materials	Note.1	<b>16,663</b>	9,619
Supplementary materials	Note.2	<b>1,847</b>	1,167
Energy and power supplies	Note.3	<b>563</b>	735
Support service	Note.4	<b>3,181</b>	3,074
<b>Total</b>	<b>-</b>	<b>22,254</b>	14,595

② Related-party transactions on sales of goods and services

<b>Contents</b>	<b>Pricing Policy</b>	<b>Current period</b>	Prior period
Product	Note.5	<b>3,542</b>	1,259
Scrap steel and material	Note.5	<b>135</b>	107
General services	Note.6	<b>518</b>	387
<b>Total</b>	<b>-</b>	<b>4,195</b>	1,753

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related-party transactions (Continued)

- (1) Related-party transactions within Ansteel Group Co., Ltd.  
(Continued)

*Note 1:* The iron ore concentrate purchase price is not higher than Not higher than the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the preceding month (T-1) plus the freight cost from Bayuquan port to the Company. Price adjustments for mineral grades shall be made to the price in accordance with iron content calculated based on the average value of Platts Fe 65% index for the preceding month (T-1). Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 65% index for the preceding month (T-1) shall be applied. The pellets ore is measured at market price. The price of iron concentrate plus the processing costs for the preceding month (T-1) (in particular such processing costs shall not be higher than the processing costs of the products of the same category produced by the Company). The price of Premium products of Mineral ore from Karara Mining Limited (iron grade $\geq$ 67.2%) is not higher than the market price. The sales volume of premium products of Mineral ore made by Karara Mining Limited to independent third parties in

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related-party transactions (Continued)

- (1) Related-party transactions within Ansteel Group Co., Ltd.  
(Continued)

*Note 1: (Continued)*

Mainland China shall not be less than 30% of the total sales volume of premium products of Karara Mining Limited for a given period. The price of Standard grade products of (67.2%>iron grade≥65%) made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 65% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 65 and multiplied by the actual product grade. The price of Low grade products (65%>iron grade≥59%) made by Karara Mining Limited is calculated based on the monthly average value of the medium price of Platts Fe 62% (CFR) for Northern China (Qingdao port) as published daily by the SBB Steel Markets Daily Briefing for the month in which the freight was loaded at the port of origin plus the freight cost differential for each dry metric ton from Qingdao port to Bayuquan port, Liaoning, divided by 62 and multiplied by the actual product grade. Scrap, billets, alloys and non-ferrous metal are purchased at market prices;

*Note 2:* The purchasing prices of ancillary materials are not higher than the average prices charged to independent customers;

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related-party transactions (Continued)

- (1) Related-party transactions within Ansteel Group Co., Ltd.  
(Continued)

*Note 3:* Mainly at state prices, or operating costs plus 5% of gross profit margin;

*Note 4:* At state-fixed prices, or market prices, or not higher than 1.5% of the commissions (commission fee of raw fuel is RMB5/ton) or depreciation fees and maintenance costs, or labor, materials and management fees, or processing costs plus no more than 5% of the gross margin;

*Note 5:* Steel products, molten iron and coke are mainly measured at selling prices based on the average prices charged to independent customers for the preceding month or market prices. The basis of the price of steel products offered to Ansteel Holding for development of new products is measured, if there is a market price, at the market price, and if not, at the cost plus a reasonable profit. Retired and idle assets are mainly measured at market prices or assessing prices.

*Note 6:* At the state prices, or operating costs plus 5% of gross profit margin, not higher than 1.5% of the commissions, or market prices.



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related-party transactions (Continued)

- (2) Related-party transactions with Pansteel steel Vanadium and Titanium Co., Ltd

Related-party transactions on Procurement of Goods and Services

<b>Contents</b>	<b>Pricing Policy</b>	<b>Current period</b>	Prior period
Raw materials	Market price	<b>78</b>	89
Total	–	<b>78</b>	89

- (3) Other related-party transactions

For Current period, the amount of domestic and export sales agent service provided by Ansteel Trade were 0.87 million tons respectively (0.43 million tons respectively for Prior period).

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS  
(CONTINUED)**

**5. Related-party transactions (Continued)**

- (4) Loan, deposit and interest payment to Ansteel Finance

Items	Annual interest rate (%)	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Deposit		3,411	194,810	194,769	3,452	
Borrow	3.48		500	500		

In Current period, the Group's interest income of deposit in Ansteel Finance was RMB11 million (for the Prior period: RMB16 million) and the interest expenditure for loans(including discount) from Ansteel Finance was RMB3 million (for the Prior period: RMB2 million). The highest daily deposit of the Group in Ansteel Finance in Current period was RMB3,479 million (for the Prior period: RMB3,500 million).

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related-party transactions (Continued)

(5) Related-party transactions with the joint ventures and the associates

① Statement of purchasing products

Name of enterprise	Current period	Prior period
ANSC-TKS	316	240
Guangzhou Automobile Steel	53	103
Ansteel Big Ship	39	
GAC Bao-Business	3	
Nansha Logistics	3	
Total	414	343

② Statement of selling products

Name of enterprise	Current period	Prior period
ANSC-TKS	2,052	1,365
Guangzhou Automobile Steel	741	266
Nansha Logistics	215	320
GAC Spring	1	
GAC Bao-Business	1	
Total	3,010	1,951

## XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5. Related-party transactions (Continued)

- (6) Remuneration of the directors, supervisors and senior management

Items	Current period	Prior period
Directors' fee		
Other remuneration	<b>5.89</b>	1.57
Including: Salaries, allowances and non-cash		
Performance-related bonus	<b>5.00</b>	1.16
Other insurance and benefits	<b>0.89</b>	0.22
Pension plan contributions	<b>0.80</b>	0.19
Total	<b>5.89</b>	1.57

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related-party transactions (Continued)

- (6) Remuneration of the directors, supervisors and senior management (Continued)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel.

Name	Current period				Total	
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits Pension plan contributions		
<b>Executive directors:</b>						
Li Zhen		0.83		0.14	0.13	1.10
Li Zhongwu		0.91		0.16	0.15	1.22
Wang Baojun		0.38		0.06	0.06	0.50
Ma Lianyong (resigned)		0.05		0.02	0.01	0.08
Subtotal for executive directors		2.17		0.38	0.35	2.90
<b>Supervisors:</b>						
Yuanpeng (resigned)		0.02		0.01	0.00	0.03
Yang Zhengwen		0.41		0.08	0.07	0.56
Subtotal for Supervisors		0.43		0.09	0.07	0.59
<b>Senior Management:</b>						
Meng Jinsong		0.71		0.12	0.11	0.94
Xiao Mingfu		0.42		0.08	0.07	0.57
Zhang Hongjun		1.21		0.20	0.19	1.60
Liu Jie (resigned)		0.05		0.01	0.01	0.07
Subtotal for Senior management		2.39		0.41	0.38	3.18
Total		4.99		0.88	0.80	6.67

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related-party transactions (Continued)

- (6) Remuneration of the directors, supervisors and senior management (Continued)

Name	Prior period					Total
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	Pension plan contributions	
<b>Executive directors:</b>						
Li Zhen		0.21		0.04	0.03	0.28
Ma Lianyong		0.18		0.03	0.03	0.24
Li Zhongwu		0.19		0.04	0.03	0.26
Subtotal for executive directors		0.58		0.11	0.09	0.78
<b>Supervisors:</b>						
Yuan Peng		0.13		0.03	0.02	0.18
Subtotal for Supervisors		0.13		0.03	0.02	0.18
<b>Senior Management:</b>						
Liu Jie		0.17		0.03	0.03	0.23
Meng Jinsong		0.17		0.03	0.03	0.23
Xu Shishuai (resigned)		0.11		0.02	0.02	0.15
Subtotal for Senior management		0.45		0.08	0.08	0.61
<b>Total</b>		<b>1.16</b>		<b>0.22</b>	<b>0.19</b>	<b>1.57</b>

*Note:* There is no agreement for a director, supervisor and senior management to waive or agree to waive this year's remuneration.

The top five employees with the highest remuneration this year included 2 directors and 3 senior managers (3 directors and 2 senior managers for the Prior period), and their payment have been set out in detail above.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related-party transactions (Continued)

- (7) Continuing related-party transactions

The related-party transactions disclosed in Note XI. 5 (1) – XI. 5. (4) also constitute connected transactions or continuing connected transactions defined in Chapter XIV A of the Hong Kong Listing Rules.

#### 6. Balances of related-party transactions

- (1) Accounts receivable

Items	Related party	30 June 2021	31 December 2020
Accounts receivable	Ansteel International Trade	735	295
Accounts receivable	Ansteel Steel Rope Co., Ltd.	81	74
Accounts receivable	Ansteel Steel Casting Co., Ltd.	10	6
Accounts receivable	Ansteel Group Engineering Technology Development Co., Ltd.	3	2
Accounts receivable	ANSC-TKS	2	12
Accounts receivable	Ansteel Electric Co., Ltd.	1	
Accounts receivable	Ansteel Group Mining Co., Ltd.	1	1
Accounts receivable	Guangzhou Automobile Steel		37
Accounts receivable	Anshan Iron and Steel		20
Accounts receivable	Ansteel Group Information Industry Co., Ltd.		2
Accounts receivable	Pansteel Group Xichang Steel and Vanadium Co., Ltd.		2
Accounts receivable	Panzhuhua Steel & Vanadium Co., Ltd. of Panzhuhua Iron and Steel Group		1

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 6. Balances of related-party transactions (Continued)

##### (1) Accounts receivable (Continued)

Items	Related party	30 June 2021	31 December 2020
Accounts receivable	GAC Bao-Business		1
Accounts receivable	Other Related Parties	1	1
<b>Total</b>		<b>834</b>	453
Other receivables	Anshan Iron and Steel	3	
Other receivables	Ansteel Automobile Transportation Co., Ltd.	11	
Other receivables	Other Related Parties		1
<b>Total</b>		<b>14</b>	1
Prepayment	Ansteel International Trade	2,121	2,120
Prepayment	Ansteel Lianzhong (Guangzhou) Stainless Steel Co., Ltd.	34	8
Prepayment	Ansteel Group Engineering Technology Development Co., Ltd.	25	20
Prepayment	Guangzhou Automobile Steel	16	26
Prepayment	ANSC-TKS	2	
Prepayment	Ansteel Automobile Transportation Co., Ltd.	1	3
Prepayment	Delin Land Port Supply Chain Service Co., Ltd.		14
Prepayment	Other Related Parties	1	1
<b>Total</b>		<b>2,200</b>	2,192

*Note:* No provision for bad debts has been made for creditor's rights.



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 6. Balances of related-party transactions (Continued)

##### (2) Accounts payable

Items	Related party	30 June 2021	31 December 2020
Accounts payable	Ansteel International Trade	1,581	2,014
Accounts payable	Delin Land Port Supply Chain Service Co., Ltd.	167	25
Accounts payable	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	128	123
Accounts payable	ANSC-TKS	101	121
Accounts payable	Ansteel Group Zhongyuan Industry Development Co., Ltd.	96	95
Accounts payable	Ansteel Group Mining Co., Ltd.	69	15
Accounts payable	Ansteel Big Ship	57	62
Accounts payable	Pansteel Group International Economic and Trade Co., Ltd.	52	47
Accounts payable	China Ordnance Materials Group Co., Ltd.	50	39
Accounts payable	Ansteel Group Engineering Technology Development Co., Ltd.	47	92
Accounts payable	Ansteel Automobile Transportation Co., Ltd.	32	3
Accounts payable	Ansteel Yingkou Port Co., Ltd.	23	
Accounts payable	Anshan Iron and Steel	22	17
Accounts payable	Beijing Research Institute Of Ansteel Group Co., Ltd.	21	
Accounts payable	Ansteel Group Information Industry Co., Ltd.	18	19
Accounts payable	Pansteel Group Vanadium and Titanium Resources Co., Ltd.	16	10
Accounts payable	Ansteel Steel Rope Co., Ltd.	15	2
Accounts payable	Chengdu Western IOT Group Co., Ltd.	10	5
Accounts payable	Falan Packing	10	12

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 6. Balances of related-party transactions (Continued)

##### (2) Accounts payable (Continued)

Items	Related party	30 June 2021	31 December 2020
Accounts payable	Ansteel Electric Co., Ltd.	6	7
Accounts payable	Anshan Kede Roll Surface treatment Co., Ltd.	4	2
Accounts payable	Ansteel Steel Casting Co., Ltd.	3	13
Accounts payable	GAC Bao-Business	3	
Accounts payable	Delin Land Port Supply Chain Service Co., Ltd.	3	4
Accounts payable	Zhong'an Water	2	3
Accounts payable	Anshan Iron and Steel Group Refractories Co., Ltd.	2	1
Accounts payable	Ansteel Mine Construction Co., Ltd.	2	16
Accounts payable	Ansteel Jingu	1	1
Accounts payable	Ansteel Group Real Estate Company		6
Accounts payable	Ansteel Group Corporation		3
Accounts payable	Other Related Parties	1	1
Total		<b>2,542</b>	2,758
Other payable	Ansteel Group Engineering Technology Development Co., Ltd.	62	204
Other payable	Ansteel Group Information Industry Co., Ltd.	44	53
Other payable	Ansteel Group Zhongyuan Industry Development Co., Ltd.	29	32
Other payable	Ansteel Electric Co., Ltd.	6	7
Other payable	Ansteel Mine Construction Co., Ltd.	6	
Other payable	Ansteel International Trade	5	5
Other payable	Delin Land Port Supply Chain Service Co., Ltd.	5	20
Other payable	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	3	3
Other payable	Delin Land Port Supply Chain Service Co., Ltd.	3	3
Other payable	Shanxi Wuchan International Energy Co., Ltd.	3	3
Other payable	Ansteel Group Real Estate Company	2	2
Other payable	Anshan Iron and Steel	2	1
Other payable	Ansteel Jingu	1	1
Other payable	Ansteel Automobile Transportation Co., Ltd.	1	1

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 6. Balances of related-party transactions (Continued)

##### (2) Accounts payable (Continued)

Items	Related party	30 June 2021	31 December 2020
Other payable	Anshan Iron and Steel Research institute technology Co., Ltd.	1	
Other payable	Ansteel Group Mining Co., Ltd.		5
Other payable	Pansteel Group Engineering Technology Co., Ltd.		2
Other payable	Anshan Iron and Steel Group Construction Supervision Co., Ltd.		1
Other payable	Anshan Iron and Steel Group Refractories Co., Ltd.		1
Other payable	Other Related Parties	1	1
<b>Total</b>		<b>174</b>	<b>345</b>
Contract liabilities	Delin Land Port Supply Chain Service Co., Ltd.	521	357
Contract liabilities	ANSC-TKS	76	
Contract liabilities	Guangzhou Automobile Steel	74	
Contract liabilities	Ansteel Group Zhongyuan Industry Development Co., Ltd.	44	69
Contract liabilities	Ansteel Group Engineering Technology Development Co., Ltd.	38	42
Contract liabilities	Pansteel Group International Economic and Trade Co., Ltd.	20	6
Contract liabilities	Falan Packing	18	6
Contract liabilities	Ansteel International Trade	18	13
Contract liabilities	China Ordnance Materials Group Co., Ltd.	17	21
Contract liabilities	Ansteel Group Mining Co., Ltd.	15	5
Contract liabilities	Pansteel Group Jiangyou Great Wall Special Steel Co., Ltd.	4	6
Contract liabilities	Ansteel Automobile Transportation Co., Ltd.	1	
Contract liabilities	Nansha Logistical	1	68
Contract liabilities	Anshan Iron and Steel		1
Contract liabilities	GAC Spring		1
Contract liabilities	Other Related Parties	1	2
<b>Total</b>		<b>848</b>	<b>597</b>

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**XI. RELATED PARTIES AND RELATED PARTY TRANSACTIONS  
(CONTINUED)**

**6. Balances of related-party transactions (Continued)**

(3) Other non-current assets

Items	Related party	30 June 2021	31 December 2020
Other non-current assets	Ansteel Group Engineering Technology Development Co., Ltd.	46	517
Other non-current assets	Ansteel International Trade	168	226
Other non-current assets	Ansteel Group Information Industry Co., Ltd.	91	102
Other non-current assets	Ansteel Group Zhongyuan Industry Development Co., Ltd.	1	
Total		<b>306</b>	845

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### **XII. SHARE-BASED PAYMENT**

#### **1. General introduction of share-based payment**

The 32nd meeting of the eighth session of the board of directors of the company was held on 26 November 2020, which deliberated and approved the Proposal on the Repurchase of Certain A Shares of the Company's Public Shares (the "Repurchase Proposal"), Regarding Authorization Proposal on Management Handling of Share Repurchase Related Matters, Proposal on Ansteel Co., Ltd. 2020 Restricted Stock Incentive Plan (Draft) and its summary ("2020 Incentive Plan" or "Incentive Plan") and other motions.

According to the repurchase proposal, the company will repurchase the company's A-share ordinary shares from the Shenzhen Stock Exchange through an open auction transaction as a source of restricted shares for incentive objects from 10 December 2020. On the basis of the incentive plan, the set price of the restricted stocks granted for the first time is 1.85 yuan per share, and the restricted stocks are subject to a sales restriction period of 24 months from the grant date of restricted stocks. During the restricted sale period, restricted stocks may not be transferred or used for guarantee or debt repayment. The 36 months after the restricted sale period is the lifting period. In each lifting period, if the conditions for lifting restricted stocks are met, the incentive object can apply for the restricted stocks held through this plan to be divided into three batches of the termination of sales restrictions, and the proportions were 33%, 33%, and 34% respectively. For those that fail to meet the unlocking conditions for a certain year, the corresponding restricted stocks that have not been unlocked shall be repurchased by the company.

As of 24 December 2020, the implementation of the stock repurchase for the 2020 incentive plan has completed. The Company has spent 166 million yuan (including transaction costs) repurchasing 52 million shares, which was included in treasury shares.

## **XII. SHARE-BASED PAYMENT (CONTINUED)**

### **1. General introduction of share-based payment (Continued)**

On 31 December 2020, the 2020 Third Extraordinary General Meeting of Shareholders held by the Company resolved to review and approve the relevant proposals of the incentive plan and authorize the board of directors to handle related matters.

On 8 January 2021, the Company held the eighth session of the thirty-eighth meeting of the board of directors, deliberated and approved the Proposal on Adjusting Ansteel Co., Ltd.'s 2020 Restricted Stock Incentive Plan and On the First Grant of Restricted Stock to Incentive Objects. According to the adjusted incentive plan, the proposed incentives for the first grant were reduced from 182 to 174, the number of first grants was adjusted from 48.60 million shares to 46.80 million shares, and the reserved 5.4 million shares remained unchanged. At the same time, the board of directors believed that the conditions for the award of the incentive plan have been met, and determined that 8 January 2021 will be the first grant date, and 46.8 million restricted shares will be granted to 174 incentive objects for the first time at a price of RMB1.85 per share.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XII. SHARE-BASED PAYMENT (CONTINUED)

#### 2. Introduction

Total amount of each equity instrument granted by the Company during the period (10 thousand shares)	4,680
Total amount of each equity instrument exercised by the Company during the period (10 thousand shares)	0
Total amount of each equity instrument invalidated by the Company during the period (10 thousand shares)	0

Of which, equity-settled share-based payments:

Method of determining the fair value of equity instruments at the grant date	Based on the market value of shares granted to Japanese companies
Basis for determining the number of exercisable equity instruments	Determined by the estimated performance conditions for each unlocking period under the restricted stock plan
Reasons for significant differences between current period estimates and prior period estimates	None
Total employee services received in exchange for share-based payments	65
Accumulated amount of equity-settled share-based payments charged to capital reserves	0
Total expense recognized for equity-settled share-based payments during the period	0

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### XIII. COMMITMENTS AND CONTINGENCIES

#### 1. Significant commitments

Items	30 June 2021	31 December 2020
Investment contracts entered but not yet performed or performed partially	14	14
Construction and renovation contracts entered but not yet performed or performed partially	3,810	4,279
Total	3,824	4,293

#### 2. Contingencies

As of 30 June 2021, there are no contingencies that need to be disclosed.

### XIV. SUBSEQUENT EVENTS

As of the approval date of the financial statements, the Group has no major future events that should be explained.

### XV. OTHER SIGNIFICANT INTRODUCTIONS

As of 30 June 2021, the Group had no other significant matters that should be stated.



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

#### 1. Accounts receivable

##### (1) Classification of Accounts Receivable

Items	30 June 2021				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,014	25.52	797	78.60	217
Account receivable for which bad debt is prepared based on group combination	2,960	74.48	5	0.17	2,955
including: Risk-free group combination	2,634	66.28			2,634
Risk group combination on the basis of aging-matrix	326	8.20	5	1.53	321
<b>Total</b>	<b>3,974</b>	<b>100.00</b>	<b>802</b>	<b>20.18</b>	<b>3,172</b>

Items	31 December 2020				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,014	30.80	722	71.20	292
Account receivable for which bad debt is prepared based on group combination	2,280	69.20	5	0.22	2,275
including: Risk-free group combination	1,652	50.14			1,652
Risk group combination on the basis of aging-matrix	628	19.06	5	0.80	623
<b>Total</b>	<b>3,294</b>	<b>100.00</b>	<b>727</b>	<b>22.07</b>	<b>2,567</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 1. Accounts receivable (Continued)

- (2) Accounts receivable subject to separate assessment for bad debts provision

Debtors	30 June 2021			Reason
	Book Value	Bad Debt Provision	Percentage (%)	
Department of Property and Finance	605	472	78.02	Notes overdue
HNA Finance Department	264	225	85.23	Notes overdue
Lifan Finance	78	34	43.59	Notes overdue
Anshan Zhongyou Tianbao Steel Pipe Co., Ltd.	67	66	98.51	The business is in trouble and it does not have the ability to pay debts
<b>Total</b>	<b>1,014</b>	<b>797</b>	<b>-</b>	<b>-</b>

- (3) Accounts receivable classified by aging

Aging	30 June 2021	31 December 2020
Within 1 year	2,896	2,212
1 to 2 years	957	963
2 to 3 years	13	13
3 to 4 years	11	14
4 to 5 years	16	15
Over 5 years	81	77
<b>Total</b>	<b>3,974</b>	<b>3,294</b>

*Note:* In the above analysis, the aging of accounts receivable (RMB947 million in total) transferred from overdue notes receivable is calculated on the transfer date. The aging is 1 to 2 years. Meanwhile, the rest of accounts receivable is based on the invoice date.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 1. Accounts receivable (Continued)

- (4) Bad debt provision at the end of the period

Type	31 December 2020	Increase/Decrease		30 June 2021
		Accrual	Recover or reversal Transfer or write-off	
Accounts receivable	727	75		802

- (5) Accounts receivable written off current period

There are no accounts receivables that have been written off Current period.

- (6) The condition of accounts receivable of the top five debtors by the balances at the end of the period

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB2,804 million as of 30 June 2021, which accounted for 70.56% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB697 million as of 30 June 2021.

- (7) Accounts receivable derecognized resulting from transfer of financial assets

Please refer to Note VI. 4, (7) for details.

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables

Items	30 June 2021	31 December 2020
Dividends receivable		
Other receivables	174	102
<b>Total</b>	<b>174</b>	<b>102</b>

#### 2.1. Other receivables

##### (1) Classification of other receivables

Items	30 June 2021				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	175	100	1	0.57	174
including: Risk-free group combination	65	37.14			65
Risk group combination on the basis of aging-matrix	110	62.86	1	0.91	109
<b>Total</b>	<b>175</b>	<b>100.00</b>	<b>1</b>	<b>0.57</b>	<b>174</b>

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 2. Other receivables (Continued)

##### 2.1. Other receivables (Continued)

##### (1) Classification of other receivables (Continued)

Items	31 December 2020				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision					
Other receivables for which bad debt is prepared based on group combination	103	100	1	0.97	102
including: Risk-free group combination	50	48.54			50
Risk group combination on the basis of aging-matrix	53	51.46	1	1.89	52
Total	103	100	1	0.97	102

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS  
(CONTINUED)**

**2. Other receivables (Continued)**

2.1. Other receivables (Continued)

(2) Other receivables classified by the nature

<b>Other receivables</b>	<b>30 June 2021</b>	31 December 2020
Petty cash	4	5
Money lent to subsidiary	51	51
The remaining factoring receivable	97	44
Others	23	3
<b>Total</b>	<b>175</b>	103

(3) Other receivables classified by aging

<b>Aging</b>	<b>30 June 2021</b>	31 December 2020
Within 1 year	119	48
1 to 2 years	32	41
2 to 3 years	21	10
3 to 4 years		1
4 to 5 years		3
Over 5 years	3	
<b>Total</b>	<b>175</b>	103

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 2. Other receivables (Continued)

##### 2.1. Other receivables (Continued)

(4) The recognition of bad debt provision

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses within the next 12 months	Expected credit losses for the entire duration of the period (no credit impairment)	Expected credit losses for the entire duration of the period (credit impairment has occurred)	
Balance at 1 January 2021		1		1
Current period accrual				
Current period recover				
Current period transfer				
Current period write-off				
Other changes				
Balance at 30 June 2021		1		1

(5) Bad debt provision at the end of the period

Type	31 December 2020	Increase/Decrease		30 June 2021
		Recover or Accrual	Transfer or reversal or write-off	
Other receivables	1			1

## XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

### 2. Other receivables (Continued)

#### 2.1. Other receivables (Continued)

- (6) The condition of other receivables of the top five debtors by the balances at the end of the period

The total amount of top five other receivables according to closing balance of debtors of the Group was RMB163 million at 30 June 2021, which accounted for 93.14% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB1 million.

### 3. Long-term equity investment

- (1) Classification of other receivables

Items	30 June 2021			31 December 2020			
	Book balance	Provision		Book balance	Provision		Book value
		for impairment	Book value		for impairment	Book value	
Investments in subsidiaries	9,683		9,683	9,683		9,683	
Investments in joint ventures and associates	3,033		3,033	2,929		2,929	
<b>Total</b>	<b>12,716</b>		<b>12,716</b>	<b>12,612</b>		<b>12,612</b>	



# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 3. Long-term equity investment (Continued)

##### (2) Investments in subsidiaries

The invested entity	31 December		30 June	Provision for impairment at the end of period
	2020	Increment		
Ansteel Wuhan	237		237	
Ansteel Hefei	102		102	
Ansteel Guangzhou	90		90	
Shenyang Trade	321		321	
Shanghai Trade	303		303	
Tianjin Trade	203		203	
Guangzhou Trade	315		315	
Ansteel Shenyang	151		151	
Ansteel Tianjin	27		27	
Ansteel Dalian	266		266	
Ningbo Trade	100		100	
yantai Trade	200		200	
Ansteel Kobelco	357		357	
ASPD-CC	450		450	
Technology and Development	50		50	
Ansteel Zhengzhou	149		149	
Ansteel Chaoyang	3,545		3,545	
Energy and Technology	33		33	
Chemical Technology	2,500		2,500	
FAW Ansteel	119		119	
Ansteel Parts	50		50	
Delin Zhilian	55		55	
Hangzhou car material	60		60	
<b>Total</b>	<b>9,683</b>		<b>9,683</b>	

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

*for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)*

### XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 3. Long-term equity investment (Continued)

- (3) Investments for the joint ventures and associates

Please refer to Note VI. 10 (Excluding Zhong'an Water)

#### 4. Operating revenue and operating cost

- (1) Classified by production

Items	Current period		Prior period	
	Income	Cost	Income	Cost
Prime operating	64,985	58,186	41,450	39,585
Other operating	263	117	97	72
<b>Total</b>	<b>65,248</b>	<b>58,303</b>	41,547	39,657

*Note:* The Group is classified into an operating segment based on the type of business: production and sale of steel products.

- (2) Classified by region

Items	Current period	Prior period
Foreign transaction income from the within borders	61,268	39,920
Foreign exchange income from outside borders	3,980	1,627
<b>Total</b>	<b>65,248</b>	41,547

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XVI. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

#### 4. Operating revenue and operating cost(Continued)

(3) Classified by the time when the revenue is confirmed

Items	Current period	Prior period
Confirmed at a certain point	65,248	41,547
Total	65,248	41,547

#### 5. Investment income

Items	Current period	Prior period
Long-term equity investment income measured at cost method	1,054	4
Long-term equity investment income measured at equity method	205	84
Investment income of other investments in equity instruments	1	2
Others		1
Total	1,260	91

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

**XVII. NET CURRENT ASSETS**

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Current assets	<b>27,085</b>	23,016
Less: Current liabilities	<b>25,399</b>	27,702
Net current assets/(liabilities)	<b>1,686</b>	(4,686)

**XVIII. TOTAL ASSETS LESS CURRENT LIABILITIES**

<b>Items</b>	<b>30 June 2021</b>	31 December 2020
Total assets	<b>91,301</b>	88,046
Less: Current liabilities	<b>25,399</b>	27,702
Total assets less current liabilities	<b>65,902</b>	60,344

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### XIX. SUPPLEMENTARY DOCUMENTS

#### 1. Non-recurring gains and losses

Items	Current period	Prior period
Gains and losses from disposal of non-current assets	(27)	(18)
Government grant recorded into profit and loss for current period except that relevant to enterprise operation and in compliance with government policies	24	29
Changes in the fair value of trading financial assets (Liabilities)	(6)	(12)
Other non-current liabilities-part of embedded derivative financial instruments, derivative financial liabilities-changes in fair value of foreign exchange swap contracts	(97)	41
Other non-operating income and loss not listed above	3	(3)
<b>Subtotal</b>	<b>(103)</b>	37
Less: Effect on taxation	(26)	9
Effect on minority interest (after tax)		
<b>Total</b>	<b>(77)</b>	28

The Company's confirmation of non-recurring profit and loss items is carried out in accordance with the provisions of the Interpretive Announcement No. 1 of the Company Information Disclosure of Public Offering Securities—Non-recurring Gains and Losses (CSRC Announcement [2008] No. 43).

Financial Report (Continued)  
Notes to Financial Statements (Continued)  
for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

## XIX. SUPPLEMENTARY DOCUMENTS (CONTINUED)

### 2. Return on equity (ROE) and Earnings per Share (EPS)

Profit in this period	Weighted average (ROE) (%)	EPS (Yuan per share)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders	9.26	0.551	0.546
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	9.40	0.559	0.554

The above data is calculated using the following formula:

(1) Weighted average return on equity

$$\text{Weighted average return on equity} = P_0 / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

$P_0$  corresponds to the net profit attributable to the ordinary shareholders of the company and the net profit attributable to the ordinary shareholders of the company after deducting non-recurring gains and losses;  $NP$  corresponds to the net profit attributable to the company's common shareholders;  $E_0$  corresponds to the net assets at the beginning of the period attributable to the ordinary shareholders of the company;  $E_i$  corresponds to the newly added net assets attributable to ordinary shareholders of the company, such as new shares or debt-to-equity swaps during the Reporting Period;  $E_j$  corresponds to the net assets attributable to ordinary shareholders of the company, such as repurchase or cash dividends during the Reporting Period;  $M_0$  corresponds to the number of months in the Reporting Period;  $M_i$  corresponds to the cumulative number of months from the next month of the new net assets to the end of the Reporting Period;  $M_j$  is the cumulative number of months from the second month of the net assets reduction to the end of the Reporting Period;  $E_k$  corresponds to the change or decrease in net assets attributable to ordinary shareholders of the company due to other transactions or events;  $M_k$  corresponds to the cumulative number of months from the next month of the change in other net assets to the end of the Reporting Period.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### **XIX. SUPPLEMENTARY DOCUMENTS (CONTINUED)**

#### **2. Return on equity (ROE) and Earnings per Share (EPS) (Continued)**

##### (2) Basic earnings per share

$$\text{Basic earnings per share} = \frac{P_0}{S}, \quad S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

P<sub>0</sub> corresponds to the net profit attributable to ordinary shareholders of the company or net profit attributable to ordinary shareholders after deducting non-recurring gains and losses; S corresponds to the weighted average number of ordinary shares outstanding; S<sub>0</sub> corresponds to the total number of shares at the beginning of the period; S<sub>1</sub> is the increase in the number of shares due to the conversion of public reserve funds into share capital or stock dividends during the Reporting Period; S<sub>i</sub> refers to increasing the number of shares due to the issuance of new shares or debt-to-equity swaps during the Reporting Period; S<sub>j</sub> refers to the number of shares reduced due to repurchase during the Reporting Period; S<sub>k</sub> refers to the number of share compressing in the report period; M<sub>0</sub> corresponds to the number of months in the Reporting Period; M<sub>i</sub> corresponds to the cumulative number of months from the next month of the new net assets to the end of the Reporting Period; M<sub>j</sub> is the cumulative number of months from the second month of the net assets reduction to the end of the Reporting Period.

# Financial Report (Continued)

## Notes to Financial Statements (Continued)

for The Period Ended 30 June 2021 (Expressed in million RMB unless otherwise indicated)

### **XIX. SUPPLEMENTARY DOCUMENTS (CONTINUED)**

#### **2. Return on equity (ROE) and Earnings per Share (EPS) (Continued)**

(3) Diluted earnings per share (Continued)

Diluted earnings per share =  $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{Weighted average number of common shares increased by warrants, share options, convertible bonds, etc.})$

P1 refers to the net profit attributable to the ordinary shareholders of the company or the net profit attributable to the ordinary shareholders of the company after deducting non-recurring gains and losses, and considering the impact of diluted potential ordinary shares, adjusted according to the ASBE and relevant regulations. In calculating the diluted earnings per share, the company should consider the effect of all diluted potential ordinary shares on the net profit attributable to the company's common shareholders or the net profit attributable to the company's common shareholders and the weighted average number of shares after deducting non-recurring gains and losses. Diluted earnings per share are included in descending order of dilution until the diluted earnings per share reaches a minimum.



# Documents Available for Inspection

1. Financial statements signed by the Responsible Officer, Chief Accountant and Comptroller of the Company and with seal affixed;
2. Originals of all documents and manuscripts of announcements disclosed by the Company on the website designated by China Securities Regulatory Commission during the Reporting Period;
3. Text of the Articles of Association of the Company;
4. Interim report of the Company disclosed in the Hong Kong stock market;

The above documents are available for inspection at the secretarial office of the Board of Angang Steel Company Limited\* situated at Production Area of Angang Steel, Tie Xi District, Anshan City, Liaoning Province, the PRC.

**Angang Steel Company Limited\***

*The Board*

27 August 2020

*Note:* This report is prepared in both Chinese and English. The Chinese version shall prevail in case of any inconsistency between the two versions.



鞍 鋼 股 份 有 限 公 司  
ANGANG STEEL COMPANY LIMITED\*