



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



2022
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 2022 interim financial report of the Company is unaudited.

The 2022 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:

Term	Meaning
“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 and Steel Group 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.* (攀鋼集團鈮鈦資源股份有限公司)
“Pangang Vanadium & Titanium Group”	Pangang Vanadium & Titanium and its subsidiaries
“Reporting Period”	half year ended 30 June 2022
“Supply of Materials and Services Agreement (2022–2024)”	the Supply of Materials and Services Agreement (2022–2024) entered into between the Company and Angang Group, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Supply of Materials Agreement (2022–2024)”	the Supply of Materials Agreement (2022–2024) entered into between the Company and Pangang Vanadium & Titanium, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Financial Service Agreement (2022–2024)”	the Financial Service Agreement (2022–2024) entered into between the Company and Angang Financial Company, which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021

Important Notice and Definitions (Continued)

“Supply Chain Financial Service Agreement (2022–2024)”	the Supply Chain Financial Service Agreement (2022–2024) entered into between the Company and Angang Group Capital Holding Co., Ltd., which was approved at the second extraordinary general meeting of the Company in 2021 on 26 November 2021
“Continuing Connected Transaction Agreements”	collectively, the Supply of Materials and Services Agreement (2022–2024), the Supply of Materials Agreement (2022–2024), the Financial Service Agreement (2022–2024) and the Supply Chain Financial Service Agreement (2022–2024)
“Bayuquan Branch Company”	Bayuquan Iron & Steel Branch Company* of Angang Steel (鞍鋼股份鮫魚圈鋼鐵分公司)
“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 Stock Exchange 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

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

	Secretary to the Board	Securities Affairs Representative
Name	Wang Baojun	Wang Fei
Address	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC	Production Area of Angang Steel, Tiexi District, Anshan City, Liaoning Province, the PRC
Telephone	0412-6734878	0412-8417273 0412-6751100
Fax	0412-6727772	0412-6727772
E-mail	wangbaojun@ansteel.com.cn	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 annual report for 2021 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 annual report for 2021 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

Whether the Company needs to retroactively adjust or restate the accounting data for previous year

Yes

No

Reason for retroactive adjustment or restatement: business combination under the common control

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
		before adjustment	after adjustment	after adjustment
Operating income	70,294	72,551	72,307	-2.78
Net profit attributable to the shareholders of the Company	1,716	5,183	5,210	-67.06
Net profit attributable to the shareholders of the Company after deduction of non-recurring gains or losses items	1,669	5,260	5,260	-68.27
Net cash flow from operating activities	4,140	8,639	8,677	-52.29
Basic earnings per share (RMB/share)	0.182	0.551	0.554	-67.15
Diluted earnings per share (RMB/share)	0.182	0.546	0.546	-66.67
Returns on net assets on weighted average basis (%)	2.84	9.26	9.15	Decreased by 6.31 percentage points

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 (%)
		before adjustment	after adjustment	after adjustment
Total assets	96,247	97,526	98,652	-2.44
Owner's equity attributable to shareholders of the Company	59,719	59,666	60,711	-1.63

Note: On 30 December 2021, as approved at the 55th meeting of the eighth session of the Board of the Company, the Company entered into an agreement with Angang Holding for the acquisition of the net assets of the Second Power Plant under Angang Holding. The Company has completed the acquisition, which was treated as a business combination under common control according to the asset delivery date as determined in the agreement, and retrospectively adjusted its accounting data for the corresponding period of the previous year.

Total share capital of the Company as of 26 August 2022:

Total share capital of the Company as of the trading day preceding the disclosure date (<i>share</i>)	9,403,020,451
Fully-diluted earnings per share based on the latest share capital (<i>RMB/share</i>)	0.182

Summary of Accounting Figures and Financial Indicators (Continued)

II. NON-RECURRING GAINS OR LOSSES ITEMS

Unit: RMB million

Item	Amount
Gains/losses from disposal of non-current assets	-6
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	18
Changes in fair value of other non-current liabilities (part of derivative financial instruments)	49
Other non-operating income and expenses apart from those stated above	2
Less: Effect of income tax	16
Total	47

Details of other gains or losses that fall within the definition of non-recurring items:

Applicable Not applicable

The Company does not have other gain or loss items that fall within the definition of non-recurring items.

Explanation on defining any extraordinary gain or loss items listed under the "Explanatory Announcement on Information Disclosure by Companies Offering Their Securities to the Public No. 1 – Extraordinary Gains or Losses" as recurring gain or loss items

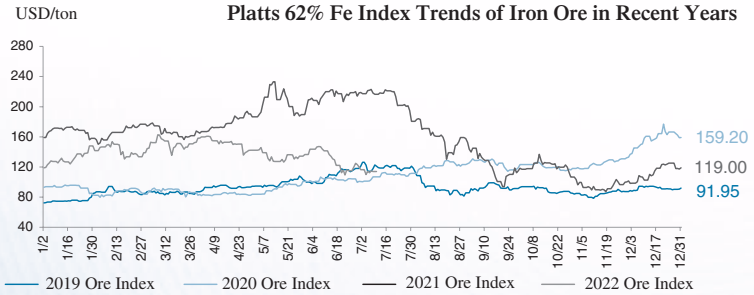
Applicable Not applicable

None of the extraordinary gain or loss items listed under the "Explanatory Announcement on Information Disclosure by Companies Offering Their Securities to the Public No. 1 – Extraordinary Gains or Losses" was defined as a recurring gain or loss item by the Company.

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

(I) Industry overview of the Company during the Reporting Period

In the first half of 2022, under triple pressures of “shrinking demand, supply shock, and estimated weakening” and the impact of the COVID-19 pandemic, China’s steel industry was severely affected. The price of raw materials such as iron ore remained at a high level, energy prices rose sharply, steel prices fluctuated downward, steel inventory rose sharply, and the efficiency of steel enterprises declined significantly. The industry has been characterised by “weak demand, rising inventory, falling prices, rising costs and declining profits”. In particular, since June, the downturn of the industry has further intensified and the loss margin has further expanded. According to the data released by the National Bureau of Statistics, in the first half of the year, China’s steel output was 527 million tonnes, representing a year-on-year decrease of 6.5%; pig iron output was 439 million tonnes, representing a year-on-year decrease of 4.7%; steel output was 667 million tonnes, representing a year-on-year decrease of 4.6%.



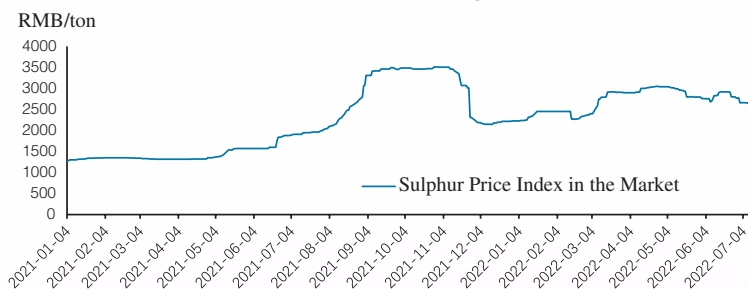
Data source: Platts Report

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

(I) Industry overview of the Company during the Reporting Period (Continued)

According to the data in the Platts Report, the iron ore price fluctuated upward in the first quarter of 2022; in the second quarter, affected by factors such as the decline in steel prices and continuous losses of steel plants, iron ore prices showed a downward trend. However, in general, in the first half of 2022, the Platts 62% Fe index basically fluctuated at a high level between USD110–162/ton.

Price Trend of Hard Coking Coal in China

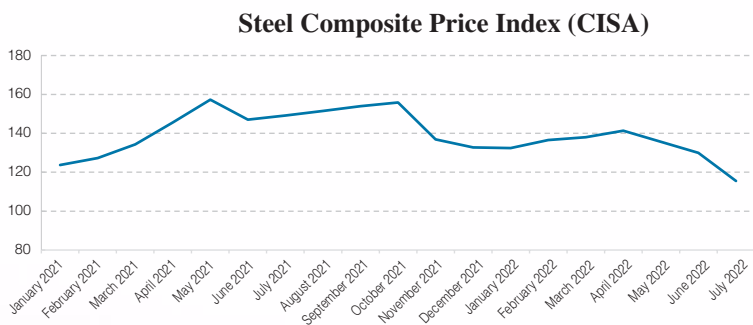


Data source: the website of Mysteel

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

(I) Industry overview of the Company during the Reporting Period (Continued)

In the first half of the year, due to the effect of energy crisis resulting from the Russia-Ukraine conflict coupled with various factors, the price of coking coal and coke skyrocketed and then nosed dive. In the first half of 2022, the price index of sulfur coking coal averaged at RMB2,554.4/tonne, representing a year-on-year increase of 101.48% as compared to the corresponding period of last year.



Data source: the website of Mysteel

According to the data of the China Iron and Steel Association's comprehensive price index of steel, from January to April 2022, the price of steel went up with a moderate fluctuation in general. In early May, the price of steel fell after reaching a peak, and the decline accelerated from June to July. Generally, at the end of June, the China Steel Price Index (CSPI) was 122.52 points, representing a decrease of 10.67 points or 8.01% as compared to the end of May, and down by 20.96 points or 14.61% on a year-on-year basis.

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

(II) **Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period**

As a modern super-large iron and steel complex in China, the Company is mainly engaged in the steel manufacturing industry, while focusing on the development of steel processing and distribution, chemical industry, green energy, e-commerce, clean power generation and other industries in respect of the main steel business. The Company has the three major production bases in Anshan, Yingkou and Chaoyang, as well as processing and distribution or sales service agencies in Dalian, Shenyang, Changchun, Tianjin, Shanghai, Wuhan, Hefei, Zhengzhou, Guangzhou and other cities. It relies on Angang Steel Group's overseas sales agencies to carry out international operations. The Company's management model of "coordination among bases and concentration within bases" is adopted to develop a multi-base development pattern with complementary advantages and efficient coordination. The Company has a diverse product structure, with a relatively complete product series such as hot-rolled sheet, medium and heavy sheet, coldrolled sheet, galvanized sheet, color-coated sheet, cold-rolled silicon steel, heavy rail, profiles, seamless steel pipe, and wire rods, which are widely applied in such industries as machinery, metallurgy, petroleum, chemical, coal, electric power, railway, ship, automobile, construction, home 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. Angang's heavy rail and steel for nuclear power were rated as the most competitive products in China's metallurgical industry in 2022.

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

(II) **Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)**

Since the beginning of the year, in the face of the adverse factors such as the pandemic, production limitation in haze days and market downturn, the Company efficiently organised production, strengthened cost reduction and efficiency enhancement, and spared no effort to expand the market. Production and operation were generally stable and orderly, and new progress was made in various tasks.

In the first half of the year, the Group achieved operating income of RMB70,294 million, representing a decrease of 2.78% over the corresponding period of the previous year. The total profit reached RMB2,206 million, representing a decrease of 67.05% over the corresponding period of the previous year. The net profit attributable to shareholders of the Company was RMB1,716 million, representing a decrease of 67.06% over the corresponding period of the previous year. The basic earnings per share were RMB0.182 per share, representing a decrease of 67.15% over the corresponding period of the previous year. The sales profit margin was 3.14%, representing a year-on-year decrease of 6.12 percentage points.

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

(II) **Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)**

1. Streamlining organisation, strengthening collaboration, stabilising production and improving quality to create efficiency. The Group strengthened the integration of production and sales, strengthened the interaction among bases and production linkage, optimised resource allocation, lean organisation of production, and strived to improve economic and technical indicators. In the first half of the year, the output of iron, steel and rolled steel was 13,120,000 tonnes, 13,500,000 tonnes and 12,670,000 tonnes, respectively, representing a decrease of 3.17%, 7.34% and 7.11%, respectively, as compared with the corresponding period of the previous year. The sales volume of rolled steel was 13,030,000 tonnes, representing a decrease of 3.62% as compared with the corresponding period of the previous year, achieving a sales-output ratio of 102.84% for rolled steel. The comprehensive yield ratio of rolled steel increased by 0.13 percentage point from last year. New breakthrough was made for the output of oriented silicon steel, the yield ratio increased by 10.5 percentage points as compared with the previous year, and the profitability of oriented silicon steel products increased significantly.

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

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

2. Leading by objectives, implementing responsibilities and reducing costs through multiple measures. The Company focused on the main working line of “high efficiency, low cost, strong system and cost reduction”, continued to facilitate systematic cost reduction, adhered to target-oriented, established a systematic cost reduction target system, smoothed the circulation, strengthened system guarantee, and improved market competitiveness. The Company strengthened benchmarking and exchanges with industry benchmark enterprises, strengthened comprehensive budget management, deeply exploited potential of cost reduction from the whole-process of “procurement, production, sales, logistics, energy, quality cost”, formulated 12 measures for systematic cost reduction, refined and decomposed rigid cost reduction indicators, and promoted extreme cost reduction through strengthening institutionalised assessment and implementation of responsibilities.

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

(II) **Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)**

3. Market development, innovation of services and enhancement of brand influence. Adhering to market orientation and allocating resources efficiently to ensure maximum efficiency of the Company. The Company adhered to product development, led by marketing, promoted the integration of sales, research and production, and achieved a breakthrough in the proportion of supply of high-priced products such as oriented silicon steel. Innovating service models to improve customer experience. Adhering to the customer-centric principle, the Company constantly explored and innovated new service models to effectively respond to the new changes in the pandemic. Relying on the information system and the three-level service system, the Company realised communication with customers through cloud and improved service efficiency and service quality. The Company won the “2021 Best Procurement Partner Award” granted by Dongfeng Nissan Vehicles. Our sales volume in the northeast region increased by 1.67% year-on-year in the first half of the year as a result of deep penetration in the northeast region and deepening the post-market price evaluation mechanism. Actively expanding overseas markets, and focusing on the “The Belt and Road” market, the Company gave full play to the brand advantages of Angang, joined hands with well-known domestic engineering enterprises and strategic customers to strengthen cooperation in overseas markets, and realised indirect export of various types of heavy rails for overseas projects.

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

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

4. Technology leading, technological innovation and driving force for technological breakthrough. Accelerating the pace of technological research and development and improving the technological leadership. The Company completed the self-assessment of four key core technology research projects in phase I, appointed 21 leaders for the scientific and technological leadership plan in phase II, formulated the construction plan of a base of original technologies covering 16 key areas in four sub-fields, and obtained 256 national patents, accounting for 48.8% of the invention patents. 8 projects including “Key Technology Development and Industrialization Application of Third-generation Pipeline Steel for Super-large Capacity” won the Science and Technology Progress Award of Liaoning Province; “A Method for Preparing High-Strength Coke for Iron Smelting Using Chemical Waste” won the 23rd China Patent Excellence Award; 2 projects including “A High-Strength and High-Toughness Marine Cryogenic Steel and its Manufacturing Method” were awarded the first prize and the third prize of Liaoning Patent Award.

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

(II) **Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)**

5. Digital construction, smart manufacturing, system optimisation and efficiency improvement. The intelligent operation integrated control system of Anshan Iron & Steel was put into full operation. The Company accelerated intelligent manufacturing and digital transformation, focused on “no humanization”, “less humanization” and “one-click”, and actively carried out the application of basic automation upgrading, intelligent equipment, process model optimisation, big data analysis and centralised control centre around the overall improvement project of management and informatization, so as to accelerate the upgrading and transformation. In the first half of the year, the Company launched 26 informatization investment projects, focusing on the construction of intelligent manufacturing demonstration factories in Bayuquan base, intelligent production lines such as Chaoyang Iron and Steel Digital Intelligent Control Centre, and the coordination and linkage of upstream and downstream processes to create a 5G industrial boutique network. The automatic control rate of Bayuquan base production line was 100%, the replacement rate of 3D post machines was 45%, and the big data platform for full-process quality was basically completed. 37 projects, including the RH Thermometry Sampler Robot Project at the argon flushing station of Steelmaking General Plant, Third Branch, were put into operation.

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

(II) **Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)**

6. Energy conservation and emission reduction, consumption reduction and carbon reduction, and green and low-carbon development. The Company completed overall carbon reduction plan, determined dual carbon targets and launched in different stages as the planned objective. The Company also vigorously explored the efficiency of clean energy, actively promoted the application of “green power” of clean energy, significantly increased the trading power of nuclear power and wind power, and traded clean energy power of 2,500,000,000 kWh, representing an increase of 2,180,000,000 kWh over the previous year, reduced the cost of power purchase by RMB170 million, and reduced carbon dioxide emissions by 420,000 tonnes. The Company continued to increase investment in energy-saving projects, launched and implemented 21 energy-saving projects, deeply explored the energy-saving potential of each process and production line, and promoted the continuous improvement of energy consumption indicators. The ultra-low emission transformation was carried out in an orderly manner. 33 ultra-low emission transformation projects were launched, with a planned investment of RMB713 million. The headquarters in Anshan and Chaoyang Iron & Steel completed the preliminary assessment of ultra-low emission transformation. The Company strengthened the treatment of pollutant emissions, and the total amount of pollutant emissions further decreased. The emissions of sulphur dioxide, nitrogen oxides, particulate matter and COD decreased by 27.5%, 3.8%, 6.7% and 20.9%, respectively, as compared with the corresponding period of the previous year.

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

(II) Main business, main products and their uses, business model, and main performance drivers of the Company during the Reporting Period (Continued)

7. Enhancing internal control, preventing risks, strengthening foundation and building bottom line. The Company strengthened the barrier for pandemic prevention and control, insisted on overall decision-making and quick response, and achieved the maximum pandemic prevention effect at the lowest cost. In the first half of the year, the Company achieved the goal of zero infection for current employees and zero import of case in the factory area. While doing a good job in pandemic prevention and control, it also ensured the stable and smooth operation of the Company's production and operation. We carried out the "Safety Standard Improvement Year" activity to strengthen special safety rectification and achieve zero serious injury or above accidents. In the first half of 2022, The Company had zero environmental pollution accidents. The implementation rate of "three simultaneous" environmental protection of construction projects, compliance disposal rate of hazardous waste and compliance utilisation rate of radioactive sources were 100%.

II. ANALYSIS ON THE CORE COMPETITIVENESS

(I) Market competitiveness

1. Brand popularity and influence continue to increase, and credibility gains a reputation in the market. In 2022, Angang Steel ranked 99th among the Fortune China 500. The Company has strong technical reserves, excellent product quality, strong ability on product R&D and innovation, a complete quality assurance system and national certification qualifications. 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 steel, container steel and shipbuilding plates won the title of “China Famous Brand Products”. 16 products such as hot rolling pickling steel plates, dip aluminized and galvanized plates and steel for bridges are awarded as “Gold Cup”.
2. Technology strength is at the forefront of the industry and has strong advantages in new product technology development. It has unique technical advantages in hot-rolled railway weather-resistant, superior cutting tools, medium and high carbon ultra-thin products of 45 # and above, and spring steel. TWIP1180HR hot rolls and QP1400 high-strength automotive plates achieve the world premiere; extremely wide and thick steel plates and 90mm crack-resistant steel for ships achieve the domestic premiere; the longitudinal variable thickness weather-resistant bridge steels are exclusively used in batch. Its railway weather-resistant steels can be provided in all kinds of specifications, and the power car bogies lead the development of the industry.

II. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(I) Market competitiveness (Continued)

3. Advantages in scale and technical equipment. The annual crude steel output ranks top 10 in the industry. Low-cost blast furnace ironmaking, rapid selection of coking coal and converter ultra-pure steel production equipment are among the best of the PRC. The technology equipment of 1,580, 1,780, 2,150 hot rolling production line, cold rolling line, wire rods 2# lines and universal lines and medium and thick plate line have reached the domestic advanced level. Bayuquan base realizes large-scale equipment, constant processing, operation automation, management informatization, of which 1580 lines adopt a number of internationally leading hot rolling technologies; the 5500 line is currently one of the largest wide and thick plate mills in the world.

II. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(II) Product competitiveness

The steel products are comprehensive in types and specifications with a higher market share. Steel for shipbuilding, steel for bridges, steel for nuclear power, steel for pipelines, steel for railways and steel for home appliances are the traditional advantageous products of the Company, with a relatively high market share, and are well recognised and praised by downstream end customers. In particular, the market share of corrosion-resistant steel for railways has been maintained at over 40% for a long time, ranking first in the industry for 18 consecutive years; the market share of cold-rolled steel products for home appliances has ranked top in the industry for a long time. In the first half of 2022, the Group focuses on the development of products such as hot-forming, high-strength steel, zinc, aluminium and magnesium. The sales volume of hot-forming products increase by 60% year-on-year, and the sales volume of high-strength steel products increase by 27% year-on-year. Zinc, aluminium and magnesium products have obtained trial material orders from Great Wall Motor. New achievements have been made in the development of silicon steel for new energy vehicles, and the trial production of 35ADG1900B and 30ADG1500 brands of high-magnetic non-oriented silicon steel has been successfully completed. The performance indicators reach the advanced level in the industry, and the product performance has recognised by customers. Silicon steel for new energy vehicles will become a new profit growth point for Angang Silicon.

II. ANALYSIS ON THE CORE COMPETITIVENESS (CONTINUED)

(III) Cost competitiveness

In the first half of 2022, in the face of the severe market situation, Angang Steel has always taken the “low-cost” operation as the main line, with the goal of “outperforming the market and leading itself”. Through unified thinking, enhanced measures, self-pressure, outstanding incentives and rigid guarantee, we systematically promote cost reduction, strengthen comprehensive budget management, and comprehensively improve cost competitiveness. We further promote scientific and technological cost reduction and efficiency improvement, improve project management efficiency, and accelerate the pace of construction of New Angang. The Company has carried out in-depth management improvement benchmarking the world’s first-class standards, taking strengthening management system and management capacity building as the main line, adhering to problem orientation and target orientation, focusing on the gap between key performance indicators and advanced enterprises in the industry based on the Company’s development strategy, focusing on key points, making up for shortcomings, strengthening weaknesses, promoting management reform through ideological reform and cultural reform, and promoting the improvement of the Company’s indicators, efficiency, management ability and management level through organisational reform and process control. By continuously improving the market-oriented system and mechanism, Chaoyang Iron & Steel has a relatively strong low-cost competitive advantage.

Management Discussion and Analysis (Continued)

III. ANALYSIS OF PRINCIPAL BUSINESSES

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

Unit: RMB million

	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Operating income	70,294	72,307	-2.78	-
Operating costs	66,613	63,560	4.80	-
Marketing expenses	309	299	3.34	-
Administrative expenses	659	766	-13.97	-
Financial expenses	277	317	-12.62	-
Income tax expenses	475	1,469	-67.67	Income tax expenses decreased by RMB994 million as compared with the same period of the previous year, mainly due to (i) a year-on-year decrease in the profits of the Company, resulting in a year-on-year decrease of RMB536 million in income tax expenses for the current period; and (ii) a year-on-year decrease of RMB458 million in deferred income tax expenses as a result of a decrease in deferred income tax assets due to the utilisation of unrecovered losses during the same period of the previous year.
Research and development expenses	395	291	35.74	Research and development expenses increased by RMB104 million as compared to the same period of the previous year, which was mainly due to the impact of the increase in trial research expenses for new products.

III. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

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

Unit: RMB million

	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from operating activities	4,140	8,677	-52.29	Net cash inflow from operating activities decreased by RMB4,537 million year on year, mainly because (i) the cash received from sales of goods and rendering of services decreased by RMB6,689 million year on year; (ii) the cash paid for goods purchased and services received decreased by RMB1,515 million year on year; and (iii) the payment for various taxes decreased by RMB734 million year on year.
Net cash flow from investing activities	-2,215	-1,220	-81.56	Net cash outflow from investing activities increased by RMB995 million year on year, mainly due to a year-on-year increase of RMB1,186 million in cash payment for the purchase and construction of fixed assets, intangible assets and other long-term assets.

III. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

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

Unit: RMB million

	The Reporting Period	Corresponding period of the previous year	Year-on-year increase/decrease (%)	Reasons for the changes
Net cash flow from financing activities	-2,627	-5,621	53.26	Net cash outflow from financing activities decreased by RMB2,994 million year on year, mainly because (i) the cash received from borrowings obtained decreased by RMB4,235 million year on year; (ii) the cash payment for repayment of debts decreased by RMB8,628 million year on year; and (iii) a year-on-year increase of RMB1,223 million in cash payment for distribution of dividends, profits or payment of interest.
Net increase in cash and cash equivalents	-702	1,836	-138.24	Net increase in cash and cash equivalents decreased by RMB2,538 million year on year, mainly because (i) the net cash inflow from operating activities decreased by RMB4,537 million year on year; (ii) the net cash outflow from investing activities increased by RMB995 million year on year; (iii) the net cash outflow from financing activities decreased by RMB2,994 million year on year.

III. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

2. Significant change in profit composition or source of profit of the Company during the Reporting Period

Applicable Not applicable

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

3. Composition of operating income

Unit: RMB million

	The Reporting Period		Corresponding period of the previous year		Year-on-year increase/ decrease (%)
	Amount	As a percentage of the operating income (%)	Amount	As a percentage of the operating income (%)	
Total operating Income	70,294	100	72,307	100	-2.78
By industry					
Steel pressing and processing industry	70,105	99.73	71,999	99.57	-2.63
Others	189	0.27	308	0.43	-38.64
By product					
Steel products	64,258	91.41	67,506	93.36	-4.81
Others	6,036	8.59	4,801	6.64	25.72
By geographical location					
China	66,837	95.08	68,327	94.50	-2.18
Export sales	3,457	4.92	3,980	5.50	-13.14

Management Discussion and Analysis (Continued)

III. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

3. Composition of operating income (Continued)

Industries, products and geographical locations accounting for more than 10% of the operating income or operating profit of the Company

Applicable Not applicable

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 (percentage point)
By industry						
Steel pressing and processing industry	70,105	66,440	5.23	-2.63	4.78	-6.70
By product						
Hot-rolled sheets products	21,291	19,821	6.90	-4.51	7.46	-10.38
Cold-rolled sheets products	23,606	22,057	6.56	-2.99	5.66	-7.65
Medium-thick plates	13,513	13,129	2.84	5.37	12.11	-5.84
By geographical location						
China	66,648	63,283	5.05	-2.02	5.98	-7.16
Export sales	3,457	3,157	8.68	-13.14	-14.56	1.52

In case of adjustment in statistical calibers of principal businesses of the Company during the Reporting Period, the principal businesses data of the Company in the latest period according to adjusted calibers at the end of the Reporting Period

Applicable Not applicable

III. ANALYSIS OF PRINCIPAL BUSINESSES (CONTINUED)

4. Liquidity and financial resources

As at 30 June 2022, the Group had long-term loans (exclusive of loans due within one year) of RMB50 million with interest rates of 3.9% and a term of 3 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 RMB3,950 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 2022. The Group is able to repay its debts as they fall due.

As at 30 June 2022, the Group had a total capital commitment of RMB3,505 million, which was primarily attributable to the investment contracts of RMB74 million entered into but not yet performed or partially performed and construction and renovation contracts of RMB3,431 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 Group International Economic and Trade Co., Ltd. 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	104	4.71	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	132	5.98	Included changes in fair value of derivative financial instruments and embedded derivative financial instruments.	Yes
Asset impairment losses	392	17.77	Mainly included reversal of provisions for impairment on inventories.	No
Credit impairment loss	65	2.95	Mainly included reversal of credit impairment losses on receivables.	No
Other gains	16	0.73	Mainly included gains on government grants.	No
Non-operating income	49	2.22	Mainly included gains on destruction or scrap of non-current assets.	Yes
Non-operating expenses	67	3.04	Mainly included losses on destruction or scrap of non-current assets.	Yes

V. ASSETS AND LIABILITIES

1. Significant changes in composition of assets

Unit: RMB million

	As at the end of the Reporting Period		As at the end of the previous year		Increase/ decrease (percentage point)	Explanation for significant changes
	As a Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary capital	4,696	4.88	5,398	5.47	-0.59	-
Accounts receivables	3,234	3.36	1,894	1.92	1.44	-
Inventories	14,959	15.54	19,059	19.32	-3.78	-
Long-term equity investments	2,937	3.05	3,071	3.11	-0.06	-
Fixed assets	47,766	49.63	48,558	49.22	0.41	-
Construction in progress	4,608	4.79	4,644	4.71	0.08	-
Right-of-use assets	843	0.88	689	0.70	0.18	-
Short-term loans	640	0.66	650	0.66	-	-
Contract liabilities	6,054	6.29	8,631	8.75	-2.46	-
Long-term loans	50	0.05	3,650	3.70	-3.65	-
Lease liabilities	405	0.42	346	0.35	0.07	-

2. Information on main overseas assets

Applicable Not applicable

Management Discussion and Analysis (Continued)

V. ASSETS AND LIABILITIES (CONTINUED)

3. Assets and liabilities measured at fair value

Applicable Not applicable

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	Other changes	Closing balance
Financial assets								
Including:								
1. Financial assets held for trading (excluding derivative financial assets)	43	0						43
2. Derivative financial assets	3	-2						1
3. Other debt investment								
4. Other equity instrument investments	496		160					596
Sub-total of financial assets	542	-2	160					640
Investment properties								
Productive biological assets								
Others								
Total	542	-2	160					640
Derivative financial liabilities	116	-75						41

Material changes in measurement of major assets during the Reporting Period

Yes No

V. ASSETS AND LIABILITIES (CONTINUED)

4. Gearing ratio

As at 30 June 2022 and 31 December 2021, the Group's equity-to-debt ratio was 1.67 times and 1.64 times, respectively.

5. Restrictions on assets as at the end of the Reporting Period

The Group pledged notes receivable with a carrying amount of RMB277 million to banks in the period to secure notes payable of RMB266 million. The term of the pledge is from March 2022 to November 2022.

6. Contingent liabilities

As at 30 June 2022, the Group had no contingent liabilities.

VI. ANALYSIS OF INVESTMENTS

1. Overview

External investments

Investments for the Reporting Period <i>(RMB million)</i>	Investments for the corresponding period of the previous year <i>(RMB million)</i>	Change <i>(%)</i>
362	4	8,950

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

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	43	0	-	-	-	0	43	Financial asset held for trading	Self-owned funds

(2) Derivatives investments

Unit: RMB million

Name of the derivatives investment operator	Relationship with the Group	Related party 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 period	Proportion of investments at the end of the period to net assets of the Company at the end of the Reporting Period (%)	Actual profit or loss during the Reporting Period
Angang Steel	None	No	Futures hedging	1	29 April 2015	-	306	527	519	-	339	0.56	35
Angang Steel	None	No	Exchange rate swap	-	29 October 2020	18 May 2023	-	-	-	-	-	-	24
Total				1	-	-	306	527	519	-	339	0.56	59

Management Discussion and Analysis (Continued)

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 On 30 March 2022, the Resolution in relation to the Company's 2022 Annual Hedging Business Amount was approved at the 60th meeting of the eighth session of the Board.

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.

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.) Futures hedging :

- (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.
- (2) As the category of position held has sufficient liquidity, there is no liquidity risk.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

(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:

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 2022, the settlement prices of main connected contracts of hot rolled coil, nickel, iron ore, coking coal and coke were RMB4,459/ton, RMB151,690/ton, RMB679.5/ton, RMB2,313/ton and RMB3,019.5/ton, respectively; on 30 June 2022, the settlement prices of main connected contracts of hot-rolled coil, nickel, iron ore, coking coal and coke were RMB4,407/ton, RMB176,920/ton, RMB802.5/ton, RMB2,429/ton and RMB3,126.5/ton, respectively. The changes in fair values of hot-rolled coil, nickel, iron ore, coking coal and coke were -RMB52/ton, +RMB25,230/ton, +RMB123/ton, +RMB116/ton and +RMB107/ton, respectively.

VI. ANALYSIS OF INVESTMENTS (CONTINUED)

4. Financial asset investments (Continued)

(2) Derivatives investments (Continued)

Foreign exchange hedging:

At the time of entering into the 2020 contracts, an exchange rate of 0.866 HKD/RMB was adopted as the settlement price on 18 May 2021. The central parity of HKD/RMB on 31 December 2020 was 0.84164. 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 3.58% based on the actual number of subsisting days of the contracts.

The Company extended the term of the contracts upon the expiry of the term of such contracts in May 2021, 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.

VII. DISPOSAL OF MAJOR ASSETS AND EQUITY INTERESTS

1. Disposal of major assets

Applicable Not applicable

The Company did not dispose of any material assets during the Reporting Period.

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	6,213	4,800	5,550	421	316

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable Not applicable

Name of company	Means of acquisition and disposal of subsidiaries during the Reporting Period	Effect on the overall production, operation and results
Beijing Angang Trade Co., Ltd.* (北京鞍鋼貿易有限公司)	Establishment through investment	No significant impact
Delin Industrial Products Ltd.* (德鄰工業品有限公司)	Establishment through investment	No significant impact

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 2022

The global economy is gradually declining due to the effect from continuous and unfolding global pandemic and local conflicts in the world coupled with other factors, which have led to increased inflationary pressure throughout the world and tighter monetary policies adopted by Europe and the U.S. to curb inflation. So far this year, due to the increasing complexity, severity and uncertainty of China's economic and development environment from the said triple pressure, the macroeconomic downward pressure has increased, resulting in unprecedented challenges to economic development. China has introduced a package of measures to stabilize growth and clarify the direction of macro policy regulation and capital market development, which are expected to take effect gradually. Steel demand is expected to gradually recover in the second half of the year, but due to the complex and volatile international political situation, as well as the many difficulties and challenges facing the current economic operation of the industry, there remains great uncertainties in the future development of the steel industry.

In the complex and ever-changing landscape, the Company will follow through on the main line of “high efficiency, low cost, strong system and cost reduction”, by focusing on the key areas and grasping the key points, promoting the implementation of various measures to “stability for production, quality improvement, cost reduction and efficiency increment”, so as to strengthen the competitiveness of the Company. In the second half of the year, the Company will focus on the following efforts:

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

(I) Work Plan for the Second Half of 2022 (Continued)

1. enhancing high quality development capability by strengthening corporate governance;
2. enhancing marketing and efficiency by innovating customer services;
3. enhancing cost competitiveness by promoting maximum cost reduction;
4. enhancing science and technology piloting by strengthening technology and innovation;
5. enhancing the risk prevention ability by enhancing bottom-line thinking;
6. enhancing green development ability by deepening energy saving and carbon reduction.

(II) Risks faced by the Company and countermeasures thereof

- 1 Risk posed by COVID-19 pandemic prevention and control

(1) Risk Description

At present, due to the fact that the global pandemic continues to be evolving, and the domestic pandemic is characterized by sporadic and recurring traits, the Company still needs strict pandemic prevention and control, to prevent the infected cases of the pandemic inside the Company, as well as the impact of the pandemic from the places where our subsidiaries reside on the Company's production, logistics and transportation, which may cause economic loss and adverse impact to the enterprise.

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

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

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

(2) risk management solutions

We will continue to implement strict prevention and control measures, by strictly implementing normalized pandemic prevention and control measures, following the national pandemic prevention and control policy of “dynamic-zero” with efficiency and coordination, implementing a normalized pandemic prevention and control management mechanism, and strengthening supervision and inspection of pandemic prevention and minimizing the impact of the pandemic on the Company's production and operation.

2. Operational risks

(1) Risk description

The obvious global economic inflation, interest rate hikes in many countries, the Federal Reserve's interest rate hike and balance sheet reduction, tightened monetary, triggered the fear of global recession, resulting decline in commodity prices and the loss of support from the price of raw materials side, which in turn, led to a further fall on steel prices. The mismatch between supply and demand is due to the weakening demand and increasing supply from downstream and upstream, respectively, thus leading decline in steel price for the increased inventory. Since June, both spot and futures prices of steel and raw materials have fallen sharply, and steel companies have suffered substantial losses.

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

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

2. Operational risks (Continued)

(2) Risk management solutions

We will optimize the resource allocation of production lines and enhance the ability to adjust products and create efficiency. By centering on customers' high-quality development needs, we will strengthen the sales of flagship products and enhance the quality improvement ability for efficiency. By strengthening the construction of "direct supply + construction", paying attention to the national key planning projects, we will improve the brand value and visibility of Angang Steel based on the "six industries". Also, the Company will consolidate the overseas marketing pipeline, focus on the demand alongside the "Belt & Road" Initiative, thus to strengthen the export competitiveness. To promote the building of customer-oriented service year, we will give priority to improving service capability and its quality, and enhance the ability of creating benefits based on services.

The Company will continue to promote maximum cost reduction and pursue the 12 measures for cost reduction system. Focusing on the main line of "high efficiency, low cost, robust system and cost reduction", we will dig deeper into the potential of cost reduction system. In addition, by following through on the core work of supply assurance and cost reduction, the Company will endeavor to coordinate resources, regulate the rhythm of procurement, and optimize the structure to reduce procurement costs.

We will firmly establish a bottom-line philosophy, by further strictly controlling the appropriation of "two funds", strengthening the management of period expense, enhancing capital management, and monitoring the capital risk indicators on a monthly basis to prevent capital risks.

XI. PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

On 28 January 2022, the Company completed the registration of the grant of reserved restricted shares under the 2020 Restricted Share Incentive Scheme, and granted 5,241,400 restricted shares to 37 incentive participants. On 25 February 2022, the Company completed the redemption and cancellation of 2,229,750 restricted shares held by 8 former incentive participants which had been granted but not yet released from restriction on sales, with a total amount of RMB4,191,930 for the repurchase and cancellation of the restricted shares.

Save for the aforementioned matters, there was no purchase, sale or redemption by the Company or any of its subsidiaries of any securities of the Company during the Reporting Period.

XII. SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the relevant code for directors' securities transactions for the purpose of complying with the Hong Kong Stock Exchange 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 Stock Exchange Listing Rules throughout the Reporting Period.

The Company has also adopted a code of conduct governing securities transactions by the employees of the Company who may possess or have access to price sensitive information in relation to the Company or its securities.

XIII. INDEPENDENT NON-EXECUTIVE DIRECTORS

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

XIV. AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) in compliance with Rule 3.21 of the Hong Kong Stock Exchange 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 2022.

XV. CHAPTER 13 DISCLOSURE OF THE HONG KONG STOCK EXCHANGE LISTING RULES

The Directors confirmed that there was no matter occurring for the six months ended 30 June 2022 which would have given rise to a disclosure required under Rules 13.13 to 13.19 of the Hong Kong Stock Exchange 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.

XVI. 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 Stock Exchange Listing Rules during the six months ended 30 June 2022.

XVII. FUTURE PLANS FOR MATERIAL INVESTMENTS OR ACQUISITION OF CAPITAL ASSETS

As of the date of this report, there was no plans for material investments or acquisition of capital assets approved by the Board.

I. INFORMATION ON CORPORATE GOVERNANCE

In compliance with the requirements of the Company Law, the Securities Law, the relevant requirements of the CSRC, the Hong Kong Stock Exchange 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 Stock Exchange 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. During the six months ended 30 June 2022, the Company had complied with all the code provisions of the Corporate Governance Code which were effective during the Reporting Period.

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

1. General meetings held in the Reporting Period

Session of Meeting	Type of Meeting	Proportion of investors involvement	Date of convening
The 2022 first extraordinary general meeting, the 2022 first domestic shareholders' class meeting and the 2022 first foreign shareholders' class meeting	Extraordinary general meeting	59.43%	6 January 2022
The 2021 annual general meeting	Annual general meeting	59.64%	26 May 2022

2. Request for convening of extraordinary general meeting by preferred shareholders with restored voting rights

Applicable Not applicable

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

Name	Position	Category	Date	Reason
Xv Shishuai	Director	Elected	2022.01.06	-
Li Zhongwu	Director, Vice General Manager	Resigned	2022.03.25	Change of job
Zhang Hongjun	Vice General Manager	Dismissed	2022.03.25	Change of job
Yang Xu	Vice General Manager	Appointed	2022.03.25	-
Yang Xu	Director	Elected	2022.05.26	-

IV. PROFIT DISTRIBUTION AND TRANSFER OF RESERVE TO SHARE CAPITAL

The Company will not distribute cash dividend or bonus share, or conduct conversion of capital reserves into share capital for the interim period.

V. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY

1. Share-based incentives

On 10 December 2021, the Resolution on Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but not yet Unlocked (《關於2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票回購註銷的議案》) and the Resolution on Grant of Some Restricted Shares Reserved to Incentive Participants (《關於向激勵對象授予預留部分限制性股票的議案》) were considered and approved at the fifty-fourth meeting of the eighth session of the Board and the twentieth meeting of the eighth session of the Supervisory Committee of the Company.

V. IMPLEMENTATION OF THE SHARE-BASED INCENTIVES, EMPLOYEE STOCK OWNERSHIPS SCHEME AND OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY (CONTINUED)

1. Share-based incentives (Continued)

On 28 January 2022, the Company completed the registration of the grant of reserved restricted shares under the 2020 Restricted Share Incentive Scheme, and granted 5,241,400 restricted shares to 37 incentive participants.

On 25 February 2022, the Company completed the repurchase and cancellation of 2,229,750 restricted shares granted but not yet unlocked held by 8 former incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, with total amounts of RMB4,191,930 for repurchase and cancellation of restricted shares. Upon completion of the cancellation, the total share capital of the Company was reduced from 9,405,250,201 shares to 9,403,020,451 shares.

2. Implementation of employee stock ownerships scheme

Applicable Not applicable

3. Other employee incentive measures

Applicable Not applicable

Corporate Governance (Continued)

VI. EMPLOYEES OF THE COMPANY

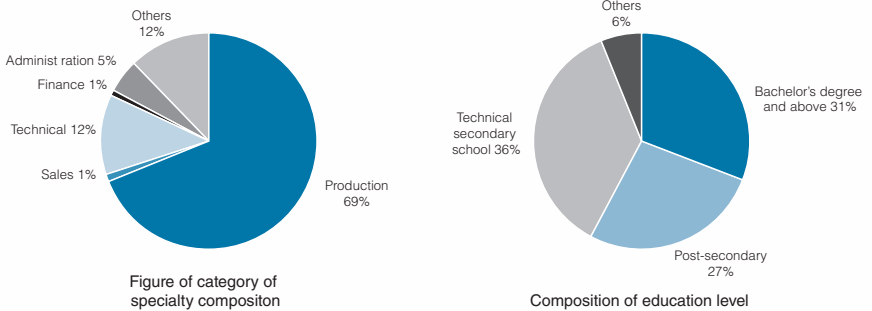
Composition of employees of the Company as of 30 June 2022:

Number of current employees in the Company (<i>person</i>)	26,253
Number of current employees in major subsidiaries	3,939
Total number of current employees (<i>person</i>)	30,192
Total number of employees receiving remuneration during the period (<i>person</i>)	30,192
Number of ex-employees or retired employees for which the Company and the major subsidiaries have obligations (<i>person</i>)	–

Category of specialty composition	Specialty composition	Number of people (<i>person</i>)
Production		20,750
Sales		381
Technical		3,774
Finance		239
Administration		1,492
Others		3,556
Total		30,192

Category of education level	Education level	Number of people (<i>person</i>)
Bachelor's degree and above		9,451
Post-secondary		8,304
Technical secondary school		10,744
Others		1,693
Total		30,192

VI. EMPLOYEES OF THE COMPANY (CONTINUED)



In the first half of the year, the Company speeded up the systematic, modular and precise education and training work, by focusing on the training featuring with the “characteristics of times, pertinence and effectiveness”, and promoted the transformation and upgrading of training work based on the framework of “three horizontals and three verticals” control mode, so as to provide a strong talent assurance for the high-quality development of the Company. By the end of June, the Company had organized and completed 51 special training programs for 8,561 persons; 1,017 training programs for 24,678 persons on job knowledge and skills of the grassroots units; and training on safety qualification for work permits of special operations for 2,228 persons.

Remuneration policy of the Company: the Company has adopted “base salary + annual profit-linked salary + performance-linked award + tenure incentive” packages for senior management; the allocation method of “base salary + annual merit salary + allowance + performance bonus + R&D bonus” remuneration packages for scientific research positions; “base salary + annual merit salary + allowance + performance bonus + profit-linked bonus” 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.

Environmental and Social Responsibilities

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION

(I) Pollutant discharge

Whether the listed company and its subsidiaries are key discharge units of the environmental protection authorities

Applicable Not applicable

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	Total discharge	Approved total discharge	Excessive discharge						
Angang Steel (including Anshan area of Angang Steel, Bayuquan Iron & Steel Branch Company and Chaochang Iron and Steel)	COD	Discharged after being treated to acceptable standards	3	Main drain	<50mg/L	50mg/L	23.87 tons	Not approved by the government department	None						
										3	Main drain	<5mg/L	5mg/L	3.24 tons	None
Sulfur dioxide	Discharged after being treated to acceptable standards	214	Coking	<50mg/m ³	50mg/m ³	3,902.6 tons	None								
								Ironmaking	<50mg/m ³	50mg/m ³					
											Steelmaking	<20mg/m ³	20mg/m ³		
Nitrogen oxide	Discharged after being treated to acceptable standards	190	Coking	<500mg/m ³	500mg/m ³	13,456.6 tons	None								
								Sintering	<200mg/m ³	200mg/m ³					
											Steel rolling	<150mg/m ³	150mg/m ³		
Sintering	<300mg/m ³	300mg/m ³													
			Steel rolling	<200mg/m ³	200mg/m ³										

Environmental and Social Responsibilities (Continued)

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(II) Construction and operation of pollution prevention facilities

The existing environmental protection facilities 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.

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

All new projects of Angang Steel of the Company 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%.

The Company 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.

(IV) Emergency plan for environmental pollution accidents

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

Environmental and Social Responsibilities (Continued)

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(V) Environmental protection self-monitoring plan

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

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

None.

(VII) Measures adopted for carbon emission reduction and its results during the Reporting Period

Applicable Not applicable

1. Vigorously exploiting the benefits of clean energy. We considerably improved the trading electricity of nuclear power and wind power, by proactively promoting the application of “green power” of clean energy. In 2022, the trading power generation from clean energy of Angang Steel amounted 2.5 billion KWh, representing an increase of 2.18 billion KWh as compared to the last year, achieving a decrease of RMB170 million in electricity purchase cost and a reduction of 420,000 tonnes of carbon-dioxide emissions.

Environmental and Social Responsibilities (Continued)

I. MATERIAL ISSUES RELATING ENVIRONMENTAL PROTECTION (CONTINUED)

(VII) Measures adopted for carbon emission reduction and its results during the Reporting Period (Continued)

2. Continuously increasing investment in energy-saving projects. In the first half of the year, the Company established and released 21 energy-saving projects with project investment amounts of RMB153.66 million, which estimated technical energy savings of 15,000 tonnes per unit of standard coal and carbon dioxide emissions reduction of 48,000 tonnes will be achieved.
3. Strengthening operation management by improving the standard of power generation from residual heat and residual energy. The Company has dynamically managed the production rhythm, ensured energy balance and high efficiency, established a production and energy mechanism for joint adjustment, realised centralised power generation for more electricity, which enabled the CCGT units to run efficiently. We also steadily improved coke residual heat power generation, achieving a better performance than ever before. Strengthening operation management by improving the standard of power generation from residual heat and residual energy. The Company has dynamically managed the production rhythm, ensured energy balance and high efficiency, established a production and energy mechanism for joint adjustment, realised centralised power generation for more electricity, which enabled the CCGT units to run efficiently. We also steadily improved coke residual heat power generation, achieving a better performance than ever before.

(VIII) Other environmental related information

None.

II. SOCIAL RESPONSIBILITY

Anshan Steel conscientiously performed its social responsibility and mission as a central enterprise, by anchoring the overall goal of consolidating and expanding the achievements in poverty alleviation and promoting rural revitalization, and in accordance with national requirement of the “four non-removals” principle, we, by centring the “five major revitalizations”, conducted the endeavors in poverty alleviation assistance, and confirmed 9 alleviation assistance projects for 2022, with a planned assisting fund of RMB16.4 million (including RMB16.1 million in Ta County, Xinjiang, and RMB0.3 million in Shangtao Village, Chaoyang, Liaoning), and assisting fund of RMB3.1723 million has been allocated to 4 alleviation assistance projects in Ta County, with 2 projects being completed. We also completed training of 7 courses for 1,269 persons, and introduced 2 investment projects with RMB60.21 million, which helped 70 local residents to get employed and helped the poor population to transfer their employment for 26 persons. We actively launched consumer assistance and completed consumption assistance of RMB11.05 million (RMB4.03 million in Ta County, RMB5.48 million in Panzhou, and RMB1.575 million in Xinjiang Corps), and helped sell agricultural products for RMB30,000, which effectively supported counterpart areas to consolidate the achievements of poverty alleviation, enhanced self-development ability, thus promoting the cause of village revitalization.

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 BUT MATURED 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 & 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

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 BUT MATURED 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>			

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 BUT MATURED 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>(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.</p> <p>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"> (1) Angang Holding ceases to be the controlling shareholder of the Company; (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); (3) When the state does not require the contents of certain undertakings, relevant section shall be terminated automatically. <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>			
Whether the commitment are fulfilled on time	Yes					

Significant Matters (Continued)

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

Applicable Not applicable

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.

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)
Proceedings	108,988	No	The closed cases were concluded in favour of the Company, while some cases are still in court.	-	Some of the cases has closed, while the court is in the process of finding enforcement clues for other cases.
Response to proceedings	7,851.62	No	Some of the cases were concluded in favour of the Company, while other cases are still in court.	-	-

IX. PENALTY AND RECTIFICATIONS

Applicable Not applicable

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 Stock Exchange Listing Rules. Relevant related party transactions have complied with the disclosure requirements under Chapter 14A of the Hong Kong Stock Exchange 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	-	4,807	12.58	39,764	No	In cash	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	4,435	11.61			In cash	-
Angang Group International Economic and Trade Co., Ltd. (鞍鋼集團國際經濟貿易有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,078	2.82			In cash	-
Shanxi Wuchan International Energy Co., Ltd. (山西物產國際能源有限公司)	Associate of controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,649	4.32			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	1,317	3.45			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase main materials	Market principle	-	485	1.27			In cash	-
Sub-total	-	-	Purchase main materials	-	-	13,771	36.05			-	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase steel products	Market principle	-	414	1.54	1,462	No	In cash	-
Sub-total	-	-	Purchase steel products	-	-	414	1.54			-	-

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	-	462	13.25	3,691	No	In cash	-
Anshan Iron and Steel Group Refractories Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	358	10.26			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Purchase auxiliary materials	Market principle	-	508	14.56			In cash	-
Sub-total	-	-	Purchase auxiliary materials	-	-	1,328	38.07			-	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Procurement of energy and power	Market principle	-	58	92.06	1,798	No	In cash	-
Sub-total	-	-	Procurement of energy and power	-	-	58	92.06			-	-
Angang Holding	Controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	510	7.53	9,362	No	In cash	-
Delin Lugang Supply Chain Service Co., Ltd.* (德聯陸港供應鏈服務有限公司)	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	484	7.15			In cash	-
Angang Group Engineering Technology Co., Ltd.	Associate of controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	422	6.23			In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	482	7.12			In cash	-
Angang Group Engineering Technology Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	265	3.91			In cash	-
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	221	3.26			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
Angang Auto Transport Co., Ltd.	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	212	3.13			In cash	-
Angang Group	Controlled by the same controlling shareholder	Purchase goods/ Receive services	Receive supporting services	Market principle	-	506	7.47			In cash	-
Sub-total	-	-	Receive supporting services	-	-	3,102	45.80			-	-
Delin Land Port Supply Chain Service Co., Ltd. (德順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	-	2,973	3.58	16,171	No	In cash	-
Angang Group Zhongyuan Industry Development Co., Ltd.	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	491	0.59			In cash	-
Angang Group International Economic and Trade Co., Ltd. (鞍鋼集團國際經濟貿易有限公司)	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	534	0.64			In cash	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Sales of products	Market principle	-	703	0.85			In cash	-
Sub-total	-	-	Sales of products	-	-	4,701	5.66			-	-
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	-	188	96.91	418	No	In cash	-
Sub-total	-	-	Sell scrap steel material, abandoned material, minus sieve powder	-	-	188	96.91			-	-
Angang Group	Controlled by the same controlling shareholder	Sales of products/ Provision of services	Provide comprehensive services	Market principle	-	184	23.83	1,527	No	In cash	-
Sub-total	-	-	Provide comprehensive services	-	-	184	23.83			-	-

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 Financial Company	Controlled by the same controlling shareholder	Receive finance services	Settle fund and deposit interests	Market principle	-	26	37.68	100	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Maximum daily deposit balance	Market principle	-	4,965		5,000	No	-	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Credit business interest	Market principle	-	6	3.45	250	No	In cash	-
Angang Financial Company	Controlled by the same controlling shareholder	Receive finance services	Entrusted loan interest	Market principle	-	0	0	100	No	In cash	-
Angang Group Capital Holding Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring	Market principle	-	225	100	1,000	No	In cash	-
Angang Group Capital Holding Co., Ltd.	Controlled by the same controlling shareholder	Receive finance services	Commercial factoring interest	Market principle	-	2	100	50	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.

Significant Matters (Continued)

XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

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

Applicable Not applicable

Unit: RMB million

Related parties	Related relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Carrying value of assets transferred	Appraised value of assets transferred	Transfer price	Means of settlement of related party transaction	Transaction gains or losses
Angang Holding	Controlling shareholder	Acquisition of net assets	Acquisition of the net assets of the Second Power Plant of Anshan Group	Price was determined based on the appraised value of the net assets of the Second Power Plant held by Angang Holding issued by China United Assets Appraisal Group Co., Ltd.	1,035	1,126	1,126	Cash	0
Reasons for the substantial differences between the transfer price and the carrying value or appraised value (if any)				-					
Impact on the operating results and financial condition of the Company				No significant impact					
Results realization status during the Reporting Period if relevant transaction involves agreement on results				-					

XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

3. Related party transactions in relation to joint external investments

Applicable Not applicable

Unit: RMB million

Co-investors	Related relationship	Name of investee	Principal business of the investee	Registered capital of the investee	Total assets of the investee	Net assets of the investee	Net profit of the investee
Delin Lugang Supply Chain Service Co., Ltd.* (德鄰陸港供應鏈服務有限公司)	Controlled by the same controlling shareholder	Delin Industrial Products Ltd.* (德鄰工業品有限公司)	Procurement and consulting services of industrial products such as equipment and materials; industrial goods e-commerce trading and supply chain financial services; related logistics, warehousing and distribution services; asset leasing and other services.	180	164	164	0
Progress of major projects under construction of the investee (if any)				-			

Significant Matters (Continued)

XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

4. Related party credit and debt transaction

Applicable Not applicable

Whether there are claims or obligations for non-operating purpose

Yes No

There were no claims or obligations for non-operating purpose during the Reporting Period.

5. Transaction with connected financial company

Applicable Not applicable

Unit: RMB million

Deposit business

Related party	Related relationship	Maximum daily deposit limit	Range of deposit interest rate	Amount during the period			
				Balance as at the beginning of the period	Balance as at the end of the period	Total amount deposited during the period	Total amount withdrawn during the period
Angang Financial Company	Controlled by the same controlling shareholder	5,000	1.725%	3,475	230,925	230,585	3,815

XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

5. Transaction with connected financial company (Continued)

Loan business

Related party	Related relationship	Loan facility	Range of interest rate	Amount during the period			
				Balance as at the beginning of the period	Total loan during the period	Total repayment during the period	Balance as at the end of the period
Angang Financial Company	Controlled by the same controlling shareholder	3,000	3.48%	0	0	0	0

Credit extension or other financial business

Related party	Related relationship	Type of business	Total amount	Actual amount
Angang Financial Company	Controlled by the same controlling shareholder	Credit extension	3,000	0

6. Transaction with connected financial company which is under the control of the Company

Applicable Not applicable

Significant Matters (Continued)

XI. MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

7. Other major connected transactions

Applicable Not applicable

On 19 May 2022, the Resolution on Provision of Counter Guarantee to Anshan Iron and Steel Group Co., Ltd. in Relation to the Reinforcing Steel Delivery Warehouse Business was approved at the 64th meeting of the eighth session of the Board of the Company. In order to promote the steady development of the Company's futures business, Angang Holding provided a guarantee for the Company's application to the Shanghai Futures Exchange for the qualification of delivery warehouse and signed a letter of guarantee. The Company provided counter guarantee to Angang Holding in accordance with the relevant terms of the letter of guarantee. The amount of counter guarantee shall not exceed RMB300 million.

XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

1. Trust, contractual or lease arrangement

(1) Trust arrangement

The Company entered into the Entrusted Management Services of Asset and Business Agreement with Angang Holding as the specific agreement for execution under the approved Supply of Materials and Services Agreement (2022-2024). Pursuant to the Entrusted Management Services of Asset and Business Agreement, Angang Holding entrusts the Company to daily operate and manage the assets, businesses, additional future assets and businesses of the unlisted units under its control.

During the Reporting Period, the Company did not address any entrusted projects which resulted in profit or loss of the Company amounting to more than 10% of the Company's total profit during the Reporting Period.

XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

1. Trust, contractual or lease arrangement (Continued)

(2) Contractual arrangement

The Company did not enter into any contractual arrangement during the Reporting Period.

(3) Lease arrangement

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, with a total amount of RMB62 million paid in the first half of 2022.

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

2. Material guarantee

During the Reporting Period, there was no material guarantee provided by the Company.

3. Entrusted wealth management

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

4. Other significant contracts

During the Reporting Period, the Company had no other significant contracts.

Significant Matters (Continued)

XIII. EXPLANATION ON OTHER SIGNIFICANT MATTERS

Applicable Not applicable

XIV. SIGNIFICANT MATTERS OF SUBSIDIARIES OF THE COMPANY

Applicable Not applicable

Movements in Share Capital and Shareholding of Substantial Shareholders

I. MOVEMENTS IN SHARES

1. Movements in Shares

As at 30 June 2022, 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 (%)
I. Shares subject to trading moratorium	52,457,482	0.56	-	-	-	-2,229,750	-2,229,750	50,227,732	0.53
1. State-owned shares	-	-	-	-	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-	-	-	-	-
3. Other domestic shares	52,457,482	0.56	-	-	-	-2,229,750	-2,229,750	50,227,732	0.53
Including: shares held by domestic									
Legal persons	5,650,023	0.06	-	-	-	-5,241,400	-5,241,400	408,623	0.00
shares held by domestic									
natural persons	46,807,459	0.50	-	-	-	3,011,650	3,011,650	49,819,109	0.53
4. Foreign investment shares	-	-	-	-	-	-	-	-	-
Including: shares held by overseas									
legal persons	-	-	-	-	-	-	-	-	-
shares held by overseas									
natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	9,352,792,719	99.44	-	-	-	-	-	9,352,792,719	99.47
1. Renminbi ordinary shares	7,941,252,719	84.43	-	-	-	-	-	7,941,252,719	84.45
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	-	-	-	-	-	-	-	-	-
III. Total shares	9,405,250,201	100.00	-	-	-	-2,229,750	-2,229,750	9,403,020,451	100.00

I. MOVEMENTS IN SHARES (CONTINUED)

1. Movements in Shares (Continued)

Notes:

(1) Reasons for movement in share capital:

On 28 January 2022, the Company completed the registration of the grant of reserved restricted shares under the 2020 Restricted Share Incentive Scheme, and granted 5,241,400 restricted shares to 37 incentive participants. On 25 February 2022, the Company completed the repurchase and cancellation of 2,229,750 restricted shares granted but unlocked held by 8 former incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. Upon completion of the above grant and cancellation, there remained 408,623 A treasury shares in the special account of the Company designated for repurchase, and the total capital of Company reduced from 9,405,250,201 to 9,403,020,451. As a result, the shareholding by domestic legal persons and domestic natural persons and the total number of shares of the Company in the shares subject to trading moratorium have changed.

(2) Approval of movement in share capital:

On 10 December 2021, the Resolution on Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan Unlocked (《關於2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票回購註銷的議案》) and the Resolution on Grant of Some Restricted Shares Reserved to Incentive Participants (《關於向激勵對象授予預留部分限制性股票的議案》) were considered and approved at the fifty-fourth meeting of the eighth session of the Board and the twentieth meeting of the eighth session of the Supervisory Committee of the Company.

I. MOVEMENTS IN SHARES (CONTINUED)

1. Movements in Shares (Continued)

Notes: (Continued)

- (2) Approval of movement in share capital: (Continued)

On 6 January 2022, the Resolution on Repurchase and Cancellation of Restricted Shares that have been Granted to Some Incentive Participants of the 2020 Restricted Stock Incentive Plan but Unlocked (《關於2020年限制性股票激勵計劃部分激勵對象已獲授但尚未解除限售的限制性股票回購註銷的議案》) was approved at the 2022 First Extraordinary General Meeting, the 2022 First Class Meeting of Shareholders of Domestic Shares and the 2022 First Class Meeting of Shareholders of Foreign Shares of the Company.

- (3) Transfer of movement in share capital:

On 28 January 2022, the Company completed the registration of the grant of reserved restricted shares under the 2020 Restricted Share Incentive Scheme, and granted 5,241,400 restricted shares to 37 incentive participants. On 25 February 2022, the Company completed the repurchase and cancellation of 2,229,750 restricted shares granted but unlocked held by 8 former incentive participants at the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited.

- (4) Progress on the implementation of the share repurchase:

Applicable Not applicable

- (5) Progress on the implementation of reduction in the holding of repurchased shares by way of centralized bidding:

Applicable Not applicable

I. MOVEMENTS IN SHARES (CONTINUED)

1. Movements in Shares (Continued)

- (6) Impact of movement in shares on the basic earnings per share, diluted earnings per share and net assets per share attributable to ordinary shareholders of the Company and other financial indicators in the latest year and the latest period:

Applicable Not applicable

In February 2022, the total share capital of the Company was reduced from 9,405,250,201 shares to 9,403,020,451 shares. Based on the new share capital of 9,403,020,451 shares on a diluted basis, the earnings per share for the year 2021 will be RMB0.554 per share and the net assets per share attributable to ordinary shareholders of the Company will be RMB6.46. The movement in shares had no material impact on the above financial indicators.

- (7) Other information considered necessary by the Company or required by securities regulators that should be disclosed

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	46,800,000	5,241,400	2,229,750	49,811,650	Being granted restricted A shares	-
Special account of Angang Steel designated for repurchase	5,650,023	-	5,241,400	408,623	Granting restricted A shares	-
Total	52,450,023	5,241,400	7,471,150	50,220,273	-	-

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 122,349 of which 454 were holders of H shares Total number of preferred Shareholders with voting rights resumed at the end of the reporting period (if any) None

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, tagged or frozen Status of	
			Number	Number	Number	Number	shares	Number
Anshan Iron and Steel Group Co., Ltd.	State-owned legal person	53.35%	5,016,111,529	0	-	5,016,111,529	-	-
HKSCC (Nominees) Limited	Overseas Legal person	14.87%	1,398,508,287	-13,359	-	1,398,508,287	-	-
China National Petroleum Corporation	State-owned legal person	8.99%	845,000,000	0	-	845,000,000	-	-
Hong Kong Securities Clearing Company Limited	Overseas Legal person	0.91%	86,029,906	-65,158,614	-	86,029,906	-	-
Central Huijin Asset Management Ltd.	State-owned legal person	0.89%	83,650,620	0	-	83,650,620	-	-
Power Construction Corporation of China	State-owned legal person	0.60%	56,550,580	0	-	56,550,580	-	-

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	Shares pledged, tagged or frozen	
							Status of shares	Number
Agricultural Bank of China Co., Ltd. -Full Goal CSI 500 Index Enhanced Securities Investment Fund (LOF) (中國農業銀行股份有限公司-富國中證500指數增強型證券投資基金(LOF))	Other	0.21%	20,071,430	19,044,030	-	20,071,430	-	-
Chen Zhiying (陳智穎)	Domestic natural person	0.18%	17,271,686	12,163,436	-	17,271,686	-	-
Shanghai Yiluo Private Equity Fund Management Co., Ltd. - Huazhong No. 10 Yiluo Private Securities Investment Fund (上海伊洛私募基金管理有限公司-華中10號伊洛私募證券投資基金)	Other	0.18%	16,696,036	9,745,230	-	16,696,036	-	-
Shanghai Yiluo Private Equity Fund Management Co., Ltd. - Yiluo No. 10 Private Securities Investment Fund (上海伊洛私募基金管理有限公司-伊洛10號私募證券投資基金)	Other	0.17%	16,190,720	9,779,000	-	16,190,720	-	-

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	Shares pledged, tagged or frozen	Status of shares	Number
Description of strategic investors or general legal persons who became top 10 ordinary shareholders due to placement of new shares (if any)		-							
Explanations on the connected relationship or concerted action 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.						
Description of the above shareholders involved in entrustment/entrusted voting rights and waiver of voting rights		-							
Special explanations on the special repurchase account among the top 10 shareholders (if any)		-							

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 ordinary shares held not subject to trading moratorium as at the end of the Reporting Period	Type of share	
		Type of share	Number
Anshan Iron and Steel Group Co., Ltd.	5,016,111,529	Renminbi ordinary shares	5,016,111,529
HKSCC (Nominees) Limited	1,398,508,287	Overseas listed foreign shares	1,398,508,287
China National Petroleum Corporation	845,000,000	Renminbi ordinary shares	845,000,000
Hong Kong Securities Clearing Company Limited	86,029,906	Renminbi ordinary shares	86,029,906
Central Huijin Asset Management Ltd.	83,650,620	Renminbi ordinary shares	83,650,620
Power Construction Corporation of China	56,550,580	Renminbi ordinary shares	56,550,580
Agricultural Bank of China Co., Ltd. -Full Goal CSI 500 Index Enhanced Securities Investment Fund (LOF) (中國農業銀行股份有限公司-富國中證500指數增強型證券投資基金(LOF))	20,071,430	Renminbi ordinary shares	20,071,430
Chen Zhiying (陳智穎)	17,271,686	Renminbi ordinary shares	17,271,686
Shanghai Yiluo Private Equity Fund Management Co., Ltd. - Huazhong No. 10 Yiluo Private Securities Investment Fund (上海伊洛私募基金管理有限公司-華中10號伊洛私募證券投資基金)	16,696,036	Renminbi ordinary shares	16,696,036
Shanghai Yiluo Private Equity Fund Management Co., Ltd. - Yiluo No. 10 Private Securities Investment Fund (上海伊洛私募基金管理有限公司-伊洛10號私募證券投資基金)	16,190,720	Renminbi ordinary shares	16,190,720

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

Explanations on the connected relationship or concerted action among the top 10 ordinary shareholders not subject to trading moratorium, and the top 10 ordinary shareholders not subject to trading moratorium and the top 10 ordinary 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 securities margin trading business (if any) (see note 4)

Among the top 10 shareholders, Chen Zhiying held 17,271,686 shares through an investor credit securities account, and held 0 share through an ordinary securities account; among the top 10 shareholders, Shanghai Yiluo Private Equity Fund Management Co., Ltd. - Huazhong No. 10 Yiluo Private Securities Investment Fund (上海伊洛私募基金管理有限公司-華中10號伊洛私募證券投資基金) held 6,314,028 shares through an investor credit securities account, and held 10,382,008 shares through an ordinary securities account; among the top 10 shareholders, Shanghai Yiluo Private Equity Fund Management Co., Ltd. - Yiluo No. 10 Private Securities Investment Fund (上海伊洛私募基金管理有限公司-伊洛10號私募證券投資基金) held 11,136,800 shares through an investor credit securities account, and held 5,053,920 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	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	-	-	-
Xu Shishuai	Executive Director and General Manager	In office	0	225,500	-	225,500	-	225,500	225,500
Wang Baojun	Executive Director, Deputy General Manager and Chief Accountant, Joint Secretary to the Board (Joint Company Secretary)	In office	0	265,500	-	265,500	-	265,500	265,500
Yang Xu	Executive Director and Deputy General Manager	In office	55,000 ^(Note)	-	-	55,000	-	-	55,000

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			No. of restricted shares		No. of restricted shares	
			held at the beginning of the Reporting Period	increased in the Reporting Period	reduced in the Reporting Period	held at the end of the Reporting Period	granted at the beginning of the Reporting Period	granted in the Reporting Period	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	-	-	-	-	-	-	-
Shen Changchun	Chairman of the Supervisory Committee, Supervisor	In office	-	-	-	-	-	-	-
Liu Ming	Supervisor	In office	-	-	-	-	-	-	-
Yang Zhengwen	Supervisor	In office	-	-	-	-	-	-	-
Meng Jingsong	Deputy General Manager	In office	450,000	-	-	450,000	-	-	450,000
Zhang Peng	Deputy General Manager	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
Li Zhongwu	Executive Director, Deputy General Manager	Resigned	450,000	-	-	450,000	-	-	450,000
Zhang Hongjun	Deputy General Manager	Resigned	400,000	-	-	400,000	-	-	400,000
Total	-	-	1,364,945	491,000	-	1,855,945	-	491,000	1,846,000

Notes:

- (1) Mr. Yang Xu served as the deputy general manager of the Company in March 2022, and the number of shares held at the beginning of the period was 55,000 shares, which was the number of restricted shares granted at the time of his appointment.
- (2) 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 2022, 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 Stock Exchange 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 2022, 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 as at the end of the Reporting Period

Name of shareholder	Number and class of shares held	Percentage	Percentage	Percentage	Capacity
		of total share capital (%)	of total H shares in issue (%)	of total domestic shares in issue (%)	
Anshan Iron and Steel Group Co., Ltd.	5,016,111,529 shares (L) A shares	53.35% (L)	–	62.77% (L)	Beneficial owner
China National Petroleum Corporation	845,000,000 shares (L) A shares	8.99% (L)	–	10.57% (L)	Beneficial owner
Brown Brothers Harriman & Co.	90,027,221 (L)	0.96% (L)	6.38% (L)	–	Approved lending agent
	90,027,221 (P)	0.96% (P)	6.38% (P)		
	H shares				
BlackRock, Inc.	143,847,316 (L) H shares	1.53% (L)	10.19% (L)	–	Interests of entities controlled by substantial shareholders

(L) – a long position, (S) – a short position, and (P) – a lending pool

Information of Preference Shares

Applicable Not applicable

During the Reporting Period, the Company did not have preference shares.

I. COMPANY BONDS

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

II. CORPORATE BONDS

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

III. NON-FINANCIAL ENTERPRISE DEBT FINANCING INSTRUMENTS

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

IV. A SHARE CONVERTIBLE DEBENTURES

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

Relevant Information on Bonds (Continued)

V. H SHARE CONVERTIBLE BONDS

The Company issued HK\$1.85 billion of zero coupon 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, 2020 and 2021, the conversion price of the convertible bonds has been adjusted from the original HK\$9.20 per H share to HK\$6.06 per H share. As of 30 June 2022, 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

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	0.89	1.06	-16.04%
Gearing ratio	37.39%	37.93%	Decreased by 0.54 percentage point
Quick ratio	0.45	0.44	2.27%
	During the Reporting Period	Corresponding period of the previous year	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 <i>(RMB million)</i>	1,669	5,260	-68.27% Decreased by 15.22 percentage points
EBITDA to total debts ratio	12.11%	27.33%	
Interest coverage ratio	10.72	20.57	-47.89%
Cash interest coverage ratio	19.94	27.96	-28.68%
EBITDA interest coverage ratio	19.37	26.40	-26.63%
Loan payment ratio	100%	100%	-
Interest payment ratio	100%	100%	-

Financial Report

Consolidated Balance Sheet

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2022	31 December 2021
Current assets:			
Cash and cash equivalents	6.1	4,696	5,398
Derivative financial assets	6.2	1	3
Notes receivable	6.3	217	25
Accounts receivable	6.4	3,234	1,894
Receivables financing	6.5	1,810	1,844
Prepayments	6.6	5,116	2,950
Other receivables	6.7	47	62
Including: Interests receivable	6.7		
Dividends receivable	6.7		
Inventories	6.8	14,959	19,059
Other current assets	6.9	634	1,306
Total current assets		30,714	32,541
Non-current assets:			
Long-term equity investments	6.10	2,937	3,071
Other investments in equity instruments	6.11	596	496
Other non-current financial assets	6.12	43	43
Fixed assets	6.13	47,766	48,558
Construction in progress	6.14	4,608	4,644
Right-of-use assets	6.15	843	689
Intangible assets	6.16	6,632	6,430
Deferred income tax assets	6.17	678	744
Other non-current assets	6.18	1,430	1,436
Total non-current assets		65,533	66,111
Total assets		96,247	98,652

Financial Report (Continued)

Consolidated Balance Sheet (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2022	31 December 2021
Current liabilities:			
Short-term loans	6.19	640	650
Derivative financial liabilities	6.20	41	116
Notes payable	6.21	10,356	8,086
Accounts payable	6.22	9,359	9,970
Contract liabilities	6.23	6,054	8,631
Employee benefits payable	6.24	281	218
Tax payable	6.25	451	189
Other payables	6.26	1,981	2,164
Including: Interests payable	6.26		2
Dividends payable	6.26		
Non-current liabilities due within 1 year	6.27	5,510	601
Total current liabilities		34,673	30,625
Non-current liabilities:			
Long-term loans	6.28	50	3,650
Bonds payable	6.29		1,463
Lease liability	6.30	405	346
Long-term payables	6.31	57	480
Long-term employee benefits payable	6.32	112	112
Deferred income	6.33	541	543
Deferred income tax liabilities	6.17	132	157
Other non-current liabilities	6.34	14	39
Total non-current liabilities		1,311	6,790
Total liabilities		35,984	37,415

Financial Report (Continued)

Consolidated Balance Sheet (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2022	31 December 2021
Shareholders' equity:			
Share capital	6.35	9,403	9,405
Capital reserve	6.36	33,869	34,624
Less: Treasury shares	6.37	96	100
Other comprehensive income	6.38	119	44
Special reserve	6.39	155	107
Surplus reserve	6.40	4,452	4,452
Undistributed profit	6.41	11,817	12,179
Subtotal of Shareholders' equity attributable to shareholders of parent company		59,719	60,711
Minority interests		544	526
Total shareholders' equity		60,263	61,237
Total liabilities and shareholders' equity		96,247	98,652

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 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Operating income		70,294	72,307
Including: operating income	6.42	70,294	72,307
Operating costs		68,795	65,817
Less: Operating costs	6.42	66,613	63,560
Tax and surcharges	6.43	542	584
Marketing expenses	6.44	309	299
Administrative expenses	6.45	659	766
Research and development expenses	6.46	395	291
Financial expenses	6.47	277	317
Including: Interests expenses	6.47	206	338
Interests revenue	6.47	37	28
Add: Other income	6.48	16	21
Investment income ("-" for losses)	6.49	104	206
Including: income from investment in jointly ventures and associates	6.49	102	205
Gains/losses from fair value variation ("-" for losses)	6.50	132	(104)
Impairment losses on assets ("-" for losses)	6.51	392	178
Credit impairment loss ("-" for losses)	6.52	65	(74)
Asset disposal income ("-" for losses)	6.53	16	1
Operating profit ("-" for losses)		2,224	6,718
Add: Non-operating income	6.54	49	8
Less: Non-operating expenses	6.55	67	30
Profit before income tax ("-" for losses)		2,206	6,696
Less: Income tax expenses	6.56	475	1,469

Financial Report (Continued)

Consolidated Income Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Net profit for the period (“-” for losses)		1,731	5,227
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		1,731	5,227
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		1,716	5,210
ii. Minority interest income		15	17
The net amount after tax of other comprehensive income		75	13
Net after-tax net of other comprehensive income attributable to the parent company owner	6.57	75	13
I. The other comprehensive income which cannot be reclassified into profit or loss	6.57	75	14
i. Changes in fair value of other investments in equity instrument investment	6.57	75	14
II. The other comprehensive income which can be classified into profit or loss	6.57		(1)
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method	6.57		(1)

Financial Report (Continued)

Consolidated Income Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Net after-tax net of other comprehensive income attributable to minority shareholders			
Total comprehensive income		1,806	5,240
The other comprehensive income attributed to the owners of the company		1,791	5,223
The other comprehensive income attributed to the minority		15	17
Earnings per share:			
Basic earnings per share (RMB/share)	19.2	0.182	0.554
Diluted earnings per share (RMB/share)	19.2	0.182	0.546

In the case of business combination under common control in the current period, the net profit realized by the merged party before the merger was RMB0 million, and the net profit realized by the merged party in the same period last year was RMB27 million.

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 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		68,281	74,970
Refund of taxes and fares		123	11
Other cash received from operating activities	6.58	161	76
Sub-total of cash inflows		68,565	75,057
Cash paid for goods and services		57,577	59,092
Cash paid to and for the employees		2,695	2,542
Cash paid for all types of taxes		1,909	2,643
Other cash paid for operating activities	6.58	2,244	2,103
Sub-total of cash outflows		64,425	66,380
Net cash flow from operating activities	6.59	4,140	8,677

Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from investing activities:			
Cash received from return of investments			
Cash received from investment income		237	102
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		21	16
Other cash received from investment activities	6.58	97	139
Sub-total of cash inflows		355	257
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		2,543	1,357
Cash paid for acquisition of investments			5
Other cash paid for investment activities	6.58	27	115
Sub-total of cash outflows		2,570	1,477
Net cash flow from investing activities		(2,215)	(1,220)

Financial Report (Continued)

Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from financing activities:			
Cash received from absorbing investments			110
Including: Received of subsidiary from minority shareholders			
Cash received from borrowings		240	4,475
Other cash received from financing activities	6.58		86
Sub-total of cash inflows		240	4,671
Cash paid for settling of debts		501	9,129
Cash paid for distribution of dividends or profit and repayment of interests		2,237	1,014
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities	6.58	129	149
Sub-total of cash outflows		2,867	10,292

Financial Report (Continued)

Consolidated Cash Flow Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Net cash inflow from financing activities		(2,627)	(5,621)
Effect of changes in foreign exchange rate on cash and cash equivalents			
Net increase in cash and cash equivalents	6.59	(702)	1,836
Add: Cash and cash equivalents at beginning of this period	6.59	5,398	5,386
Cash and cash equivalents at the end of this period	6.59	4,696	7,222

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 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Current period cumulative Equity attributable to parent company							Undistributed profit	Minority interests	Total of shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			
Balance as of 31 Dec. 2021	9,405	33,604	100	44	82	4,452		12,179	526	60,192
Add: Changes of accounting policy										
Business combination under common control		1,020			25					1,045
Others										
Balance as of 1 Jan. 2022	9,405	34,624	100	44	107	4,452		12,179	526	61,237
Increase/decrease in 2022 ("-" represents loss)	(2)	(755)	(4)	75	48			(362)	18	(974)
(1) Total amount comprehensive income				75				1,716	15	1,806
(2) Capital introduced or withdrawn by owners	(2)	(755)	(4)							(753)
i. Capital introduced by owners	(2)	(2)	(4)							
ii. Amount of share-based payment included in owner's equity										
iii. Others		(753)								(753)
(3) Profit distribution								(2,078)		(2,078)
i. Transfer to surplus reserve										
ii. Distribution to shareholders								(2,078)		(2,078)
iii. Others										
(4) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings										
v. Others										
(5) Special reserve					48				3	51
i. Extracts of this period					75				4	79
ii. Usage of this period					(27)				(1)	(28)
Balance as of 30 June 2022	9,403	33,869	96	119	155	4,452		11,817	544	60,263

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 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Share capital	Capital reserve	Less: treasury stock	Equity attributable to parent company				Undistributed profit	Minority interests	Total of shareholders' equity
				Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			
Balance as of 31 Dec. 2020	9,405	33,485	166	(80)	74	3,849		6,798	493	53,858
Add: Changes of accounting policy										
Business combination under common control		891			29					920
Others										
Balance as of 1 Jan. 2021	9,405	34,376	166	(80)	103	3,849		6,798	493	54,778
Increase/decrease in 2021 ("-" represents loss)										
(1) Total amount comprehensive income		248	(66)	124	4	603		5,381	33	6,459
(2) Capital introduced or withdrawn by owners		248	(66)					6,964	34	6,971
i. Capital introduced by owners		(66)								(66)
ii. Amount of share-based payment included in owner's equity		22								22
iii. Others		292	(66)							358
(3) Profit distribution						603		(1,432)	(2)	(831)
i. Transfer to surplus reserve						603		(603)		
ii. Distribution to shareholders								(829)	(2)	(831)
iii. Others										
(4) Transfer within shareholder's equity				151				(151)		
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings				151				(151)		
v. Others										
(5) Special reserve						4			1	5
i. Extracts of this period						182			4	186
ii. Usage of this period						(178)			(3)	(181)
Balance as of 31 Dec. 2021	9,405	34,624	100	44	107	4,452		12,179	526	61,237

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 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2022	31 December 2021
Current assets:			
Cash and cash equivalents		2,673	2,872
Derivative financial assets		1	3
Notes receivable		6	12
Accounts receivable	16.1	4,355	1,856
Receivables financing		1,131	986
Prepayments		4,054	2,502
Other receivables	16.2	63	82
Including: Interests receivable			
Dividends receivable			
Inventories		11,269	14,561
Other current assets		410	1,111
Total current assets		23,962	23,985
Non-current assets:			
Long-term equity investments	16.3	13,154	12,926
Other investments in equity instruments		597	496
Other non-current financial assets		43	43
Fixed assets		40,709	40,888
Construction in progress		4,338	4,299
Right-of-use assets		836	683
Intangible assets		5,839	5,280
Deferred income tax assets		643	671
Other non-current assets		1,415	1,435
Total non-current assets		67,574	66,721
Total assets		91,536	90,706

Financial Report (Continued)

Parent Company Balance Sheet (Continued)

As at 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2022	31 December 2021
Current liabilities:			
Short-term loans		400	650
Derivative financial liabilities		41	116
Notes payable		10,106	7,492
Accounts payable		8,218	8,408
Contract liabilities		5,045	6,900
Employee benefits payable		195	165
Tax payable		332	122
Other payables		3,510	2,989
Including: Interests payable			
Dividends payable			
Non-current liabilities due within 1 year		5,510	550
Total current liabilities		33,357	27,392
Non-current liabilities:			
Long-term loans			3,600
Bonds payable			1,463
Lease liability		402	343
Long-term payables		56	480
Long-term employee benefits payable		109	103
Deferred income		410	416
Deferred income tax liabilities		132	122
Other non-current liabilities		14	39
Total non-current liabilities		1,123	6,566
Total liabilities		34,480	33,958

Financial Report (Continued)

Parent Company Balance Sheet (Continued)

As at 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	30 June 2022	31 December 2021
Shareholders' equity:			
Share capital		9,403	9,405
Capital reserve		26,912	26,646
Less: Treasury shares		96	100
Other comprehensive income		119	44
Special reserve		102	43
Surplus reserve		4,442	4,442
Undistributed profit		16,174	16,268
Subtotal of Shareholders' equity attributable to shareholders of parent company		57,056	56,748
Minority interests			
Total shareholders' equity		57,056	56,748
Total liabilities and shareholders' equity		91,536	90,706

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 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Operating income		61,891	65,248
Including: operating income	16.4	61,891	65,248
Operating costs		61,184	60,281
Less: Operating costs	16.4	59,187	58,331
Tax and surcharges		451	475
Marketing expenses		302	249
Administrative expenses		559	645
Research and development expenses		390	268
Financial expenses		295	313
Including: Interests expenses		223	323
Interests revenue		22	17
Add: Other income		12	18
Investment income ("-" for losses)	16.5	959	1,260
Including: income from investment in jointly ventures and associates	16.5	101	205
Gains/losses from fair value variation ("-" for losses)		132	(104)
Impairment losses on assets ("-" for losses)		391	175
Credit impairment loss ("-" for losses)		65	(75)
Asset disposal income ("-" for losses)		16	1

Financial Report (Continued)

Parent Company Income Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Operating profit (“-” for losses)		2,282	6,242
Add: Non-operating income		47	5
Less: Non-operating expenses		67	30
Profit before income tax (“-” for losses)		2,262	6,217
Less: Income tax expenses		278	1,107
Net profit for the period (“-” for losses)		1,984	5,110
Classification according to the continuity of operation			
i. Continuous operating net profit (“-” for losses)		1,984	5,110
ii. Termination of net profit (“-” for losses)			
Classification according to ownership			
i. The net profit belongs to the owners of the company		1,984	5,110
ii. Minority interest income			

Parent Company Income Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
The net amount after tax of other comprehensive income		75	13
Net after-tax net of other comprehensive income attributable to the parent company owner		75	13
I. The other comprehensive income which can not be reclassified into profit or loss		75	14
i. Changes in fair value of other investments in equity instrument investment		75	14
II. The other comprehensive income which can be classified into profit or loss			(1)
i. The shares of the other comprehensive income which can be reclassified in profit or loss of the invested company in equity method			(1)
Net after-tax net of other comprehensive income attributable to minority shareholders			

Financial Report (Continued)

Parent Company Income Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Total comprehensive income		2,059	5,123
The other comprehensive income attributed to the owners of the company		2,059	5,123
The other comprehensive income attributed to the minority			

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 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from operating activities:			
Cash received from selling of goods or rendering of services		58,695	66,672
Refund of taxes and fares			7
Other cash received from operating activities		78	47
Sub-total of cash inflows		58,773	66,726
Cash paid for goods and services		49,994	53,254
Cash paid to and for the employees		2,302	2,130
Cash paid for all types of taxes		1,408	1,745
Other cash paid for operating activities		1,997	2,521
Sub-total of cash outflows		55,701	59,650
Net cash flow from operating activities		3,072	7,076

Financial Report (Continued)

Parent Company Cash Flow Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from investing activities:			
Cash received from return of investments			
Cash received from investment income		853	1,155
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		64	21
Net cash received from disposal of subsidiaries and other business units		101	125
Sub-total of cash inflows		1,018	1,301
Cash paid for acquisition of fixed assets, intangible assets and other non-current assets		2,430	1,249
Cash paid for acquisition of investments		362	5
Other cash paid for investment activities		27	115
Sub-total of cash outflows		2,819	1,369
Net cash flow from investing activities		(1,801)	(68)

Financial Report (Continued)

Parent Company Cash Flow Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Cash flows from financing activities:			
Cash received from investment			
Cash received from borrowings			4,470
Other cash received from financing activities		1,743	1,088
Sub-total of cash inflows		1,743	5,558
Cash paid for settling of debts		450	9,052
Cash paid for distribution of dividends or profit and repayment of interests		2,236	988
Including: dividends or profit paid to minority shareholders			
Other cash paid for financing activities		527	50
Sub-total of cash outflows		3,213	10,090
Net cash inflow from financing activities		(1,470)	(4,532)

Financial Report (Continued)

Parent Company Cash Flow Statement (Continued)

For the six months ended 30 June 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Notes	Current period cumulative	Preceding period comparative
Effect of changes in foreign exchange rate on cash and cash equivalents			
Net increase in cash and cash equivalents		(199)	2,476
Add: Cash and cash equivalents at beginning of this period		2,872	1,586
Cash and cash equivalents at the end of this period		2,673	4,062

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 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Share capital	Capital reserve	Less: treasury stock	Current period cumulative Equity attributable to parent company				Undistributed profit	Minority interests	Total of shareholders' equity
				Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			
Balance as of 31 Dec. 2021	9,405	26,646	100	44	43	4,442		16,268	56,748	
Add: Changes of accounting policy										
Business combination under common control										
Others										
Balance as of 1 Jan. 2022	9,405	26,646	100	44	43	4,442		16,268	56,748	
Increase/decrease in 2022										
("-" represents loss)	(2)	266	(4)	75	59			(94)	308	
(1) Total amount comprehensive income				75				1,984	2,059	
(2) Capital introduced or withdrawn by owners	(2)	266	(4)		25				293	
i. Capital introduced by owners	(2)	(2)	(4)							
ii. Amount of share-based payment included in owner's equity										
iii. Others		268			25				293	
(3) Profit distribution								(2,078)	(2,078)	
i. Transfer to surplus reserve										
ii. Distribution to shareholders								(2,078)	(2,078)	
iii. Others										
(4) Transfer within shareholder's equity										
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings										
v. Others										
(5) Special reserve					34				34	
i. Extracts of this period					52				52	
ii. Usage of this period					(18)				(18)	
Balance as of 30 June 2022	9,403	26,912	96	119	102	4,442		16,174	57,056	

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 2022 Prepared by: Angang Steel Company Limited Unit: RMB million

Items	Share capital	Capital reserve	Less: treasury stock	Equity attributable to parent company				Undistributed profit	Minority interests	Total of shareholders' equity
				Other comprehensive income	Special reserve	Surplus reserve	General risk reserve			
Balance as of 31 Dec. 2020	9,405	26,527	166	(80)	25	3,839		11,774	51,324	
Add: Changes of accounting policy										
Business combination under common control										
Others										
Balance as of 1 Jan. 2021	9,405	26,527	166	(80)	25	3,839		11,774	51,324	
Increase/decrease in 2021 ("-" represents loss)		119	(66)	124	18	603		4,494	5,424	
(1) Total amount comprehensive income				(27)				6,038	6,011	
(2) Capital introduced or withdrawn by owners		119	(66)						185	
i. Capital introduced by owners		(66)							(66)	
ii. Amount of share-based payment included in owner's equity								22	22	
iii. Others		163	(66)						229	
(3) Profit distribution						603		(1,293)	(790)	
i. Transfer to surplus reserve						603		(603)		
ii. Distribution to shareholders								(790)	(790)	
iii. Others										
(4) Transfer within shareholder's equity				151				(151)		
i. Transfer from capital reserve to share capital										
ii. Transfer from surplus reserve to share capital										
iii. Making up losses with surplus reserve										
iv. Transfer from other comprehensive income to retained earnings					151			(151)		
v. Others										
(5) Special reserve						18			18	
i. Extracts of this period						137			137	
ii. Usage of this period						(119)			(119)	
Balance as of 31 Dec. 2021	9,405	26,646	100	44	43	4,442		16,268	56,748	

Legal representative:
Wang Yidong

Chief Accountant:
Wang Baojun

Person-in-charge of
accounting department:
Qin Lianyu

Financial Report (Continued)

Notes to Financial Statements

30 June 2022 (Expressed in million RMB unless otherwise indicated)

1. COMPANY PROFILE

Angang Steel Company Limited (abbreviated as the “Company”) was formally established on 8th May 1997 as a joint-stock limited company, currently the headquarter locates in Angang factory, Tie Xi District, Anshan City, Liaoning Province, PRC.

The financial statements have been approved by the Board of Directors on 26 August, 2022.

For detailed information about subsidiaries that have been included in the scope of consolidation by the end of the period, please refer to Note 8 “Interests in Other Entities”. The Company added 1 branch and 2 subsidiaries in the current period, please refer to Note 7 “Changes in Consolidation Scope” for details.

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

2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS

The Group has evaluated the continuous operations ability for the 12 months from June 30, 2022, and has not found any matters or circumstances that have significant doubts about the continuous operations ability. 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 (abbreviated as “ASBE”) (Ministry of Finance issued No. 33, the Ministry of Finance to amend 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 “CAS”) and the disclosure requirements regulation in the Preparation Convention of Information Disclosure of information of public listed companies, No. 15 – General Requirements on Financial Reports revised by the China Securities Regulatory Commission 2014.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

2. PREPARATION BASIS OF THE FINANCIAL STATEMENTS (CONTINUED)

According to the relevant provisions of Accounting Standards, 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.

3. STATEMENTS ON COMPLIANCE WITH THE ENTERPRISE ACCOUNTING STANDARDS

The Group declares that the Financial Report prepared by the Group is in compliance with requirements of Accounting Standards for Business Enterprises. These financial statements present truly, accurately and completely the financial position of the Group as of 30 June 2022, the financial performance and cash flow of the Group for the six months ended 30 June 2022. In addition, these financial statements also comply with, in all material respects, the disclosure requirements of “Regulation on disclosure of information of public listed companies, No. 15: General Requirements for Financial Reports”, revised by the China Securities Regulatory Commission (CSRC) in 2014.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

As for the statements of significant accounting judgments and estimates made by the management, please refer to Note 4.27 “Significant accounting judgments and estimates”.

4.1 Accounting period

The Group’s fiscal year is the calendar year that starts from January 1 and December 31.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.2 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.

4.3 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.

4.4 Accounting treatment of business combinations

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

4.4.1 The business combinations 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combinations (Continued)

4.4.1 The business combinations 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.

4.4.2 The business combinations 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 “acquisition date” refers to the date on which the acquirer actually obtains the control power over the acquiree.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.4 Accounting treatment of business combinations (Continued)

4.4.2 The business combinations 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.5 Methods for preparation of consolidated financial statements

4.5.1 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.5 Methods for preparation of consolidated financial statements (Continued)

4.5.2 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 31 December 2018 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 31 December 2018 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 combinations 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.5 Methods for preparation of consolidated financial statements (Continued)

4.5.2 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 "Minority Interest" and "profit and loss of Minority", and presented on the consolidated financial statements under the owners' equity and the net profit or loss respectively. The portion of subsidiary's net profit or loss for the period attributable to minority interest is presented in the consolidated income statement below the "net profits" as "Minority Interests". Where the amount of the losses for the current period attributed to minority's shareholders of the subsidiary exceeds the minority shareholders' portion of the opening owners' equity of the subsidiary, the amount in excess shall be presented as minority interests.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.6 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 4.11.2.2 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 transacts with a joint operation in which the Company is a joint operator, such as a sale or contribution assets, (The asset do not constitute a business, the same as below). The profit or loss resulting from the transactions is recognized only to the extent of the other parties' interests in the joint operation; When the Company transacts with a joint operation in which the Company is a joint operator, such as a purchase of assets, the Company does not recognize its share of the profit or loss until it resells those assets to a third party. A loss shall be recognized in the full amount of the sale or contribution of assets, and of the purchase of the assets from the joint operation in accordance with "ASBE – No.8 – assets impairment" and other provisions.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.7 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.

4.8 Foreign currency transactions and the translation of foreign currency financial statement

4.8.1 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.8 Foreign currency transactions and the translation of foreign currency financial statement (Continued)

4.8.2 Translation of foreign monetary items and foreign non-monetary items

On the balance sheet date, monetary items denominated in foreign currency are translated into RMB at the spot exchange rate on the balance sheet date and the arising difference shall be recorded into the profit and loss for the current period, except the difference arising from foreign currency borrowings for the purchase and construction or production of qualified assets which shall be capitalized according to the “ASBE – No. 17-Borrowing Costs”, and the exchange difference arising from the change in the carrying amount other than amortized cost of an available-for-sale foreign monetary item which shall be recognized directly in other comprehensive income; otherwise it shall be recorded into the profit and loss.

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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities

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

4.9.1 Financial assets

4.9.1.1 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. Financial assets will be classified 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: ①the financial asset is held within a business model with the objective to hold the financial assets in order to collect contractual cash flows; ②the 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

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

The Group measures debt instruments at fair value through other comprehensive income if both of the following conditions are met: ①the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; ②the 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 revaluation and interest on the financial assets calculated according to the effective interest method, are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

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

The Group designates non-tradable equity instrument investments as financial assets measured at fair value through other comprehensive income. Once the designation is made, it cannot be revoked. The non-trading equity instrument investment designated by the Group at fair value through profit or loss is recognized initially at fair value. Related transaction costs are included in the initial recognition amount. Except for the acquisition of dividends (other than the recovery of investment costs), the other related gains and losses (including exchange gains and losses) are included in other comprehensive income and are not subsequently transferred to the current profits and losses.

The financial assets, other than the financial assets measured at amortized cost or fair value through other comprehensive income, are measured at fair value through profit and loss. Those financial assets are initially measured at fair value, and related transaction costs are directly recognized in profit or loss. The gains or losses on the financial assets are included in the current profits and losses.

The contingent consideration recognized by the Group in the business combinations not under common control constitutes financial assets, which are classified as financial assets measured at fair value through profit or loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

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

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.

The interest income on a financial asset shall be recognized based on the effective interest rate method. The Interest income is calculated by multiplying the book value of a financial asset by the effective interest rate, except the following situations: ①for 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. ②for 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.2 Confirmation basis and measurement method of financial asset transfer

The Group shall stop recognizing a financial asset when, and only when one of the following conditions is met: ①the contractual rights to the cash flow from the financial asset expire, ②the Group transfers substantially all the risks and rewards of the ownership of the financial asset; ③the Group neither transfers nor retains substantially all the risks and rewards of the ownership of the financial asset, and it has not retained the control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount (measured at the date of derecognition) and the sum of the consideration received (including any new asset obtained less any new liability assumed) 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

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

If a part of a financial asset is transferred and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the entire financial asset shall be allocated between the part continued to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and the cumulative gain or loss for the part derecognized, 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 on derecognition of the investments in equity instruments not held for trade designated as financial assets by the Group, all the accumulated gains or losses recognized in other comprehensive income account shall be transferred into retained earning account.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.3 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: ①Debt investment; ②Lease receivables; ③Contract assets; ④accounts receivable; ⑤Financial 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: ①Accounts receivable, construct assets impairment provision formed by transactions regulated by the “ASBE No. 14 – Revenue Standards”, regardless of whether the item contains a significant financing component. ②Finance lease receivables. ③Operating lease receivables

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.3 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: ①For 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. ②For 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. ③For 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.

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 Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.3 Impairment of financial instrument (Continued)

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, including forward-looking information, that can be obtained without unnecessary additional costs or effort. 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; ③Serious deterioration of the debtor's operating results that have occurred or are expected; ④Changes 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.1 Financial assets (Continued)

4.9.1.4 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.

4.9.1.5 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 book balance of the financial asset. This write-down constitutes the 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities

4.9.2.1 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 measured at fair value through gain and loss include trading financial liabilities and designated financial liabilities measured at fair value through gain and loss on initial recognition (The relevant classification is based on the disclosure of the financial assets classification basis). 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

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

Other financial liability (disclosure of specific financial liabilities based on actual conditions). Other financial liabilities 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: ①Financial liability measured at their fair value through profit or loss, which include trading financial liabilities (containing derivatives that are financial liabilities) and designated financial liabilities measured at fair value through gain and loss. ②Financial assets that do not meet the conditions for derecognition transfer or continue to be involved in the financial liabilities of the transferred financial assets. ③Financial 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.

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

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

4.9.2.2 Derecognition

The Group shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished. An exchange between the Group and lender of debt instruments with substantially different terms shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) shall be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in profit and loss.

Financial Report (Continued)

Notes to Financial Statements (Continued)

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

4.9.2.3 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: the level 1 is quoted (unadjusted) market prices in active markets for identical assets or liabilities; the level 2 is valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; the level 3 is valuation techniques for which the lowest level input that is significant to the fair value measurement is non-observable. The Group prioritizes the use of the first level of input values and finally uses the third level of input values.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

4.9.2.3 Method for determining the fair value of financial assets and financial liabilities (Continued)

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.

4.9.2.4 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. But financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Financial Report (Continued)

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

4.9.2.5 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: ①If 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. ②If 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 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.9 Financial assets and liabilities (Continued)

4.9.2 Financial liabilities (Continued)

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

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 their components are classified as financial liabilities. Relevant interest, dividends (or dividends), gains or losses, and gains or losses arising from redemption or refinancing are recognized in profit or loss.

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.

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Notes to Financial Statements (Continued)

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.10 Inventories

4.10.1 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.

4.10.2 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.

4.10.3 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.10 Inventories (Continued)

4.10.3 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.

4.10.4 Physical inventory at fixed period is taken under perpetual inventory system

Financial Report (Continued)

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.10 Inventories (Continued)

4.10.5 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.

4.11 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.

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.11 Long-term equity investment (Continued)

4.11.1 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.

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.11 Long-term equity investment (Continued)

4.11.1 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, etc. The initial cost consists of the expenses directly related to the acquisition of the long-term equity investment, taxes and other necessary expenses.

4.11.2 Subsequent measurement and recognition method of gains and losses

For 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.11 Long-term equity investment (Continued)

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

4.11.2.1 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.

4.11.2.2 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)

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.11 Long-term equity investment (Continued)

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

4.11.2.2 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

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.11 Long-term equity investment (Continued)

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

4.11.2.2 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.

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.11 Long-term equity investment (Continued)

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

4.11.2.3 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.

4.11.2.4 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 4.5.2 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.11 Long-term equity investment (Continued)

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

4.11.2.4 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.

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Notes to Financial Statements (Continued)

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.12 Fixed Assets

4.12.1 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.

4.12.2 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	Estimate	Annual
		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.

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.12 Fixed Assets (Continued)

4.12.3 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 4.16“Impairment of non-current assets”.

4.12.4 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.

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Notes to Financial Statements (Continued)

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.13 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 4.16“Impairment of non-current assets”.

4.14 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.14 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.

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.15 Intangible assets

4.15.1 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.

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.15 Intangible assets (Continued)

4.15.1 Intangible assets(Continued)

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.

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.

4.15.2 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.

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.15 Intangible assets (Continued)

4.15.2 Research and development expenditure (Continued)

- (i) It is technically feasible to get the intangible asset ready for intended use or for sale;
- (ii) It is intended to get the intangible asset ready for use or sale;
- (iii) 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) It is technically and financially capable of completing the development of the intangible asset, and capable of using or selling such intangible asset;
- (v) 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.

4.15.3 Method of impairment test and measurement of impairment provision

Impairment test and measurement of intangible assets refer to Note 4.16 “Impairment of non-current assets”.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.16 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.

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Notes to Financial Statements (Continued)

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.17 Projected liabilities

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

4.18 Share-based payment

The share-based payment of the group is the transaction that grants equity instruments or assumes liabilities determined on the basis of equity instruments in order to obtain services provided by employees. The Group's share-based payment is the equity-settled share-based payment.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.18 Share-based payment (Continued)

4.18.1 The equity-settled share-based payment

For equity-settled share-based payments in exchange for services provided by employees, the Group measures the fair value of the equity instruments granted to employees on the authorization date. The amount of the fair value is based on the best estimate of the number of vesting equity instruments during the waiting period, calculated on the straight-line method and included in the relevant costs or expenses, and the capital reserve is increased accordingly. On each balance sheet date during the waiting period, the Group will make the best estimate based on the latest follow-up information such as changes in the number of vested employees and revise the number of equity instruments that are expected to be vested. The impact of the above estimates is included in the relevant costs or expenses of the current period, and the capital reserve is adjusted accordingly.

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.18 Share-based payment (Continued)

4.18.2 Implementation, modification, and termination of share-based payment plan

When the Group revises the share-based payment plan, if the revision increases the fair value of the equity instruments granted, the increase in the services obtained shall be recognized according to the increase in the fair value of the equity instruments; if the revision increases the number of equity instruments granted, the fair value of the increased equity instruments is correspondingly recognized as an increase in services obtained. The increase in the fair value of equity instruments refers to the difference between the fair values of the equity instruments before and after the modification on the modification date. If the modification reduces the total fair value of the share-based payment or adopts other methods that are not conducive to the employees to modify the terms and conditions of the share-based payment plan, the accounting treatment of the services obtained will continue, as if the change has never occurred, unless the group cancels part or all of the granted equity instruments.

4.18.3 Other explanations

For the restricted stock subscription money paid by the incentive object, if the unlocking conditions are not met, the subscription money will be returned to the incentive object. When the Group obtains the money, the share capital and capital reserve (share capital premium) are confirmed based on the obtained subscription money. Meanwhile, a liability and treasury shares are fully recognized in terms of the repurchase obligation.

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Notes to Financial Statements (Continued)

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4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.19 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.

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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.19 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.19 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.20 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: (i) 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; (ii) 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.20 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: ①Receivable amount shall be confirmed by the documents issued by relevant government departments, or be reasonably calculated according to relevant document without significant uncertainty; ②The 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. ③It 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 or offset related costs in subsequent periods while relevant expenses occur or loss incurs; designed to compensate the related expenses or loss that have occurred, shall be recorded into the current profit and loss or offset related costs.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.20 Government grants (Continued)

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

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.

4.21 Deferred income tax asset and liability

4.21.1 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.

4.21.2 Deferred income 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.21 Deferred income tax asset and liability (Continued)

4.21.2 Deferred income tax asset and liability (Continued)

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 excepted future. Except above-mentioned, deferred income tax liability resulted from any other taxable temporary difference shall be recognized.

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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.21 Deferred income tax asset and liability (Continued)

4.21.2 Deferred income tax asset and liability (Continued)

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.

4.21.3 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.22 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: ①the lessee may profit from using the asset alone or in conjunction with other resources that are readily available; ②there is no high dependence or high correlation between the asset and other assets in the contract.

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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.22 Leases (Continued)

4.22.1 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.

4.22.1.1 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.

4.22.1.2 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.22 Leases (Continued)

4.22.1 Lease to a lessee (Continued)

4.22.1.2 Subsequent measurement (Continued)

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.

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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.22 Leases (Continued)

4.22.1 Lease to a lessee (Continued)

4.22.1.3 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.

If the lease changes and meets the following conditions, the Group will account for the lease change as a separate lease: ①the lease change expands the scope of the lease by increasing the right to use one or more leased assets; ②the 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.22 Leases (Continued)

4.22.1 Lease to a lessee (Continued)

4.22.1.3 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: ①if 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; ②for other lease changes, the Group adjusts the book value of the right-of-use assets accordingly.

4.22.1.4 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.

4.22.2 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 when actually occur.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.22 Leases (Continued)

4.22.3 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.

4.22.4 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.22 Leases (Continued)

4.22.4 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.

4.23 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.

4.24 Employee benefits

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

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.24 Employee benefits (Continued)

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.

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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.25 Changes of significant accounting policies and estimates

4.25.1 There are no significant changes in accounting policies for the period

4.25.2 There are no significant changes in accounting estimates for the period

4.26 Corrections of prior period errors

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

4.27 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.

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:

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.27 Significant accounting judgments and estimates (Continued)

4.27.1 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.

4.27.2 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.27 Significant accounting judgments and estimates (Continued)

4.27.2 Impairment of non-current assets (Continued)

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.

4.27.3 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.27 Significant accounting judgments and estimates (Continued)

4.27.4 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.

4.27.5 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.

4.27.6 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.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES (CONTINUED)

4.27 Significant accounting judgments and estimates (Continued)

4.27.7 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

5. 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	Atmospheric pollutant: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.2 or 2.4. Water pollutants: Multiply the pollution equivalent number converted from the amount of pollutant discharge by 1.4. Solid wastes: Multiply the emission of solid wastes by 25. Noise: Multiply the noise coefficient of exceeding standards by 350, 700, 2800 or 1400.

Financial Report (Continued)

Notes to Financial Statements

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise specified, the current period refers to the six months ended 30 June 2022, and the previous period refers to the six months ended 30 June 2021.

6.1 Cash and cash equivalents

Items	30 June 2022	31 December 2021
Cash		
Bank deposits	4,354	5,084
Other cash and cash equivalents (Note 2)	342	314
Total	4,696	5,398

Note 1: For details of the funds deposited by the Group in Angang Finance, please refer to Note 11.5.4

Note 2: Other cash and cash equivalents are mainly futures margin.

6.2 Derivative financial assets

Items	30 June 2022	31 December 2021
Futures contract	1	3
Total	1	3

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.3 Notes receivable

6.3.1 Classification of notes receivable

Items	30 June 2022			31 December 2021		
	Book Balance	Bad Debt Provision	Net Book Value	Book Balance	Bad Debt Provision	Net Book Value
Bank acceptance notes	217		217	25		25
Commercial acceptance notes						
Total	217		217	25		25

6.3.2 Notes receivable transferred to accounts receivable due to insolvency of the issuer as of 30 June 2022.

Items	Amount transferred to accounts receivable at the end of the period
Bank acceptance notes	850
Commercial acceptance notes	
Total	850

6.3.3 The aging of the notes receivable at the end of the period

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

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.4 Accounts receivable

6.4.1 Classification of accounts receivable

Items	30 June 2022				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	932	23.29	765	82.08	167
Account receivable for which bad debt is prepared based on group combination	3,069	76.71	2	0.07	3,067
including: Risk-free group combination	1,320	33.00			1,320
Risk group combination on the basis of aging-matrix	1,749	43.71	2	0.11	1,747
Total	4,001	100.00	767	19.17	3,234

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.4 Accounts receivable (Continued)

6.4.1 Classification of accounts receivable (Continued)

Items	31 December 2021				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,033	37.89	830	80.35	203
Account receivable for which bad debt is prepared based on group combination	1,693	62.11	2	0.12	1,691
including: Risk-free group combination	207	7.60			207
Risk group combination on the basis of aging-matrix	1,486	54.51	2	0.13	1,484
Total	2,726	100.00	832	30.52	1,894

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.4 Accounts receivable (Continued)

6.4.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	30 June 2022			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Tianjin Property Group Finance Co., Ltd. (Property Finance)	586	462	78.84	Notes overdue
HNA Group Finance Co., Ltd. (HNA Finance Division)	214	179	83.64	Notes overdue
Chongqing Lifan Finance Co., Ltd. (Lifan Finance)	50	43	86.00	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
Total	932	765	-	-

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.4 Accounts receivable (Continued)

6.4.3 Accounts receivable classified by aging

Aging	30 June 2022	31 December 2021
Within 1 year	3,067	1,645
1 to 2 years	2	10
2 to 3 years		956
3 to 4 years	845	6
4 to 5 years		12
Over 5 years	87	97
Total	4,001	2,726

Note: In the above analysis, the aging of accounts receivable transferred from overdue notes receivable is calculated on the transfer date. The amount of accounts receivable due within 1 year is RMB5 million, and the amount due in 3-4 years is RMB845 million. Meanwhile, the rest of the accounts receivable are based on the invoice date.

6.4.4 Bad debt provision

Type	31 December 2021	Increase/Decrease		30 June 2022
		Bad debt provision	Resale or Reverse verification	
Accounts receivable	832	65		767

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.4 Accounts receivable (Continued)

6.4.5 Accounts receivable written off this period

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

6.4.6 The condition of accounts receivable of the top five debtors by the balances as of 30 June 2022

The total amount of top five accounts receivable according to closing balance of debtors of the Group was RMB2,334 million as of 30 June 2022, which accounted for 58.34% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB641 million as of 30 June 2022.

6.4.7 Accounts receivable derecognized resulting from transfer of financial assets

The Group transferred accounts receivable on a non-recourse basis of RMB708 million and incurred costs related to derecognition of RMB7 million during the period. Please refer to Note 9.4 for details.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.5 Receivables financing

6.5.1 Classification of receivables financing

Type	30 June 2022			31 December 2021		
	Book Value	Bad Debt Provision	Net Book Value	Book Value	Bad Debt Provision	Net Book Value
Bank acceptance notes	1,810		1,810	1,844		1,844
Commercial acceptance notes						
Total	1,810		1,810	1,844		1,844

6.5.2 Receivables financing of the Company pledged as of 30 June 2022

Items	Pledged Notes by End of 30 June 2022
Bank acceptance notes	277
Total	277

The Group has pledged notes receivable with a book value of RMB277 million to the bank and obtained RMB266 million in notes payable this period, of which the pledge period is from March 2022 to November 2022.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.5 Receivables financing (Continued)

6.5.3 Receivables financing that have been endorsed or discounted and have not expired at the end of 30 June 2022

Items	Amount of Termination Confirmation	Amount of Non-termination Confirmation
Bank acceptance notes	13,761	
Commercial acceptance notes	262	
Total	14,023	

6.6 Prepayments

6.6.1 Prepayments classified by aging

Items	30 June 2022		31 December 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	5,061	98.92	2,936	99.52
1 to 2 years	53	1.04	12	0.41
2 to 3 years	2	0.04	2	0.07
Over 3 years				
Total	5,116	100.00	2,950	100.00

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.6 Prepayments (Continued)

6.6.2 The condition of prepayment of the top five debtors by the balances at the end of period

The prepayment balance of the top five debtors is RMB3,592 million in total, accounting for 70.21% of the prepayment balance on 30 June 2022.

6.7 Other receivables

Items	30 June 2022	31 December 2021
Dividends receivable		
Other receivables	47	62
Total	47	62

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables

6.7.1.1 Classification of other receivables

Items	30 June 2022				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	15.00	9	100.00	
Other receivables for which bad debt is prepared based on group combination	51	85.00	4	7.84	47
Including: Risk-free group combination	4	6.67			4
Risk group combination on the basis of aging-matrix	47	78.33	4	8.51	43
Total	60	100.00	13	21.67	47

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.1 Classification of other receivables (Continued)

Items	31 December 2021				Net Book Value
	Book Value		Bad Debt Provision		
	Amount	Percentage (%)	Amount	Percentage (%)	
Other receivables subject to separate assessment for bad debts provision	9	12.00	9	100.00	
Other receivables for which bad debt is prepared based on group combination	66	88.00	4	6.06	62
Including: Risk-free group combination	1	1.33			1
Risk group combination on the basis of aging-matrix	65	86.67	4	6.15	61
Total	75	100.00	13	17.33	62

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.2 Other receivables classified by the nature

Type	30 June 2022	31 December 2021
The remaining factoring receivable		25
The service fee of land acquisition	9	9
Petty cash	12	4
Industrial injury loan	12	13
Loan from Angang CIMC (Yingkou) New Energy Technology Co., Ltd.	10	10
Others	17	14
Total	60	75

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.3 Other receivables classified by aging

	30 June	31 December
Aging	2022	2021
Within 1 year	46	61
1 to 2 years	1	1
2 to 3 years	1	1
3 to 4 years		
4 to 5 years		
Over 5 years	12	12
Total	60	75

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.4 The accrual condition of bad debt provision

Bad debt provision	The first stage	The second stage	The third stage	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 2022		1	12	13
Bad debt provision				
Reverse				
Resale or verification				
Write off				
Other changes				
Balance at 30 June 2022		1	12	13

6.7.1.5 Bad debt provision at the end of the period

Type	31 December 2021	Increase/Decrease			30 June 2022
		Bad debt provision	Reverse	Resale or verification	
Other receivables	13				13

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.7 Other receivables (Continued)

6.7.1 The condition of other receivables (Continued)

6.7.1.6 Other receivables subject to separate assessment for bad debts provision

Debtors	30 June 2022			
	Book Value	Bad Debt Provision	Percentage (%)	Reason
Land acquisition service station of Chaoyang City	9	9	100.00	Less likely to recover
Total	9	9	-	-

6.7.1.7 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 RMB34 million at 30 June 2022, which accounted for 56.67% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB9 million.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.8 Inventory

6.8.1 Classification of Inventory

Items	30 June 2022		
	Book Value	Inventory falling Price	
		Reserves	Carrying Value
Raw materials	5,077	14	5,063
Work in progress	3,952	35	3,917
Finished goods	4,155	10	4,145
Revolving materials	589	1	588
Spare parts	972	31	941
Materials in transit	303		303
Work in progress– outsourced	2		2
Total	15,050	91	14,959

Items	31 December 2021		
	Book Value	Inventory falling Price	
		Reserves	Carrying Value
Raw materials	7,080	37	7,043
Work in progress	4,225	176	4,049
Finished goods	6,592	270	6,322
Revolving materials	597	1	596
Spare parts	915	39	876
Materials in transit	171		171
Work in progress–outsourced	2		2
Total	19,582	523	19,059

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.8 Inventory (Continued)

6.8.2 Changes in Inventory falling price reserves

Items	31 December 2021	Increase	Decrease	30 June 2022
		Inventory falling price reserves	Written Back	
Raw materials	37	11	34	14
Work in progress	176		141	35
Finished goods	270	6	266	10
Revolving materials	1			1
Spare parts	39		8	31
Total	523	17	449	91

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 period. 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.

6.9 Other current assets

Items	30 June 2022	31 December 2021
The amount of input tax to be deducted and certified	10	101
Input tax retained	182	870
Prepayment of enterprise income tax	442	335
Total	634	1,306

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.10 Long-term equity investments

Details of long-term equity investments

The invested entity	31 December 2021	Increase/Decrease		Investment income under the equity method	Other comprehensive income
		Increase	Decrease		
Jointly venture					
TKAS Auto Steel Company Limited ("ANSC-TKS")	694			51	
The iron and Steel shares – Dalian ship heavy industry steel processing Distribution Co. Ltd. ("ANSC – Dachuan")	191			(18)	
Ansteel Guangzhou Automobile Steel Co., Ltd. ("Guangzhou Automobile Steel")	376			10	
Sub-total	1,261			43	
Associated venture					
Angang Group Finance Co., Ltd. ("Angang Finance")	1,442			48	
Anshan Anshan Iron Oxide Powder Co., Ltd. ("Iron Oxide Powder Company")	9			6	
Guangzhou Nansha Steel Logistical Co., Ltd. ("Nansha Logistical")	70			(2)	
Anshan Iron and steel solid gold (Hangzhou) metal materials Co., Ltd. ("AISSG")	114			3	
Guangzhou GAC Baoshang Steel Processing Co., Ltd. ("GAC Baoshang")	99			5	
Meizhou GAC Automobile Spring Co., Ltd. ("Meizhou Motor Company")	41			(2)	
Chaoyang Zhong'an Water Co., Ltd. ("Zhong'an Water")	35			1	
Sub-total	1,810			59	
Total	3,071			102	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.10 Long-term equity investments (Continued)

The Invested Entity	Other Equity Changes	Increase/Decrease			30 June 2022	Closing Value of the Provision for Impairment
		Declaration of Cash Dividends or Profits	Provision for impairment Loss	Others		
Jointly venture						
ANSC-TKS		204		(5)	536	
ANSC – Dachuan					173	
Guangzhou Automobile Steel		27		4	363	
Sub-total		231		(1)	1,072	
Associated venture						
Angang Finance					1,490	
Iron Oxide Powder Company					15	
Nansha Logistical					68	
AISSG		1			116	
GAC Baoshang		2			102	
Meizhou Motor Company					39	
Zhong'an Water		1			35	
Sub-total		4			1,865	
Total		235		(1)	2,937	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.11 Other investments in equity instruments

6.11.1 Details of other investments in equity instruments

The Invested Entity	Book Balance	
	30 June 2022	31 December 2021
WISDRI Engineering & Research Incorporation Limited Company (hereinafter referred to as "WISDRI")	481	437
Heilongjiang Longmay Mining Group Co., Ltd. (hereinafter referred to as "Longmay Group")	58	
Anshan Falan Packing Material Co. Ltd. (hereinafter referred to as "Falan Packing")	25	26
Changsha Bao steel steel processing & Distribution Co., Ltd. (hereinafter referred to as "Changsha steel")	9	9
China Shipbuilding Industry Equipment and Materials Bayuquan Co., Ltd. (hereinafter referred to as "China Shipbuilding")	17	18
Guoqi Automobile Lightweight (Beijing) Technology Research Institute Co., Ltd. (hereinafter referred to as "Guoqi Lightweight")	3	3
Shanghai Ouye Chemical Po Electronic Commerce Co., Ltd. (hereinafter referred to as "Shanghai Ouye")	3	3
Jindian (Hangzhou) Technology Co., Ltd. (hereinafter referred to as "Jindian")		
Total	596	496

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.11 Other investments in equity instruments (Continued)

6.11.2 Non-tradable investments in equity instruments current period

Items	Recognized dividend income current period	Accumulated gain	Accumulated loss	comprehensive income transfer to retained earnings.	Designation Reason (measured at fair value and other the changes of their value are recorded in other comprehensive income.)	Reason (other comprehensive income transfer to retained earnings)
WISDRI"		339				
Longmay Group			(182)			
Falan Packing	2	4				
Changsha steel			(8)			
China Shipbuilding		7				
Guoqi Lightweight						
Shanghai Ouye		2				
Jindian			(2)			
Total	2	352	(192)			

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 recorded into other comprehensive income.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.12 Other non-current financial assets

The Invested Entity	Book Value	
	30 June 2022	31 December 2021
Zhuzhou Smelter Group Co., Ltd. (hereinafter referred to as "ZhuYe Group")	43	43
Total	43	43

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 ZhuYe 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.13 Fixed assets

6.13.1 Analysis of fixed assets

Items	Houses and Buildings	Machinery	Others	Total
Original Cost				
1. 31 December 2021	34,042	86,744	6,408	127,194
2. Increase in the period	1,314	682	(940)	1,056
(1) Purchase	17	5	1	23
(2) Transform from project under construction	132	808	93	1,033
(3) Increase from combination				
(4) Others	1,165	(131)	(1,034)	
3. Decrease in the period	29	509	38	576
(1) Disposal or scrap	29	509	38	576
(2) Others				
4. 30 June 2022	35,327	86,917	5,430	127,674
Accumulated depreciation				
1. 31 December 2021	13,967	55,838	5,347	75,152
2. Increase in the period	1,213	1,606	(1,056)	1,763
(1) Depreciation	412	1,251	95	1,758
(2) Increase from combination				
(3) Others	801	355	(1,151)	5
3. Decrease in the period	16	437	36	489
(1) Disposal or scrap	16	437	36	489
(2) Others				
4. 30 June 2022	15,164	57,007	4,255	76,426

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.13 Fixed assets (Continued)

6.13.1 Analysis of fixed assets (Continued)

Items	Houses and Buildings	Machinery	Others	Total
Provision for impairment				
1. 31 December 2021	605	2,739	140	3,484
2. Increase in the period	(1)			(1)
(1) Provision for current period				
(2) Others	(1)			(1)
3. Decrease in the period			1	1
(1) Disposal or scrap			1	1
(2) Others				
4. 30 June 2022	604	2,739	139	3,482
Book Value				
1. 30 June 2022	19,559	27,171	1,036	47,766
2. 31 December 2021	19,470	28,167	921	48,558

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.13 Fixed assets (Continued)

6.13.2 Fixed assets leased out by operating lease

Type	30 June 2022	31 December 2021
Houses and buildings	16	19
Machinery	7	5
Total	23	24

6.14 Construction in progress

Items	30 June 2022	31 December 2021
Construction in progress	4,605	4,638
Construction materials	3	6
Total	4,608	4,644

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress

6.14.1.1 Details of constructions in progress

Items	30 June 2022			31 December 2021		
	Book balance	Impairment Provision	Book value	Book balance	Impairment Provision	Book value
The environmental protection upgrading and transformation project of the sintering machine of the iron-making general plant (iron-making property rights)	454		454	292		292
Upgrading and reconstruction project of seamless 177 production line of large-scale general factory	232		232	164		164
Quality improvement and reconstruction project of universal line of large-scale factory	174		174	100		100
21 to 096B iron making – Bayuquan raw material yard shed closed project	171		171	114		114
Upgrading and reconstruction project of continuous rolling line of large-scale factory	167		167	99		99
3# blast furnace overhaul project	145		145	116		116
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	143		143	140		140
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant	97		97	80		80
Iron-making Center Blast Furnace Centralized Control Phase I Project	66		66	48		48
Project for the construction and production of the raw material system of the 265m2 sintering machine in the iron smelting general plant (construction part)	60		60	38		38
Others	2,902	6	2,896	3,453	6	3,447
Total	4,611	6	4,605	4,644	6	4,638

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress (Continued)

6.14.1.2 Changes in major constructions in progress

Items	Items Budget	31 December 2021	Increase of the period	Transferred into fixed assets	Other decrease	30 June 2022
The environmental protection upgrading and transformation project of the sintering machine of the iron-making general plant (iron-making property rights)	1,016	292	162			454
Upgrading and reconstruction project of seamless 177 production line of large-scale general factory	260	164	68			232
Quality improvement and reconstruction project of universal line of large-scale factory	200	100	74			174
21 to 096B iron making - Bayuquan raw material yard shed closed project	492	114	57			171
Upgrading and reconstruction project of continuous rolling line of large-scale factory	185	99	68			167
3# blast furnace overhaul project	178	116	29			145
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	193	140	3			143
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant	135	80	17			97
Iron-making Center Blast Furnace Centralized Control Phase I Project	67	48	18			66
Project for the construction and production of the raw material system of the 265m2 sintering machine in the iron smelting general plant (construction part)	156	38	22			60
Others	11,650	3,453	508	1,033	26	2,902
Total		4,644	1,026	1,033	26	4,611

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress (Continued)

6.14.1.2 Changes in major constructions in progress (Continued)

Items	Accumulated capitalized borrowing cost	Of Which: Capitalized this Period	Capitalization Rate (%)	Expenditure Over Budget (%)	Project Progress (%)	Resource of Fund
The environmental protection upgrading and transformation project of the sintering machine of the iron-making general plant (iron-making property rights)	10	10	3.51	45	45	Self-financing
Upgrading and reconstruction project of seamless 177 production line of large-scale general factory				89	89	Self-financing
Quality improvement and reconstruction project of universal line of large-scale factory	1	1	3.51	87	87	Self-financing
21 to 096B iron making – Bayuquan raw material yard shed closed project				35	35	Self-financing
Upgrading and reconstruction project of continuous rolling line of large-scale factory				90	90	Self-financing
3# blast furnace overhaul project				81	81	Self-financing
Upgrading and reconstruction project of the 1# slab casting machine of the 2150ASP production line of the steelmaking general plant	7	3	3.51	74	74	Self-financing
Overhaul and reconstruction project of the 1# billet casting machine in the first branch of the steelmaking general plant				72	72	Self-financing
Iron-making Center Blast Furnace Centralized Control Phase I Project				99	99	Self-financing
Project for the construction and production of the raw material system of the 265m ² sintering machine in the iron smelting general plant (construction part)	1	1	3.51	38	38	Self-financing
Others	96	4		34	34	Self-financing
Total	115	19	-	-	-	-

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.14 Construction in progress (Continued)

6.14.1 Construction in progress (Continued)

6.14.1.3 Provision of Impairment

Items	31 December 2021	Increase in Current Period Provision	Decrease in Current Period Reversal	30 June 2022
Hot-rolled pickling plate production line project	6			6
Total	6			6

6.14.2 Construction materials

Item	30 June 2022	31 December 2021
Special equipment	3	6
Total	3	6

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.15 Right-of-use assets

Items	Land Use Right	Machinery	Total
Original Cost			
1. Balance at 31 December 2021		781	781
2. Increase in the period	235		235
① Lease	235		235
② Increase from business combination			
③ Others			
3. Decrease in the period			
① Disposal			
② Decrease from business combination			
③ Others			
4. Balance at 30 June 2022	235	781	1,016
Accumulated depreciation			
1. Balance at 31 December 2021		92	92
2. Increase in current period	58	23	81
① Depreciation for current period	58	23	81
② Increase from business combination			
3. Decrease in current period			
① Disposal			
② Decrease from business combination			
③ Others			
4. Balance at 30 June 2022	58	115	173
Provision for impairment			
1. Balance at 31 December 2021			
2. Increase			
① Provision for current period			
3. Decrease			
① Disposal			
4. Balance at 30 June 2022			
Book Value			
1. 30 June 2022	177	666	843
2. 31 December 2021		689	689

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.16 Intangible assets

Items	Land Use Right	Non- Patented Technology	Software	Steel Capacity Indicators	Total
Original Cost					
1. 31 December 2021	8,891	47	157		9,095
2. Increase	45		26	248	319
① Purchase	45		26	248	319
② Internal R&D					
③ Enterprise merger					
④ Others					
3. Decrease:	10				10
① Disposition	10				10
② Enterprise merger					
4. 30 June 2022	8,926	47	183	248	9,404
Accumulative amortization					
1. 31 December 2021	2,510	47	108		2,665
2. Increase	91		16		107
① Counting and Drawing	91		16		107
② Enterprise merger					
③ Others					
3. Decrease					
① Disposition					
② Enterprise merger					
③ Others					
4. 30 June 2022	2,601	47	124		2,772
Provision for impairment					
1. 31 December 2021					
2. Increase					
① Counting and Drawing					
3. Decrease					
① Disposition					
4. 30 June 2022					
Book value					
1. 30 June 2022	6,325		59	248	6,632
2. 31 December 2021	6,381		49		6,430

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.17 Deferred income tax assets and deferred income tax liabilities

6.17.1 Recognized deferred income tax assets

Items	30 June 2022		31 December 2021	
	Deferred income tax assets	Temporary difference or deductible loss	Deferred income tax assets	Temporary difference or deductible loss
Provision for impairment	417	1,668	417	1,668
Deductible loss	8	32	50	200
Unrealized profit within the group	6	24	4	16
Dismissal welfare	36	144	47	188
Accumulated depreciation of fixed assets	31	124	31	124
Salaries payable	9	36	9	36
Employee training expenses	14	56	14	56
Deferred income	104	416	104	416
Changes in the fair value of other equity instrument investments	48	192	63	252
Others	5	20	5	20
Total	678	2,712	744	2,976

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.17 Deferred income tax assets and deferred income tax liabilities

6.17.2 Recognized deferred income tax liabilities

Items	30 June 2022		31 December 2021	
	Deferred Income Tax Liabilities	Taxable Temporary Difference	Deferred Income Tax Liabilities	Taxable Temporary Difference
Valuation of trading financial instruments and derivative financial instrument				
conversion of equity	44	176	44	176
Changes in the fair value of other equity instrument investments	88	352	78	312
Unrealized profit within the group			35	140
Total	132	528	157	628

6.17.3 Unrecognized deferred income tax assets

Items	30 June 2022	31 December 2021
Deductible temporary difference-provision for impairment	1,753	2,240
Total	1,753	2,240

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.18 Other non-current assets

Item	30 June 2022	31 December 2021
Prepayment for Construction Projects	1,430	1,436
Total	1,430	1,436

6.19 Short-term loans

Items	30 June 2022	31 December 2021
Credit loans	640	650
Total	640	650

6.20 Derivative financial liabilities

Items	30 June 2022	31 December 2021
Future contracts		51
Foreign exchange swap contracts	41	65
Total	41	116

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.21 Notes payable

Items	30 June 2022	31 December 2021
Bank acceptance notes	10,206	7,952
Commercial acceptance notes	150	134
Total	10,356	8,086

Note: There are no notes payable that have expired but have not been paid on 30 June 2022. The above aging of the Group's notes payable at the end of the period is within 1 year.

6.22 Accounts payable

6.22.1 Aging of accounts payable

Items	30 June 2022		31 December 2021	
	Balance	Percentage (%)	Balance	Percentage (%)
Within 1 year	9,251	98.85	9,860	98.90
1 to 2 years	57	0.61	82	0.82
2 to 3 years	31	0.33	10	0.10
Over 3 years	20	0.21	18	0.18
Total	9,359	100.00	9,970	100.00

Note: the above aging analysis is based on the invoice date.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.22 Accounts payable (Continued)

6.22.2 Significant account payable aging over 1 year

Creditors	Balance	Aging
Angang Construction Group Co., Ltd.	8	1 to 4 years
Anshan Metallurgical Group Power Engineering Co., Ltd.	5	1 to 5 years
Anshan Metallurgical Group Industrial Engineering Co., Ltd.	5	1 to 5 years
Angang Metal Structure Co., Ltd.	5	1 to 5 years
Anshan Metallurgical Group Construction Engineering Co., Ltd.	4	1 to 5 years
Total	27	-

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.23 Contract liabilities

Items	30 June 2022	31 December 2021
Products selling	5,988	8,597
Others	66	34
Total	text-align: right;"> 6,054	text-align: right;">8,631

6.24 Employee benefits payable

6.24.1 Analysis of employee benefits payable

Items	31 December 2021	Increase	Decrease	30 June 2022
Short-term remuneration	132	2,332	2,226	238
After-service benefits defined contribution plans		329	329	
Termination benefits	86	85	128	43
Total	text-align: right;">218	text-align: right;">2,746	text-align: right;">2,683	text-align: right;"> 281

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.24 Employee benefits payable (Continued)

6.24.2 Short-term compensation

Items	31 December 2021	Increase	Decrease	30 June 2022
1. Salaries, bonus and allowance	64	1,769	1,700	133
2. Staff welfare		138	124	14
3. Social insurance	1	183	183	1
Including: Medical insurance	1	155	155	1
Staff and workers' injury insurance		28	28	
Maternity insurance				
Others				
4. Housing fund		151	151	
5. Labor union fee and staff training fee	67	61	38	90
6. Short paid absences				
7. The short-term profit sharing plan				
8. Others		30	30	
Total	132	2,332	2,226	238

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.24 Employee benefits payable (Continued)

6.24.3 Defined Contribution Plans

Items	31 December	Increase	Decrease	30 June
	2021			2022
1. Basic pension insurance		240	240	
2. Unemployment insurance		8	8	
3. Occupational pension		81	81	
Total		329	329	

6.25 Taxes payable

Items	30 June	31 December
	2022	2021
VAT	248	2
Environmental protection tax	28	23
Resource tax	1	1
Corporate income tax	72	30
City maintenance and construction tax	19	5
Property tax	14	26
Land use tax	38	71
Individual income tax	6	16
Educational surcharges	14	3
Others	11	12
Total	451	189

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.26 Other payables

Items	30 June 2022	31 December 2021
Interests payable		2
Dividends payable		
Other payables	1,981	2,162
Total	1,981	2,164

6.26.1 Interests payable

Items	30 June 2022	31 December 2021
Staging interest maturity of long-term borrowings		1
Interest for short-term loans		1
Total		2

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.26 Other payables (Continued)

6.26.2 Other payables

6.26.2.1 Classification of other payables by nature

Items	30 June 2022	31 December 2021
Construction payable	513	780
Retention Money	453	471
Margin	464	506
Freight charges	47	28
Administrative Fund	108	108
Restricted stock repurchases obligations	95	99
Air pollution fee	71	
Environmental maintenance fee	16	
Testing fee for energy saving	21	
Others	193	170
Total	1,981	2,162

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.26 Other payables (Continued)

6.26.2 Other payables

6.26.2.2 Significant balances of other payables aging over 1 year

Creditors	Balance	Reason	Whether paid after 30 June 2022
Angang Group Engineering Technology Co., Ltd.	72	Retention Money	No
Acre Coking & Refractory (Dalian) Engineering Technology Corporation	40	Margin	No
Shanghai Baosight Software Co., Ltd.	19	Retention Money	No
Sinosteel Anshan research institute of thermo-energy Co., Ltd.	18	Retention Money	No
Anshan Iron and Steel Group Automation Company	16	Retention Money	No
Total	165	-	-

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.27 Non-current liabilities due within 1 year

Items	30 June 2022	31 December 2021
Long-term loans due within 1 year <i>(Note 6.28)</i>	3,950	601
Bonds payable due within 1 year <i>(Note 6.29)</i>	1,560	
Total	5,510	601

6.28 Long-term loans

6.28.1 Classification of long-term loans

Items	30 June 2022	31 December 2021
Guaranteed loans		51
Credit loans	4,000	4,200
Subtotal	4,000	4,251
Less: long-term loans due within 1 year <i>(Note 6.27)</i>	3,950	601
Total	50	3,650

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.28 Long-term loans (Continued)

6.28.2 Classification of long-term loans by the maturity date

Items	30 June 2022	31 December 2021
Within 1 year	3,950	601
1 year to 2 year (including 2 year)	50	3,600
2 year to 3 year (including 3 year)		50
3 year to 5 year (including 5 year)		
Total	4,000	4,251

6.29 Bonds payable

6.29.1 Bonds payable

Items	30 June 2022	31 December 2021
Convertible bond	1,560	1,463
Less: bonds payable due within 1 year (<i>Note</i> <i>6.27</i>)	1,560	
Total		1,463

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.29 Bonds payable (Continued)

6.29.2 Increase or decrease in bonds payable

Type of bonds	Par value	Issuance date	Bond duration	Issuance amount	31 December 2021
Convertible bond (Note 1)	1,512	May 25, 2018	5 years	1,299	1,463
Less: bonds payable due within 1 year (Note 6.27)					
Total	1,512	-	-	1,299	1,463

Type of bonds	Current issue	Accrued interest at face value	Amortization with the Premium or Discount of Bond (the positive refer to increase, the negative refers to decrease)	Exchange conversion (the positive refer to increase, the negative refers to decrease)	Repayment this period	30 June 2022
Convertible bond (Note 1)			29	68		1,560
Less: bonds payable due within 1 year (Note 6.27)						1,560
Total						

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.29 Bonds payable (Continued)

6.29.2 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 2021 Annual General Meeting of Shareholders, therefore the conversion price has been adjusted to HKD6.06 per share (H Share) since 8 June 2022. 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 within 1 year.

6.30 Lease liability

Items	30 June 2022	31 December 2021
lease payments	416	358
Less: Unrecognized financing expenses	11	12
Total	405	346

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.31 Long-term payables

Items	30 June 2022	31 December 2021
Long-term payables		
Special payables	57	480
Total	57	480

6.31.1 Special payables

Items	31 December 2021	Increase	Decrease	30 June 2022	Cause of formation
The special funds paid by Anshan Iron and Steel Group Co., Ltd. (hereinafter referred to as "Anshan Iron and Steel")	480		423	57	
Total	480		423	57	

6.32 Long-term employee benefits payable

Items	30 June 2022	31 December 2021
Termination benefits	112	112
Total	112	112

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.33 Deferred income

Items	31 December 2021	Increase	Decrease	30 June 2022	Cause of formation
Government grants	543	18	20	541	
Total	543	18	20	541	

Among them, the projects involved the government grants are as follows:

Items	31 December 2021	New grants	Belong to Non- business income	Belong to Other income	Other decrease	30 June 2022	Associated with the asset/ income
The government grants related to environmental protection	77			7		70	Asset related
The government grant related to scientific research	327	8		3	4	328	Assets/ Income related
Others	139	10	2	4		143	Assets/ Income related
Total	543	18	2	14	4	541	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.34 Other non-current liabilities

Items	30 June 2022	31 December 2021
Embedded derivative financial instruments	14	39
Total	14	39

6.35 Share capital

Items	31 December 2021		Increase/Decrease					30 June 2022	
	Balance	Proportion (%)	New shares issued	Bonus issue	Shares transferred from reserves	Others	Subtotal	Balance	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				2	2	50	1
Total	9,405	100				2	2	9,403	100

Note: According to the resolution of the general meeting of shareholders on January 6, 2022, the Company repurchased and cancelled some restricted shares of RMB2 million.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.36 Capital reserve

Items	31 December 2021	Increase	Decrease	30 June 2022
Share premium	34,086		1,128	32,958
Other capital reserve	538	373		911
Total	34,624	373	1,128	33,869

Note1: The capital premium decreased by RMB1,128 million, of which the acquisition of the Second Power Plant of Anshan Iron and Steel Group Co., Ltd. (hereinafter referred to as the "Second Power Plant") under common control in the current period resulted in a decrease of RMB1,126 million in capital premium, and the repurchase and cancellation of restricted shares in the current period resulted in a decrease of RMB2 million.

Note2: The increase of RMB373 million in other capital reserves is due to the receipt of state capital appropriations, which are exclusively enjoyed by the representatives of state-owned assets contributors.

6.37 Treasury shares

Items	31 December 2021	Increase	Decrease	30 June 2022
Stock incentive plan (<i>Note 12</i>)	100		4	96

Note: The repurchase and cancellation of restricted shares in the current period resulted in a decrease of RMB4 million in treasury shares.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.38 Other comprehensive income

Items	31 December 2021	The amount of this period				30 June 2022
		Amount for the period before tax	Minus: transform into profit or loss from other comprehensive income	Minus: income tax expenses	The After- tax amount attributed to the parent company	
1. Other comprehensive income will not reclassified into the gains and losses	44	100		25	75	119
Profit or loss arising from fair value changes of other investments in equity instruments	44	100		25	75	119
2. Other comprehensive income will reclassified into the gains and losses						
The share which enjoyed by the invested unit reclassified into profit or loss in other comprehensive income under the equity method						
Total	44	100		25	75	119

6.39 Special reserve

Items	31 December 2021	Increase	Decrease	30 June 2022
Safety production expenses	107	75	27	155
Total	107	75	27	155

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.40 Surplus reserve

Items	31 December 2021	Increase	Decrease	30 June 2022
Statutory surplus reserve	4,452			4,452
Total	4,452			4,452

6.41 Undistributed profit

Items	This period
Balance as of 31 Dec. 2021	12,179
Changes in accounting policies	
Business combination under common control	
Balance as of 1 Jan. 2022	12,179
Increase in 2022	1,716
Including: Net profit transferred this period	1,716
Other adjustment factors	
Decrease in 2022	2,078
Including: Extraction of surplus reserve this period	
Extraction of general risk provisions in this period	
Distribution of cash dividend this period (Note)	2,078
Conversed capital	
Other decreases	
Balance as of 30 June 2022	11,817

Note: According to the resolution of the 2021 Annual General Meeting of Shareholders held on May 26, 2022, the Company distributed cash dividends to all shareholders at RMB2.21 (tax included) every 10 shares. Calculated based on the total number of shares entitled to distribution rights of 9,402,611,828 shares, a total distributed profit of RMB2,078 million.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.42 Operating income and operating costs

6.42.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	70,105	66,440	71,999	63,407
Other operating	189	173	308	153
Total	70,294	66,613	72,307	63,560

Note: The Group is classified into an operating segment based on the type of business: production and sale of steel products.

6.42.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	66,837	68,327
Foreign exchange income from outside borders	3,457	3,980
Total	70,294	72,307

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.42 Operating income and operating costs (Continued)

6.42.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	70,294	72,307
Total	70,294	72,307

6.43 Tax and surcharges

Items	This period	Last period
City maintenance and construction tax	70	96
Educational surcharge and local educational surcharge	50	69
Land use tax	218	218
Property tax	80	80
Stamp tax	69	61
Resources tax	1	1
Environmental protection tax	54	59
Total	542	584

Note: Please refer to Note 5 "Tax" for details of various taxes and surcharges payment standards.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.44 Marketing expenses

Items	This period	Last period
Employee benefits	169	133
Warehouse storage expense	48	42
Sales and service expense	5	12
Packing expense	9	20
Agency fee for commissioned sales	21	14
Insurance expense		5
Others	57	73
Total	309	299

6.45 Administrative expenses

Items	This period	Last period
Employee benefits	386	503
Amortization of intangible asset	17	96
Depreciation	80	70
Information system maintenance expense	8	10
Repair and maintenance	10	2
Security and firefighting expenses	54	51
Agency fees	19	12
Others	85	22
Total	659	766

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.46 Research and development expenses

Items	This period	Last period
Raw material consumption fee	112	103
Labor cost	114	90
Depreciation	12	12
Outsourcing expenses	106	82
Travel expenses	1	2
Power expense	46	
Others	4	2
Total	395	291

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.47 Financial expenses

Items	This period	Last period
Interest expense	225	342
Including: Interests expense from the long-term loans and long-term bonds	108	101
Interests expense from the short-term loans and letters of credit	56	104
Other interest expenditures	61	137
Less: Interest income	37	28
Less: Capitalized interest expense	19	4
Exchange gain or loss	68	(15)
Less: Capitalized exchange gain or loss		
Others	40	22
Total	277	317

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.48 Other income

Items	This period	Last period	Recorded into extraordinary gains and losses
The government grants related to environment protection	7	13	7
The government grants related to scientific research	3	2	3
Others	6	6	6
Total	16	21	16

6.49 Investment income

Items	This period	Last period
Long-term equity income under the equity method	102	205
Investment income of other investments in equity instruments invested in the holding period	2	1
Total	104	206

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.50 Gains/losses from fair value variation

Sources	This period	Last period
Changes in fair value of derivative financial assets	83	24
Changes in fair value of other non-current financial assets		(6)
Changes in fair value of derivative financial liabilities	24	(24)
Changes in fair value of embedded derivative financial instruments	25	(98)
Total	132	(104)

6.51 Impairment losses on assets

Items	This period	Last period
Provision for written-down of inventories	392	178
Total	392	178

Note: The positive numbers refer to gains and negative numbers refer to losses.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.52 Credit impairment loss

Items	This period	Last period
Accounts receivable	65	(74)
Total	65	(74)

Note: The positive numbers refer to gains and negative numbers refer to losses.

6.53 Asset disposal income

Items	This period	Last period
Fixed assets disposal income		1
Intangible assets disposal income	16	
Total	16	1

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.54 Non-operating income

Items	This period	Last period	Recorded into extraordinary gains and losses
Gains from destroy or scrap of non-current assets	43	1	43
Government grant	2	3	2
Liquidated damages	3	4	3
Payable that can not be paid	1		1
Total	49	8	49

Government grant recorded into profit/loss for current period:

Items	This period	Last period	Assets/Income related	Whether subsidies affect the profit and loss of the period
Shanghai Baoshan District Enterprise Support Fund	2	3	Income related	No
Total	2	3	-	-

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.55 Non-operating expenses

Items	This period	Last period	Recorded into extraordinary gains and losses
The loss on destroy or scrap of non-current assets	65	29	65
External donation	2	1	2
Total	67	30	67

6.56 Income tax expenses

6.56.1 Income tax expenses

Items	This period	Last period
Income tax during this period	495	1,031
Changes on deferred income tax expenses	(20)	438
Total	475	1,469

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.56 Income tax expenses (Continued)

6.56.2 The reconciliation between accounting profit and income tax expenses

Items	This period
Total profit	2,206
Income tax expenses calculated at statutory/ applicable tax rates	551
Effect of different tax rates applied by subsidiary companies	(3)
Effect of adjustments for income tax for prior period	(24)
Effect of income not subject to tax	(60)
Effect of costs, expenses and loss not deductible for tax purpose	
Effect of deductible loss of deferred income tax assets not recognized in prior periods	
Effect of current unrecognized deductible temporary difference or deductible loss arising from deferred tax income assets	(114)
Changes in the balance of deferred income tax assets/liabilities at the beginning of the period resulting from tax rate adjustments	
Others	125
Income tax expenses	475

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.57 The other comprehensive income

Please refer to Note 6.38.

6.58 Items on statements of cash flow

6.58.1 Cash received from other operating activities

Items	This period	Last period
Deposit income	75	41
Government grants	16	4
Others	70	31
Total	161	76

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.58 Items on statements of cash flow (Continued)

6.58.2 Cash paid for other operating activities

Items	This period	Last period
Freight fee	927	834
Commission for processing products	386	412
Testing fee for energy saving	269	294
Selling operation fee	154	131
Receipt and payment of retirement salaries	57	75
Pipeline transportation fee	2	25
Security and firefighting expenses	55	47
Research and development expenses	88	54
Rental fee	10	14
Storage expenses	11	18
Information system maintenance fee	15	13
Special inspection fee	3	6
Travel expenses	7	14
Agency fee	16	11
Anti-epidemic fee	23	6
Funeral expenses	42	7
Insurance fee	29	23
Other operating expenses	150	119
Total	2,244	2,103

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.58 Items on statements of cash flow (Continued)

6.58.3 Cash received from other investment activities

Items	This period	Last period
Interest revenue	37	28
Future contract income	60	111
Total	97	139

6.58.4 Cash paid for other investment activities

Items	This period	Last period
Future contract loss	27	115
Total	27	115

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.58 Items on statements of cash flow (Continued)

6.58.5 Cash received from other financing activities

Items	This period	Last period
Equity-based incentives subscription payment		86
Total		86

6.58.6 Cash paid for other financing activities

Items	This period	Last period
Payment of rental expenses	116	42
Loan agency fee	9	
Payment of share repurchase	4	
Repayment of loan principal of Anshan Iron and Steel (Note)		70
Payment of depreciation and amortization expenses of Anshan Iron and Steel (Note)		36
Others		1
Total	129	149

Note: Occurred before the merger date of the Second Power Plant.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.59 Supplement of cash flow statement

6.59.1 Reconciliation of net profit to cash flows from operating activities

Items	This period	Last period
1. Reconciliation of net profit to cash flows from operating activities		
Net profit	1,731	5,227
Add: Provision for impairment on asset	(392)	(178)
Provision for impairment on credit	(65)	74
Depreciation of fixed assets	1,758	1,832
Depreciation of right-of-use asset	81	66
Amortization of intangible assets	107	97
Loss on disposal of fixed assets, Intangible assets and other non-current assets ("-" for gains)	(16)	(1)
Loss on scrap of fixed assets ("-" for gains)	22	28
Loss on the change of fair value ("-" for gains)	(132)	104
Financial expenses ("-" for gains)	247	212
Investment loss ("-" for gains)	(104)	(206)
Decrease in deferred tax assets ("-" for increase)	51	439
Increase in deferred tax liabilities ("-" for decrease)	(35)	
Decrease in inventories ("-" for increase)	4,485	(1,420)
Decrease in operating receivables ("-" for increase)	(3,769)	(1,920)
Increase in operating payable ("-" for decrease)	119	4,275
Others	52	48
Net cash flow from operating activities	4,140	8,677
2. Change in cash and cash equivalent		
Cash at the end of the period	4,696	7,222
Less: cash at the beginning of the period	5,398	5,386
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	(702)	1,836

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.59 Supplement of cash flow statement (Continued)

6.59.2 Net cash paid to acquire subsidiaries or other business units in the current period

Items	Amounts
Cash or cash equivalents paid in the current period for business combinations that occurred in the current period	1,126
Of which: Second power plant	1,126
Less: Cash and cash equivalents held by the subsidiaries or other business unit on the date of purchase	22
Of which: Second power plant	22
Add: Cash or cash equivalents paid in the current period for business combinations that occurred in previous periods	
Of which: Second power plant	
Net cash paid to acquire subsidiaries or other business units	1,104

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.59 Supplement of cash flow statement (Continued)

6.59.3 Composition of cash and cash equivalent

Items	30 June 2022	31 December 2021
1. Cash at bank and on hands	4,696	5,398
Of which: Cash		
Bank deposits available	4,354	5,084
Other cash and cash equivalents available	342	314
2. Cash equivalents		
Of which: Bonds due within 3 months		
3. Closing balance of cash and cash equivalents	4,696	5,398

6.60 Restricted assets of ownership or use rights

Items	30 June 2022	Reason
Receivables financing	277	Pledge
Total	277	–

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.61 Foreign currency monetary

Items	Foreign currency closing balance	Conversion calculation	Closing balance in CNY
Notes payable	1,824	0.8551	1,560
Other non-current liabilities (2018 convertible bonds – embedded derivative financial instruments)	16	0.8551	14
Total	1,840		1,574

6.62 Government grants

6.62.1 The basic situation of government grants

Items	The basic situation of government grants identified at the beginning of the period		Government grants included in the profit or loss
	Amounts	Items	
The government grants related to environmental protection		Deferred income, other income	7
The government grants related to scientific research	8	Deferred income, other income	3
Others	8	Deferred income, other income	4
Others	2	Non-operating income	2
Total	18		16

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

6. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6.62 Government grants (Continued)

6.62.2 Return of government grants

There is no return of government grants in the current period.

7. CHANGES IN CONSOLIDATION SCOPE

7.1 Business combination under common control

7.1.1 Business combination under common control in the current period

The merged party	Proportion of equity acquired in business combination (%)	Basis for constituting a business combination under common control	Merger date	Basis for Determination of Combination Date
Second power plant	100	Controlled by Anshan Iron and Steel before the merger	2022-1-1	Net Asset Transfer Agreement

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

7. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

7.1 Business combination under common control (Continued)

7.1.1 Business combination under common control in the current period (Continued)

The merged party	Income of the merged party from the beginning of the current period to the date of merger	Net profit of the merged party from the beginning of the current period to the date of merger	Income of the merged party during the comparative period	Net profit of the merged party during the comparative period
Second power plant	0	0	607	27

7.1.2 Consolidation cost

Consolidation cost	Second power plant
– Cash	1,126
– Book value of non-cash assets	
– book value of debt issued or assumed	
– par value of equity securities issued	
– Contingent consideration	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

7. CHANGES IN CONSOLIDATION SCOPE (CONTINUED)

7.1 Business combination under common control (Continued)

7.1.3 The book value of the assets and liabilities of the merged party on the merger date

Items	31 December	
	Merger date	2021
Assets:		
Cash and cash equivalents	22	22
Accounts receivable	6	6
Inventories	90	90
Fixed assets	663	663
Intangible assets	345	345
Liabilities:		
Accounts payable	63	63
Employee benefits payable	4	4
Other payables	8	8
Long-term employee benefits payable	5	5
Net Assets	1,046	1,046
Less: Minority interests		
Net assets acquired	1,046	1,046

7.2 Changes in Consolidation Scope for Other Reasons

Two subsidiaries are invested and established in the current period: Beijing Angang Trading Co., Ltd. (hereinafter referred to as “Beijing International Trade”) and Delin Industrial Products Co., Ltd. (hereinafter referred to as “Delin Industrial Products”).

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES

8.1 Interest in the subsidiary

8.1.1 The constitution of the enterprise group

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct stake (%)	Indirect stake (%)	Acquisition	Nature of Subsidiaries
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")	Heifei	Heifei	101	Steel processing and distribution	100		Establishment	Wholly-owned
Shenyang Anshan Iron and Steel International Trade Co., Ltd. ("Shenyang Trade")	Shenyang	Shenyang	300	Sales of metal materials and products, building materials, etc.	100		Combination under common control	Wholly-owned
Shanghai Anshan Iron and Steel International Trade Co., Ltd. ("Shanghai Trade")	Shanghai	Shanghai	300	Wholesale and retail purchasing services	100		Combination under common control	Wholly-owned
Tianjin Anshan Iron and Steel International Trade Co., Ltd. ("Tianjin Trade")	Tianjin	Tianjin	200	Purchase and sale of metal and other materials	100		Combination under common control	Wholly-owned
Guangzhou Anshan Iron and Steel International Trade Co., Ltd. ("Guangzhou Trade")	Guangzhou	Guangzhou	300	Technology import and export of goods, wholesale and retail trade.	100		Combination under common control	Wholly-owned
Shenyang Anshan Iron and Steel Processing and Distribution Co., Ltd. ("Shenyang Steel")	Shenyang	Shenyang	187	Steel processing and distribution	100		Combination under common control	Wholly-owned
Anshan Iron and Steel Processing and Distribution (Dalian) Co., Ltd. ("Angang Dalian")	Dalian	Dalian	266	Steel processing and distribution	100		Establishment	Wholly-owned

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

8.1 Interest in the subsidiary (Continued)

8.1.1 The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct stake (%)	Indirect stake (%)	Acquisition	Nature of Subsidiaries
Ningbo Anshan Iron and Steel International Trade Co., Ltd. ("Ningbo Trade")	Ningbo	Ningbo	100	Steel trade	100		Establishment	Wholly-owned
Yantai Anshan Iron and Steel International Trade Co., Ltd. ("Yantai Trade")	Yantai	Yantai	200	Steel trade	100		Establishment	Wholly-owned
Angang Steel Distribution (Zhengzhou) Co., Ltd. ("Angang Zhengzhou")	Zhengzhou	Zhengzhou	149	Steel processing and distribution	100		Establishment	Wholly-owned
Anshan Iron and Steel Processing and Distribution Guangzhou) Co., Ltd. ("Angang Guangzhou")	Guangzhou	Guangzhou	120	Steel processing and distribution	75		Establishment	Joint venture
Anshan Iron and Steel Processing and Distribution (Tianjin) Co., Ltd. ("Angang Tianjin")	Tianjin	Tianjin	43	Steel processing and distribution	51		Combination under common control	Joint venture
Kobelco Angang Auto Steel Co Ltd. ("Angang Kobelco")	Anshan	Anshan	700	Processing and sale of steel rolling	51		Establishment	Sino-Japanese joint venture
ASPD-CC	Changchun	Changchun	382	Production, processing and steel products Sell products sales and distribution Technology research and development	100		Combination not under common control	Wholly-owned

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

8.1 Interest in the subsidiary (Continued)

8.1.1 The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct stake (%)	Indirect stake (%)	Acquisition	Nature of Subsidiaries
Angang Steel Technology and Development Co., Ltd. ("Technology and Development")	Anshan	Anshan	50	Metallurgy and related materials, equipment Development and development	100		Establishment	Wholly-owned
Angang Chemical Technology Co., Ltd.	Anshan	Anshan	2,500	Coking gas purification and production of coal products	100		Establishment	Wholly-owned
Energy and Technology	Anshan	Anshan	50	Production of dissolved acetylene; Sales of compressed gases. and liquefied gas	60		Combination under common control	Joint venture
FAW Angang	Changchun	Changchun	90	Steel processing and distribution	60		Combination not under common control	Joint venture
FAW Angang	Chaoyang	Chaoyang	8,000	Processing and sale of steel rolling	100		Combination under common control	Wholly-owned
Angang (Hangzhou) Automobile Material Technology Co., Ltd. ("Hangzhou Auto Material")	Hangzhou	Hangzhou	118	Steel, steel coil processing, sales and distribution	51	49	Establishment	Wholly-owned
Ansteel (Beijing) Auto 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

8.1 Interest in the subsidiary (Continued)

8.1.1 The constitution of the enterprise group (Continued)

Full Name of Subsidiaries	Principal place of business	Registration place	Registration capital	Nature of the business	Direct stake (%)	Indirect stake (%)	Acquisition	Nature of Subsidiaries
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
Beijing International Trade	Beijing	Beijing	198	Sales of metal materials and products, building materials, etc.	100		Establishment	Wholly-owned
Delin Industrial Products	Anshan	Anshan	180	Purchasing and consulting services for industrial products such as equipment and materials, E-commerce transactions for industrial products and supply chain financial services	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.

8.1.2 By the end of 30 June 2022, no subsidiaries of the Company issued share capital or debt securities.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

8.2 Interests in joint ventures or associates

8.2.1 The joint ventures or associates

Name	Principal place of business	Registration place	Nature of the business	Direct shareholding ratio (%)	Accounting Treatment
ANSC-TKS	Dalian	Dalian	Galvanized and alloyed steel Board production and sales	50	Equity method
ANSC – Dachuan	Dalian	Dalian	Steel processing and selling	50	Equity method
Guangzhou Automobile Steel	Guangzhou	Guangzhou	Manufacturing Steel products	50	Equity method
Angang Finance	Anshan	Anshan	Deposits and loans and financing	20	Equity method
Iron Oxide Powder Company	Anshan	Anshan	Iron powder processing	35.29	Equity method
Nansha Logistical	Guangzhou	Guangzhou	Freight Forwarding, steel packaging,	49.8	Equity method
AISSG	Hangzhou	Hangzhou	Trade, warehousing services	49	Equity method
GAC Baoshang	Guangzhou	Guangzhou	Steel Processing and Distribution	30	Equity method
Meizhou Motor Company	Meizhou	Meizhou	Automobile parts	25	Equity method
Zhong'an Water	Chaoyang	Chaoyang	Water production and supply	45	Equity method

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

8.2 Interests in joint ventures or associates (Continued)

8.2.2 The accounting information of the important joint ventures

Items	ANSC-TKS	
	30 June 2022/ the Date Occurred in This Period	31 December 2021/ the Date Occurred in Last Period
Current assets	1,892	2,054
Including: Cash and cash equivalents	402	582
Non- Current assets	644	631
Total Assets	2,536	2,685
Current liabilities	1,331	1,178
Non- Current liabilities	5	6
Total Liabilities	1,336	1,184
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent Company	1,200	1,501
The net assets calculated by the share percentage held	600	751
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group	(61)	(57)
– others		
The book value of equity investments in joint ventures	536	694
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	3,040	2,847
Finance costs	(3)	(3)
Income tax expenses	7	44
Net profit	106	267
Net profit from discontinued operations		
Other comprehensive income		
The total of comprehensive income	106	267
Dividends received from joint ventures this period	204	99

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

8.2 Interests in joint ventures or associates (Continued)

8.2.3 The accounting information of the important association

Items	Angang Finance	
	30 June 2022/ the Date Occurred in This Period	31 December 2021/ the Date Occurred in Last Period
Current assets	14,974	18,884
Including: Cash and cash equivalents	13,798	18,244
Non-Current assets	19,945	18,659
Total Assets	34,919	37,543
Current liabilities	27,457	30,303
Non-Current liabilities	9	28
Total Liabilities	27,466	30,331
Minority interests		
Subtotal of Shareholders' equity attributable to shareholders of parent Company	7,453	7,212
The net assets calculated by the share percentage held	1,490	1,442
Adjusting events		
– goodwill		
– unrealized profit resulting from trade within the group		
– others		
The book value of equity investments in joint ventures	1,490	1,442
Fair value of equity investment in joint ventures with publicly quoted price		
Operating revenue	556	445
Finance costs		
Income tax expenses	57	82
Net profit	241	248
Net profit from discontinued operations		
Other comprehensive income		(2)
The total of comprehensive income	241	246
Dividends received from joint ventures this period		

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

8. INTERESTS IN OTHER ENTITIES (CONTINUED)

8.2 Interests in joint ventures or associates (Continued)

8.2.4 The accounting information of the unimportant joint ventures and associations

Items	30 June 2022/ the Date Occurred in This Period	31 December 2021/ the Date Occurred in Last Period
Associations:		
The book value of equity investments	536	567
The followings are calculated by shares		
– Net profit	(4)	22
– Other comprehensive income		
– The total of comprehensive income	(4)	22
Joint ventures:		
The book value of equity investments	375	368
The followings are calculated by shares		
– Net profit	11	5
– Other comprehensive income		
– The total of comprehensive income	11	5

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

9. 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 6. 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

9.1 Market risk

9.1.1 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 2022, other assets and liabilities of the Group are denominated in RMB balances.

Unit: Yuan

Items	30 June 2022	31 December 2021
Bank deposits (USD)	100,229.28	100,224.18
Bank deposits (HKD)	9.09	9.09
Bond Payable (HKD)	1,824,059,011.25	1,789,476,218.26
Other non-current liabilities (HKD)	16,151,337.88	47,135,694.48

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 Angang Group International Economic and Trade Co., Ltd. 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

9.1 Market risk (Continued)

9.1.1 Exchange risk (Continued)

- A. On 30 June 2022, the exchange risk's exposure of assets and liabilities listed in the original currency is in Note 6.1, 29 and 34.
- B. The Group's main foreign exchange rates apply as follows:

Items	Average Exchange Rate		Middle Exchange Rate on the Reporting Date	
	This Period	Last Period	This Period	Last Period
	U.S. dollar	6.4810	6.4718	6.7114
H.K. dollar	0.8281	0.8338	0.8552	0.8321

- C. Sensitivity analysis

On 30 June 2022, 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 2022	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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

9.1 Market risk (Continued)

9.1.1 Exchange risk (Continued)

C. Sensitivity analysis (Continued)

By end of 30 June 2022, 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. Last period analysis based on the same assumptions.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

9.1 Market risk (Continued)

9.1.2 Interest rate risk

The Group's interest-bearing financial instruments on 30 June 2022. Please refer to notes 6.1, 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 2022, 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 RMB14 million decrease (31 December, 2021: RMB10 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 last period is based on the same assumptions.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

9.2 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 2022, except for the impairment provision of RMB684 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 57% of the receivables and other receivables on the balance sheet date (at the beginning of this period: 53%), 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

9.3 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 6.28.

9.4 Transfer of financial assets

Transferred financial assets which have been derecognized entirely but continue to be involved in.

On June 30, 2022, the amount of bank acceptance notes endorsed by the Group to suppliers for settlement of accounts payable was RMB5,426 million, and the amount of commercial acceptance notes was RMB0 million; The amount of bank acceptance notes discounted to financial institutions is RMB8,335 million, and the amount of commercial acceptance notes was RMB262 million; On June 30, 2022, 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

9. RISK ASSOCIATED WITH FINANCIAL INSTRUMENTS (CONTINUED)

9.4 Transfer of financial assets (Continued)

On June 30, 2022, the Group and financial institutions reached an open-type non-recourse factoring agreement, transferred RMB708 million accounts receivable to financial institutions, the proceeds of the transfer were RMB708 million. After the accounts receivable were transferred, with regard to the unrecoverable portion that could happen without commercial disputes, financial institutions 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 RMB708 million. The Group derecognized related expenses of RMB7 million this period.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

10. DISCLOSURE OF THE FAIR VALUE

10.1 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 2022			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
Continues fair value measurement:				
Derivative financial assets	1			1
Receivables financing		1,810		1,810
Other investments in equity instruments			596	596
Other non-current financial assets	43			43
Derivative financial liabilities	41			41
Other non-current liabilities ^(note)			14	14

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

10. DISCLOSURE OF THE FAIR VALUE (CONTINUED)

10.1 The amount of asset and liability measured at fair value and the measurement hierarchies (Continued)

Items	The Fair Value on 31 December 2021			Total
	The Fair Value Measured at first Level	The Fair Value Measured at Second Level	The Fair Value Measured at Third Level	
	Continues fair value measurement:			
Derivative financial assets	3			3
Receivables financing		1,844		1,844
Other investments in equity instruments			496	496
Other non-current financial assets	43			43
Derivative financial liabilities	116			116
Other non-current liabilities (<i>note</i>)			39	39

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 June 30, 2022, with the values of other parameters unchanged, the stock price volatility increased or decreased by 1%, and the value of the embedded derivatives of convertible bonds increased or decreased by RMB1 million. 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

10. DISCLOSURE OF THE FAIR VALUE (CONTINUED)

10.2 Adjustment information between the book value of the continuous third-level fair value measurement project

	Other investments in equity instruments	Other non-current liability
Balance at 1 January 2022	496	39
Additional investment		
Changes in fair value (included in other comprehensive income)	100	
Changes in fair value (included in current profit and loss)		(25)
Balance at 30 June 2022	596	14

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

11.1 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	53.35	53.35

Note: Angang Group Co., Ltd. is the ultimate controlling party.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.2 Information on the subsidiaries of the parent company

Please refer to Note 8.1 Subsidiaries.

11.3 Information on the joint ventures and associates of the group

Please refer to Note 8.2 Investment in joint ventures and associates.

11.4 Related parties without control relationship

Name of Enterprise	Relation with the Parent Company
Guangzhou Automobile Steel	Joint venture
ANSC-TKS	Joint venture
ANSC – Dachuan	Joint venture
AISSG	Associate
Nansha Logistical	Associate
Zhong'an Water	Associate
GAC Baoshang	Associate
Meizhou Motor Company	Associate
Angang Finance	Associate, Fellow subsidiary
Shanxi Wuchan International Energy Co., Ltd.	Associate of Angang Group
Falan Packing	Fellow subsidiary
Angang Steel Casting Co., Ltd.	Fellow subsidiary
Angang Group Mining Co., Ltd.	Fellow subsidiary
Angang Steel Rope Co., Ltd.	Fellow subsidiary
Angang Group Dalian Technology Creativity Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Group Refractories Co., Ltd.	Fellow subsidiary
Angang Automobile Transportation Co., Ltd.	Fellow subsidiary
Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	Fellow subsidiary
Angang Group Real Estate Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Institute of Labor Technology Co., Ltd.	Fellow subsidiary
Delin Lugang Supply Chain Service Co., Ltd.	Fellow subsidiary
Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	Fellow subsidiary
Angang Group Information Industry Co., Ltd.	Fellow subsidiary

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.4 Related parties without control relationship (Continued)

Name of Enterprise	Relation with the Parent Company
Angang Electric Co., Ltd.	Fellow subsidiary
Yingkou Angang Water Industry Co., Ltd.	Fellow subsidiary
Angang Yingkou Port Affairs Co., Ltd.	Fellow subsidiary
Anshan Jidong Cement Co., Ltd.	Joint venture of Angang Group
Anshan Iron and Steel Baker Gillini Water Treatment Co., Ltd.	Joint venture of Angang Group
Anshan Kede Roll Surface Treatment Co., Ltd.	Joint venture of Angang Group
Angang Group Engineering Technology Co., Ltd.	Joint venture of Angang Group
Angang Mine Construction Co., Ltd.	Associate of Angang Group
Angang Group International Economic and Trade Co., Ltd. (hereinafter referred to as "Angang International Trade")	Fellow subsidiary
Angang Group Capital Holding Co., Ltd. (hereinafter referred to as "Angang capital holding")	Fellow subsidiary
Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd.	Fellow subsidiary
Pangang Group Xichang Steel and Vanadium Co., Ltd.	Fellow subsidiary
Pangang Group International Economic and Trade Co., Ltd.	Fellow subsidiary
Pangang Group Vanadium and Titanium Resources Co., Ltd.	Fellow subsidiary
Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	Fellow subsidiary
Pangang 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
Pangang Group Life Service Co., Ltd.	Fellow subsidiary
Pangang Group Mining Co., Ltd.	Fellow subsidiary
Pangang Metallurgical Materials Co., Ltd.	Fellow subsidiary
Angang Group Engineering Technology Development Co., Ltd.	Fellow subsidiary
Angang Group Zhongyuan Industry Development Co., Ltd.	Fellow subsidiary
Angang Group Human Resources Service Co., Ltd.	Fellow subsidiary
Bensteel Group Co., Ltd.	Fellow subsidiary
Benxi Beiyong Iron and Steel (Group) Co., Ltd.	Fellow subsidiary
Bengang Steel Plates Co., Ltd.	Fellow subsidiary

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 Related-party transactions

11.5.1 Related-party transactions within Angang Group Co., Ltd.

11.5.1.1 Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Raw materials	Note.1	13,675	16,661
Steel	Note.2	414	318
Supplementary materials	Note.3	1,328	1,532
Energy and power supplies	Note.4	58	23
Support service	Note.5	3,102	3,190
Total	–	18,577	21,724

11.5.1.2 Related-party transactions on Sales of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Product	Note.6	4,701	3,541
Scrap steel and material	Note.6	188	135
General services	Note.7	184	212
Total	–	5,073	3,888

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Angang Group Co., Ltd. (Continued)

11.5.1.2 Related-party transactions on Sales of Goods and Services (Continued)

Note. 1: The iron ore concentrate purchase price of standard grade products is 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 form (T-1) 21st to T 20th 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 (T-1). Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 65% index shall be applied (where T is the current month); the price of low-standard products is Not higher than 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 form (T-1) 21st to T 20th 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 62% index. Using this as the basis, a further discount equal to 3% of the average value of Platts Fe 62% index shall be applied. The pellets ore is measured at market price. The price of iron concentrate plus the processing costs for (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 Standard grade products of 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)

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Angang Group Co., Ltd.
(Continued)

11.5.1.2 Related-party transactions on Sales of Goods and
Services (Continued)

Note.1: (Continued)

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 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 steel products are determined according to the price of the sales of Angang Steel to third parties after deducting the commission fee which is Not less than RMB15/ton;

Note.3: 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Angang Group Co., Ltd. (Continued)

11.5.1.2 Related-party transactions on Sales of Goods and Services (Continued)

Note.4: Mainly at government prices, market price or operating costs plus 5% of gross profit margin;

Note.5: At state prices, government prices or market prices, agency services are subject to not higher than 1.5% of the commissions (commission fee of raw fuel is RMB5/ton) or pricing based on depreciation fees plus maintenance costs, or labor, materials and management fees, or processing costs plus no more than 5% of the gross margin;

Note.6: Steel products, molten iron, steel billets, by-products of steel production and coke are mainly measured at selling prices based on the average prices charged to independent customers for the preceding month. The basis of the price of above products offered to Angang 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. The price of coal is increased by RMB5/wet ton according to the purchase cost price, and the price of imported ore is increased by RMB5/dry ton according to the purchase cost price; sintered ore are based on market prices; the price of pellet ore is increased by RMB5/wet ton according to the purchase cost price; E-commerce products are based on market prices; scrap steel and scrap materials are based on market prices. Retired and idle assets are mainly measured at market prices or assessing prices;

Note.7: At the government prices, market prices or operating costs plus 5% of gross profit margin, agency services are subject to not higher than 1.5% of the commissions.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 Related-party transactions (Continued)

11.5.1 Related-party transactions within Angang Group Co., Ltd. (Continued)

11.5.1.3 Related-party transactions on Asset acquisition

Contents	Pricing Policy	This Period	Last Period
Net assets of the Second Power Plant	Evaluation result pricing	1,126	

11.5.1.4 Related party guarantee

The Company applied to become the designated rebar delivery factory warehouse of the Shanghai Futures Exchange (hereinafter referred to as the "SHFE"), Anshan Iron and Steel provided guarantee for the Company to apply for the qualification of delivery factory warehouse to the SHFE, and signed a letter of guarantee (hereinafter referred to as "the letter of guarantee"). Anshan Iron and Steel requires the Company to provide counter-guarantee for the above-mentioned guarantees provided by the Company. The amount of counter-guarantee shall not exceed RMB300 million. The counter-guarantee guarantee period shall be from the date when the Company signed the agreement on designated rebar futures factory warehouse of SHFE with SHFE to the date of termination of the contract (i.e. the duration of the contract) and two years after the end of the contract duration.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 Related-party transactions (Continued)

11.5.2 Related-party transactions with Pangang Group Vanadium and Titanium Resources Co., Ltd.

Related-party transactions on Procurement of Goods and Services

Contents	Pricing Policy	This Period	Last Period
Raw materials	Market price	96	78
Total	–	96	78

11.5.3 Other related-party transactions

For this period, the amount of domestic and export sales agent service provided by Angang International Trade were 0.67 million tons respectively (0.87 million tons respectively for last period).

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 Related-party transactions (Continued)

11.5.4 Loan, deposit and interest payment to Angang Finance

Items	Annual interest rate	Opening balance	Increment	Decrement	Closing balance	Terms of credit
Deposit		3,475	230,925	230,585	3,815	
Loan						

In this period, the Group's interest income of deposit in Angang Finance was RMB26 million (for the last period: RMB11 million) and the interest expenditure for loans(including discount)from Angang finance was RMB6 million (for the last period: RMB3 million). The highest daily deposit of the Group in Angang Finance in this period was RMB4,965 million (for the last period: RMB3,479 million).

11.5.5 Related-party transactions with Angang Capital Holding

In the current period, Angang Capital Holding and its subsidiaries (referred to as "Angang Capital Holding Group") provided commercial factoring of RMB225 million to the Group, and the capital cost paid by the Group was RMB2 million.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 Related-party transactions (Continued)

11.5.6 Related-party transactions with the joint ventures and the associates:

A. Statement of purchasing products

Name of enterprise	This period	Last period
ANSC-TKS	378	316
ANSC – Dachuan		39
Guangzhou Automobile Steel	1	53
Zhong'an Water	11	
GAC Baoshang		3
Nansha Logistical		3
AISSG	1	
Total	391	414

B. Statement of selling products

Name of enterprise	This period	Last period
ANSC-TKS	2,321	2,052
Guangzhou Automobile Steel	847	741
AISSG	76	
Meizhou Motor Company	3	1
GAC Baoshang	5	1
Nansha Logistical	8	215
Total	3,260	3,010

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 RELATED-PARTY TRANSACTIONS (Continued)

11.5.7 Remuneration of the directors, supervisors and senior management

Items	This period	Last period
Directors' fee		
Other remuneration	9.09	6.67
Including: Salaries, allowances and non-cash amount of interest	7.96	4.99
Performance-related bonus		
Other insurance and benefits	1.00	0.88
Pension plan contributions	0.13	0.80
Total	9.09	6.67

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 RELATED-PARTY TRANSACTIONS (Continued)

11.5.7 Remuneration of the directors, supervisors and senior management (Continued)

Fees paid to executive directors, non-executive directors, supervisors and senior management personnel.

Name	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits	Pension plan contributions	Total
Executive directors:						
Wang Baojun		0.97				0.97
Yang Xu		0.87		0.12	0.01	1.00
Li Zhongwu (resigned)		0.14		0.03	0.01	0.18
Subtotal for executive directors		1.98		0.15	0.02	2.15
Supervisors:						
Shen Changchun		1.34		0.19	0.02	1.55
Yang Zhengwen		0.53		0.08	0.02	0.63
Subtotal for Supervisors		1.87		0.27	0.04	2.18
Senior Management:						
Xu Shishuai		1.38		0.19	0.02	1.59
Meng Jinsong		1.46		0.20	0.02	1.68
Zhang Peng		1.13		0.16	0.02	1.31
Zhang Hongjun (resigned)		0.14		0.03	0.01	0.18
Subtotal for Senior management		4.11		0.58	0.07	4.76
Total		7.96		1.00	0.13	9.09

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 RELATED-PARTY TRANSACTIONS (Continued)

11.5.7 Remuneration of the directors, supervisors and senior management (Continued)

Name	Last period				Total	
	Directors' fees	Salaries, allowances and non-cash	Performance-related bonus	Other insurance and benefits		Pension plan contributions
Executive directors:						
Li Zhen		0.83		0.14	0.13	1.10
Ma Lianyong (resigned)		0.05		0.02	0.01	0.08
Li Zhongwu		0.91		0.16	0.15	1.22
Wang Baojun		0.38		0.06	0.06	0.50
Subtotal for executive directors		2.17		0.38	0.35	2.90
Supervisors:						
Yuan Peng (resigned)		0.02		0.01		0.03
Yang Zhengwen		0.41		0.08	0.07	0.56
Subtotal for Supervisors		0.43		0.09	0.07	0.59
Senior Management:						
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

Note: There is no agreement for a director, supervisor and senior management to waive or agree to waive this period's remuneration.

The top five employees with the highest remuneration this period included 1 director, 1 supervisor and 3 senior managers (2 directors and 3 senior managers for the last period), and their payment have been set out in detail above.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.5 RELATED-PARTY TRANSACTIONS (Continued)

11.5.8 Continuing related-party transactions

The related-party transactions disclosed in Note 11.5.1-11.5.5 also constitute connected transactions or continuing connected transactions defined in Chapter 14A of the Hong Kong Stock Exchange Listing Rules.

11.6 Balances of related-party transactions

11.6.1 Accounts receivable

Items	Related party	30 June 2022	31 December 2021
Accounts receivable	Angang International Trade	1,183	39
Accounts receivable	Angang Steel Rope Co., Ltd.	73	82
Accounts receivable	Angang Group Mining Co., Ltd.	13	16
Accounts receivable	ANSC-TKS	13	15
Accounts receivable	Pangang Group Xichang Steel and Vanadium Co., Ltd.	5	6
Accounts receivable	Pangang Group Mining Co., Ltd.	4	5
Accounts receivable	Angang Group Engineering Technology Development Co., Ltd.	4	3
Accounts receivable	Angang Steel Casting Co., Ltd.	4	
Accounts receivable	Angang Group Information Industry Co., Ltd.	2	4
Accounts receivable	Anshan Iron and Steel	2	3
Accounts receivable	Chengdu Western IOT Group Co., Ltd.	2	2

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.6 Balances of related-party transactions (Continued)

11.6.1 Accounts receivable (Continued)

Items	Related party	30 June 2022	31 December 2021
Accounts receivable	Angang Group Zhongyuan Industry Development Co., Ltd.	2	2
Accounts receivable	Delin Lugang Supply Chain Service Co., Ltd.	2	1
Accounts receivable	AISSG	2	
Accounts receivable	Panzhuhua Steel & Vanadium Co., Ltd. of Panzhuhua Iron and Steel Group	1	1
Accounts receivable	GAC Baoshang	1	1
Accounts receivable	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	1	1
Accounts receivable	Pangang Metallurgical Materials Co., Ltd.	1	
Accounts receivable	Anshan Iron and Steel Group Refractories Co., Ltd.		23
Accounts receivable	Angang Automobile Transportation Co., Ltd.		1
Accounts receivable	Other Related Parties		1
Total		1,315	206

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.6 Balances of related-party transactions (Continued)

11.6.1 Accounts receivable (Continued)

Items	Related party	30 June 2022	31 December 2021
Prepayment	Angang International Trade	2,476	1,717
Prepayment	Angang Group Engineering Technology Development Co., Ltd.	69	53
Prepayment	ANSC-TKS	31	23
Prepayment	Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	27	
Prepayment	Bengang Steel Plates Co., Ltd.	25	1
Prepayment	Angang Automobile Transportation Co., Ltd	12	2
Prepayment	Guangzhou Automobile Steel	5	6
Prepayment	Benxi Beiyang Iron and Steel (Group) Co., Ltd.	3	
Prepayment	Chengdu Western IOT Group Co., Ltd.	3	
Prepayment	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	1	
Prepayment	Angang Lianzhong (Guangzhou) Stainless Steel Co., Ltd.	1	15
Prepayment	Delin Lugang Supply Chain Service Co., Ltd.		3
Prepayment	Pangang Group International Economic and Trade Co., Ltd.		1
Prepayment	Bensteel Group Co., Ltd.		1
Total		2,653	1,822

Note: No provision for bad debts has been made for creditor's rights.

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Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable

Items	Related party	30 June 2022	31 December 2021
Accounts payable	Angang International Trade	1,864	2,258
Accounts payable	Anshan Iron and Steel	220	52
Accounts payable	Angang Group Mining Co., Ltd.	133	68
Accounts payable	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	127	165
Accounts payable	Angang Group Zhongyuan Industry Development Co., Ltd.	126	173
Accounts payable	ANSC-TKS	118	74
Accounts payable	Shanxi Wuchan International Energy Co., Ltd.	116	
Accounts payable	Angang Steel Casting Co., Ltd.	62	
Accounts payable	Delin Lugang Supply Chain Service Co., Ltd.	51	64
Accounts payable	Angang Group Engineering Technology Development Co., Ltd.	39	67
Accounts payable	Pangang Group International Economic and Trade Co., Ltd.	39	191
Accounts payable	Anshan Iron and Steel Group Refractories Co., Ltd.	27	45
Accounts payable	Angang Automobile Transportation Co., Ltd.	25	31
Accounts payable	Angang Steel Rope Co., Ltd.	21	2
Accounts payable	Chengdu Western IOT Group Co., Ltd.	18	30
Accounts payable	Angang Group Information Industry Co., Ltd.	15	14
Accounts payable	Falan Packing	9	13
Accounts payable	Angang Cold Rolled Steel Plate (Putian) Co., Ltd.	8	11
Accounts payable	Angang Yingkou Port Affairs Co., Ltd.	7	

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	30 June 2022	31 December 2021
Accounts payable	Pangang Group Vanadium and Titanium Resources Co., Ltd.	7	23
Accounts payable	Pangang Group Life Service Co., Ltd.	5	
Accounts payable	Yingkou Angang Water Industry Co., Ltd.	4	
Accounts payable	Bengang Steel Plates Co., Ltd.	3	
Accounts payable	Angang Group Real Estate Co., Ltd.	3	12
Accounts payable	Angang Mine Construction Co., Ltd.	2	25
Accounts payable	Anshan Kede Roll Surface Treatment Co., Ltd.	2	6
Accounts payable	Angang Group Engineering Technology Co., Ltd.	1	7
Accounts payable	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	1	
Accounts payable	ANSC - Dachuan		28
Accounts payable	Bensteel Group Co., Ltd.		19
Accounts payable	Angang Electric Co., Ltd.		9
Accounts payable	Pangang Group Life Service Co., Ltd.		6
Accounts payable	Zhong'an Water		2
Accounts payable	AISSG		1
Accounts payable	GAC Baoshang		1
Accounts payable	Other Related Parties		1
Total		3,053	3,398

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	30 June 2022	31 December 2021
Other payables	Angang Group Engineering Technology Co., Ltd.	162	237
Other payables	Angang Group Information Industry Co., Ltd.	74	77
Other payables	Angang Group Engineering Technology Development Co., Ltd.	58	69
Other payables	Angang Group Zhongyuan Industry Development Co., Ltd.	29	14
Other payables	Anshan Iron and Steel	18	
Other payables	Delin Lugang Supply Chain Service Co., Ltd.	5	5
Other payables	Shanxi Wuchan International Energy Co., Ltd.	3	4
Other payables	Anshan Iron and Steel Metallurgical Furnace Material Technology Co., Ltd.	3	3
Other payables	Angang Mine Construction Co., Ltd.	3	
Other payables	Angang Electric Co., Ltd.	2	6
Other payables	Angang Group Real Estate Co., Ltd.	2	6
Other payables	Angang International Trade	2	1
Other payables	Anshan Iron and Steel Group Refractories Co., Ltd.	1	
Other payables	Angang Group Human Resources Service Co., Ltd.	1	
Other payables	Anshan Iron and Steel Institute of Labor Technology Co., Ltd.	1	
Other payables	Angang Group Co., Ltd.	1	
Other payables	Angang Steel Casting Co., Ltd.	1	
Other payables	Angang Mine Construction Co., Ltd.		3
Other payables	AISSG		1
Other payables	Other Related Parties		1
Total		366	427

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.6 Balances of related-party transactions (Continued)

11.6.2 Accounts payable (Continued)

Items	Related party	30 June 2022	31 December 2021
Contract liabilities	Delin Lugang Supply Chain Service Co., Ltd.	438	682
Contract liabilities	Angang Group Zhongyuan Industry Development Co., Ltd.	76	114
Contract liabilities	Anshan Iron and Steel	54	23
Contract liabilities	Falan Packing	31	29
Contract liabilities	Angang Group Engineering Technology Development Co., Ltd.	29	33
Contract liabilities	Guangzhou Automobile Steel	28	5
Contract liabilities	Angang Automobile Transportation Co., Ltd.	28	4
Contract liabilities	Angang International Trade	24	11
Contract liabilities	ANSC-TKS	9	77
Contract liabilities	Angang Group Mining Co., Ltd.	8	10
Contract liabilities	Anshan Iron and Steel Group Refractories Co., Ltd.	6	1
Contract liabilities	Angang Group Information Industry Co., Ltd.	6	
Contract liabilities	AISSG	4	11
Contract liabilities	Pangang Group Jiangyou Great Wall Special Steel Co., Ltd.	3	3
Contract liabilities	Pangang Group International Economic and Trade Co., Ltd.	3	2
Contract liabilities	Nansha Logistical	1	1
Contract liabilities	Meizhou Motor Company	1	1
Contract liabilities	Angang Mine Construction Co., Ltd.	1	
Contract liabilities	Angang Steel Casting Co., Ltd.		7
Contract liabilities	Angang Group Engineering Technology Co., Ltd.		5
Contract liabilities	Angang Electric Co., Ltd.		2
Contract liabilities	Angang Group Dalian Technology Creativity Co., Ltd.		2
Contract liabilities	Anshan Jidong Cement Co., Ltd.		1
Contract liabilities	Other Related Parties		1
Total		750	1,025

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

11. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

11.6 Balances of related-party transactions (Continued)

11.6.3 Other non-current assets

Items	Related party	30 June 2022	31 December 2021
Other non-current assets	Angang Group Engineering Technology Co., Ltd.	271	438
Other non-current assets	Angang International Trade	193	191
Other non-current assets	Angang Group Information Industry Co., Ltd.	60	41
Other non-current assets	Angang Group Engineering Technology Development Co., Ltd.	14	31
Total		538	701

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

12. SHARE-BASED PAYMENT

12.1 The general introduction of share-based payment

The 32nd meeting of the eighth session of the board of directors of the company was held on November 26, 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 December 10, 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 December 24, 2020, the implementation of the stock repurchase for the 2020 incentive plan have completed. The Company has spent 166 million yuan (including transaction costs) repurchasing 52 million shares, which was included in treasury shares.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

12. SHARE-BASED PAYMENT (CONTINUED)

12.1 The general introduction of share-based payment (Continued)

On December 31, 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 January 8, 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 48.60million 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 January 8, 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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

12. SHARE-BASED PAYMENT (CONTINUED)

12.1 The general introduction of share-based payment (Continued)

On December 10, 2021, the Company held the eighth session of the fifty-fourth meeting of the board of directors, deliberated and approved the “On the grant of reserved partial restricted stock to incentive objects”. According to “the Measures for The Administration of Equity Incentives of Listed Companies”, the relevant provisions of the 2020 incentive plan and the authorization of the 2020 Third Extraordinary General Meeting of Shareholders held by the Company, the board of directors believed that the conditions for the award of the incentive plan have been met, and determined that December 10, 2021 will be the reserved grant date, and 5.3662 million restricted shares will be granted to 38 incentive objects at a price of RMB2.31 per share. On the same day, upon deliberation and approval by the board of directors, part of the 8 incentive objects first granted by the 2020 incentive plan have cancelled or terminated their labor relations with the company due to job transfer, and no longer meet the incentive conditions. The Company intends to repurchase and cancel 2.23 million A-shares of restricted stock held by the above incentive objects. The repurchase price is RMB1.88 per share (the repurchase price is calculated based on the grant price plus the interest of bank fixed deposit in the same period), and the total amount of this repurchase is RMB4 million. The above-mentioned restricted shares for repurchase were transferred to the special securities account for repurchase opened by the company, and cancelled after being reviewed and approved by the general meeting of shareholders on January 6, 2022. After the cancellation, the company reduced the company's share capital and capital reserve by RMB2 million and RMB2 million respectively, and reduced treasury shares by RMB4 million.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

12. SHARE-BASED PAYMENT (CONTINUED)

12.2 Overview

The total amount of various equity instruments granted by the company in the current period (10,000 shares)	0
The total amount of various equity instruments exercised by the company in the current period (10,000 shares)	0
The total amount of various equity instruments expired in the current period (10,000 shares)	0

Among them, the introduction of share-based payment settled by equity:

Determination method of fair value of equity instruments on grant date	Based on the market value of shares granted to Japanese companies
Determination basis for the number of exercisable equity instruments	Estimated and determined according to the performance conditions of each unlocking period specified in the restricted stock plan
Reasons for the significant differences between the current estimates and the previous estimates	None
Total employee services in exchange for share-based payments	73
Accumulated amount of equity-settled share-based payment included in capital reserve	22
Total expenses recognized for equity-settled share-based payments in the current period	0

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

13. COMMITMENTS AND CONTINGENCIES

13.1 Significant commitments

Items	30 June 2022	31 December 2021
Investment contracts entered but not yet performed or performed partially	74	1,200
Construction and renovation contracts entered but not yet performed or performed partially	3,431	2,448
Total	3,505	3,648

13.2 Contingencies

As of 30 June 2022, there are no significant contingencies that need to be disclosed.

14. SUBSEQUENT EVENTS

As of the approval date of this report, there are no significant contingencies that need to be disclosed

15. OTHER SIGNIFICANT INTRODUCTIONS

As of 30 June 2022, there are no other significant introductions that need to be disclosed

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

16.1 Accounts Receivable

16.1.1 Classification of Accounts Receivable

Items	30 June 2022				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	917	17.96	750	81.79	167
Account receivable for which bad debt is prepared based on group combination	4,190	82.04	2	0.05	4,188
including: Risk-free group combination	3,675	71.96			3,675
Risk group combination on the basis of aging-matrix	515	10.08	2	0.39	513
Total	5,107	100.00	752	14.72	4,355

Items	31 December 2021				
	Book Value		Bad Debt Provision		Net Book Value
	Amount	Percentage (%)	Amount	Percentage (%)	
Accounts receivable subject to separate assessment for bad debts provision	1,018	38.08	815	80.06	203
Account receivable for which bad debt is prepared based on group combination	1,655	61.92	2	0.12	1,653
including: Risk-free group combination	1,130	42.27			1,130
Risk group combination on the basis of aging-matrix	525	19.65	2	0.38	523
Total	2,673	100.00	817	30.56	1,856

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.1 Accounts Receivable (Continued)

16.1.2 Accounts receivable subject to separate assessment for bad debts provision

Debtors	30 June 2022			Reason
	Book Value	Bad Debt Provision	Percentage (%)	
Property Finance	586	462	78.84	Notes overdue
HNA Finance Department	214	179	83.64	Notes overdue
Lifan Finance	50	43	86.00	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
Total	917	750	81.79	-

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.1 Accounts Receivable (Continued)

16.1.3 Accounts Receivable classified by aging

Aging	30 June 2022	31 December 2021
Within 1 year	4,190	1,609
1 to 2 years		10
2 to 3 years		956
3 to 4 years	845	6
4 to 5 years		12
Over 5 years	72	80
Total	5,107	2,673

Note: In the above analysis, the aging of accounts receivable transferred from overdue notes receivable is calculated on the transfer date. The amount of accounts receivable due within 1 year is RMB5 million, and the amount due in 3-4 years is RMB845 million. Meanwhile, the rest of accounts receivable are based on the invoice date.

16.1.4 Bad debt provision at the end of the period

Type	31 December 2021	Increase/Decrease		30 June 2022
		Bad debt provision	Resale or Reverse verification	
Accounts receivable	817		65	752

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.1 Accounts Receivable (Continued)

16.1.5 Accounts receivable written off this period

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

16.1.6 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 RMB3,676 million as of 30 June 2022, which accounted for 71.98% of the closing balance of the total accounts receivable. The summary closing balance of corresponding bad debt provision amounted to RMB462 million as of 30 June 2022.

16.1.7 Accounts receivable derecognized resulting from transfer of financial assets.

In the current period, the Group transferred accounts receivable of RMB483 million without recourse, and incurred related expenses of RMB5 million for derecognition this period.

16.2 Other receivables

Items	30 June 2022	31 December 2021
Dividends receivable		
Other receivables	63	82
Total	63	82

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivables (Continued)

16.2.1 Other receivables

16.2.1.1 Classification of other receivables

Items	30 June 2022				
	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 including: Risk-free group combination	66	100.00	3	4.55	63
Risk group combination on the basis of aging-matrix	40	60.61			40
	26	39.39	3	11.54	23
Total	66	100.00	3	4.55	63

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

16.2.1.1 Classification of other receivables (Continued)

Items	31 December 2021				
	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	85	100.00	3	3.53	82
including: Risk-free group combination	36	42.35			36
Risk group combination on the basis of aging-matrix	49	57.65	3	6.12	46
Total	85	100.00	3	3.53	82

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

16.2.1.2 Other receivables classified by the nature

Type	30 June 2022	31 December 2021
Petty cash	11	4
Money lent to subsidiary	36	36
The remaining factoring receivable		25
Industrial injury loan	12	13
Others	7	7
Total	66	85

16.2.1.3 Other receivables classified by aging

Aging	30 June 2022	31 December 2021
Within 1 year	61	81
1 to 2 years	1	1
2 to 3 years	1	
3 to 4 years		
4 to 5 years		
Over 5 years	3	3
Total	66	85

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

16.2.1.4 The recognition of bad debt provision

	The first stage	The second stage	The third stage	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 2022			3	3
Bad debt provision				
Reverse				
Resale or verification				
Write off				
Other changes				
Balance at 30 June 2022			3	3

16.2.1.5 Bad debt provision at the end of the period

Type	31 December 2021	Increase/Decrease		30 June 2022
		Bad debt provision	Resale or Reverse verification	
Other receivables	3			3

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.2 Other receivables (Continued)

16.2.1 Other receivables (Continued)

16.2.1.6 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 RMB52 million at 30 June 2022, which accounted for 78.79% of the closing balance of the total other receivables. The closing balance of corresponding bad debt provision amounted to RMB0 million.

16.3 Long-term equity investment

16.3.1 Classification of long-term equity investment

	30 June 2022			31 December 2021		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	10,252		10,252	9,890		9,890
Investments in joint ventures and associates	2,902		2,902	3,036		3,036
Total	13,154		13,154	12,926		12,926

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.3 Long-term equity investment (Continued)

16.3.2 Investments in subsidiaries

The invested entity	31 December		Increment	Decrement	30 June		Provision for impairment at the end of period
	2021				2022	Provision for impairment	
Angang Wuhan	237				237		
Angang Hefei	102				102		
Angang Guangzhou	90				90		
Shenyang Trade	321				321		
Shanghai Trade	303				303		
Tianjin Trade	203				203		
Guangzhou Trade	315				315		
Angang Shenyang	181				181		
Angang Tianjin	27				27		
Angang Dalian	266				266		
Ningbo Trade	100				100		
Yantai Trade	200				200		
Angang Kobelco	357				357		
ASPD-CC	450				450		
Technology and Development	50				50		
Angang Zhengzhou	149				149		
Angang Chaoyang Energy and Technology	3,545				3,545		
Chemical Technology	33				33		
FAW Angang	2,677				2,677		
Angang Parts	119				119		
Delin Zhilian	50				50		
Delin Zhilian	55				55		
Angang Hangzhou	60				60		

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.3 Long-term equity investment (Continued)

16.3.2 Investments in subsidiaries (Continued)

The invested entity	31 December	Increment	Decrement	30 June	Provision for impairment	Provision for impairment at the end of period
	2021			2022		
Beijing International Trade		198		198		
Delin Industrial Products		164		164		
Total	9,890	362		10,252		

16.3.3 Investments for the joint ventures and associates

Please refer to Note 6.10 (excluding Zhong'an Water).

16.4 Operating income and operating cost

16.4.1 Classified by production

Items	This period		Last period	
	Income	Cost	Income	Cost
Prime operating	61,677	58,999	64,985	58,214
Other operating	214	188	263	117
Total	61,891	59,187	65,248	58,331

Note: The Group is classified into an operating segment based on the type of business: production and sale of steel products.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

16. NOTES TO PARENT COMPANY FINANCIAL STATEMENTS (CONTINUED)

16.4.2 Classified by region

Items	This period	Last period
Foreign transaction income from the within borders	58,434	61,268
Foreign exchange income from outside borders	3,457	3,980
Total	61,891	65,248

16.4 Operating income and operating cost (Continued)

16.4.3 Classified by the time when the revenue is confirmed

Items	This period	Last period
Confirmed at a certain point	61,891	65,248
Total	61,891	65,248

16.5 Investment income

Items	This period	Last period
Long-term equity investment income measured at cost method	856	1,054
Long-term equity investment income measured at equity method	101	205
Investment income of other investments in equity instruments	2	1
Total	959	1,260

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

17. NET CURRENT ASSETS

Items	30 June 2022	31 December 2021
Current assets	30,714	32,541
Less: Current liabilities	34,673	30,625
Net current assets/(liabilities)	(3,959)	1,916

18. TOTAL ASSETS LESS CURRENT LIABILITIES

Items	30 June 2022	31 December 2021
Total assets	96,247	98,652
Less: Current liabilities	34,673	30,625
Total assets less current liabilities	61,574	68,027

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS

19.1 Non-recurring gains and losses

Items	This period	Last period
Gains and losses from disposal of non-current assets	(6)	(27)
Government grant recorded into profit and loss for current period except that relevant to enterprise operation and in compliance with government policies	18	24
Net profit and loss of subsidiaries in the previous year arising from business combination under common control		27
Changes in the fair value of trading financial assets (Liabilities)		(6)
Other non-current liabilities-part of embedded derivative financial instruments, derivative financial liabilities-changes in fair value of foreign exchange swap contracts	49	(97)
Other non-operating income and loss not listed above	2	3
Subtotal	63	(76)
Less: Effect on taxation	16	(26)
Effect on minority interest (after tax)		
Total	47	(50)

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

19.1 Non-recurring gains and losses (Continued)

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).

19.2 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	2.84	0.182	0.182
Net profit (exclusive of non-operating profit) attributable to ordinary shareholders	2.76	0.177	0.177

The above data is calculated using the following formula:

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

- (1) Weighted average return on equity

$$\text{Weighted average return on equity} = \frac{P_0}{(E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)}$$

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)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

(2) Basic earnings per share

$$\text{Basic earnings per share} = \frac{P_0}{S}, \quad S = \frac{S_0 + S_1 + S_i \times M_i}{M_0 - S_j \times M_j - M_0 - S_k}$$

P_0 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_0 corresponds to the total number of shares at the beginning of the period; S_1 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_i refers to increasing the number of shares due to the issuance of new shares or debt-to-equity swaps during the reporting period; S_j refers to the number of shares reduced due to repurchase during the reporting period; S_k refers to the number of share compressing in the report 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.

Financial Report (Continued)

Notes to Financial Statements (Continued)

30 June 2022 (Expressed in million RMB unless otherwise indicated)

19. SUPPLEMENTARY DOCUMENTS (CONTINUED)

19.2 Return on equity (ROE) and Earnings per Share (EPS) (Continued)

(3) Diluted earnings per share

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 during the Reporting Period;
3. 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

26 August 2022

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*