BAOSTEEL 宝钢股份



2022 Annual Report

Baoshan Iron & Steel Co., LTD

Baosteel Illustration in one picture

Business Performance for 2022

Business performance

Realized a total profit of RMB 15.04 billion in 2022

remaining No. 1 in the industry domestically

RMB **15.04** billion **1**

Gross revenue

YoY up by **1.0%**

RMB **369.06** billion

Net profit attributable to parent company

RMB **12.19** billion 48.4%

Cash flow from operating activities (excluding Finance Co.)

RMB **37.49** billion 20.5%

EBITDA

RMB **36.59** billion 29.6%

EPS

RMB **0.55** 48.6%

ROE

6.33 % 6.0PPTS

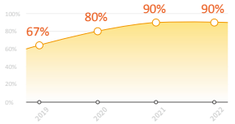
Dividend

Plannning to pay a cash dividend of RMB **0.10** per share (tax inclusive) for the second half of the year

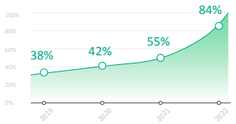
Planning to pay a cash dividend of RMB **0.28** per share (tax inclusive) for 2022

A cash cow of sound management and prudent operation

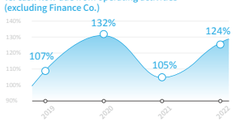
Industry's fractile value by profit per ton of steel



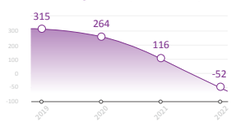
Domestic industry's fractile value by ROE



Ratio of cash flow realized from operating activities vs. cash flow due from operating activities (excluding Finance Co.)



Net interest-bearing liabilities (RMB 100 million)



Dividend yield



*The dividend distribution plan for the second half of 2022 is to be deliberated by the Shareholders' Meeting

Free cash flow (RMB 100 million) (excluding Finance Co.)

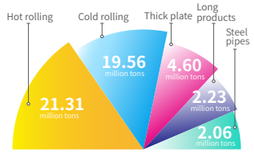


Production management

Zhanjiang Iron & Steel No.3 blast furnace put into operation

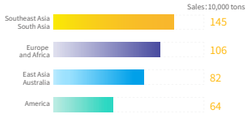
Sales in 2022 **49.76** million tons

Up by **3.19** million tons YoY



Annual export of iron and steel products **3.98** million tons

Sales: 10,000 tons



Differentiated product strategy

"Dual leading force" with Auto sheet SMARTeX and silicon steel BeCOREs

Cold-rolled auto sheet, oriented silicon steel With market shares both improved

The cold-rolled auto sheet was rated a National Individual Champion in Manufacturing by MIIT

"1+1+N"

Differentiated products bucked the trend

Realized an increase of **1.83** million tons

2021 **23.55** million tons

2022 **25.38** million tons

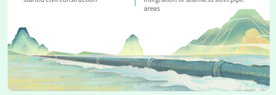
Continuously promoted product structure optimization

The production line for high-grade non-oriented silicon steel for new energy vehicles with an annual production capacity of 500,000 tons was put into operation

The production capacity of super-high strength steel at the back end of Zhanjiang Iron & Steel No.3 blast furnace was released gradually, with product certification going smoothly

The (two-step) project of oriented silicon steel product structure optimization of Baoshan Base started civil construction

Baosteel and Baotou Iron & Steel jointly funded and built Baosteel Pipe to promote the specialized integration of seamless steel pipe areas



Technically leading

R&D input rate **4.69** %

Won **36** national, industrial and provincial scientific and technological awards

Study on the Ouyeel Furnace Smelting Reduction Smelt Iron Process Technology won the special prize of Metallurgical Science and Technology Progress Award

Development and Application of Key Technology and Equipment for Production of Alloying HDG Ultrahigh Strength Auto Sheets and other five achievements won the first prize of Metallurgical Science and Technology Progress Award

Nine products made world debut:

Heat-resistant domain refined oriented silicon steel	High-weld high-formation super-high strength steel	Non-oriented silicon steel for high-energy efficiency new energy vehicle drive motor
B18HS075	CH1180	B30AHV1400M



A heavy weight of a powerful country showcasing the force of central enterprises

The largest clean energy corridor in the world

Total installed capacity of **71.69** million kilowatts

Average annual electric energy production of **282.1** billion kilowatt hours

Five giant cascade hydropower stations (namely Wudongde, Baihetan, Xiluodu, Xiangjiaba, and The Three Gorges) boasted a total installed capacity of 71.69 million kilowatts, accounting for nearly 1/5 of the national total installed hydropower capacity, and an average annual electric energy production of 282.1 billion kilowatt hours, accounting for nearly 1/4 of the national total hydroelectric energy production.

- **Thick plate** — Volutes and other core components of water-turbine generator sets
- **Hot-rolled** — hydro-generator rotor
- **Non-oriented silicon steel** — hydro-generator rotor
- **Oriented silicon steel** — Ultrahigh voltage converter transformer, boosting transformer, main transformer
- **Color-coated** — Convertor station



The offshore wind turbine generator with the largest unit capacity in the world

Unit capacity of **16** megawatts Carbon reduction of **54,000** tons

Output of clean electric energy of **66** million kilowatt hours

With a unit capacity of 16 megawatts, a single unit is capable of an annual output of over 66 million kilowatt hours of clean electric energy, equivalent to a carbon reduction of 54,000 tons

- **High-grade non-oriented silicon steel** — Core components contribute to the lightweight and high efficiency of the generator



"Hualong One" nuclear power

Annual power generating capacity of **10** billion KWh

Carbon reduction of **8.16** million tons

China's self-developed third-generation nuclear power technology, every Hualong One unit boasts an annual power generating capacity of approximately 10 billion KWh, equivalent to a carbon reduction of 8.16 million tons

- **Oriented silicon steel** — Pioneered the innovative technical mode of application in generator stators
- **Heavy plates** — Used for head plates, cylindrical shells of safety injection tanks and other key technology



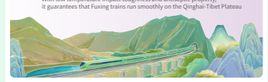
China High-speed Railways

Operating mileage of **42,000** kilometers

Max speed per hour of **350** kilometers

By the end of 2022, China High-speed Railways realized a total operating mileage of up to 42,000 km, ranking first in the world. The Fuxing series of high-speed electric multiple-unit (EMU) trains operated at speeds of up to 350 kilometers per hour, marking yet another major achievement made by China in scientific and technological innovation.

- **High-performance, ultra-thick non-oriented silicon steel** — Designated material for the traction motors on Fuxing trains that can ensure the trains run steadily
- **Steel for railway tracks** — Baosteel's high-speed steel rails covered over 50% of the total mileage of China High-speed Railways, and Baosteel's corrosion-resistant rail U68CuCr made its global debut, an exclusive nationwide
- **High weather-proof welding wire steel** — With low temperature impact toughness and antiseptic property, it guarantees that Fuxing trains run smoothly on the Qinghai-Tibet Plateau



King of the Ocean - Ultra-large container ship

Carrying capacity of approx. **228,000** tons

Deck area equivalent to **3.5** standard football fields

China's 24188TEU ultra-large container ship is currently the world's largest container ship in terms of carrying capacity, which is at approx. 228,000 tons, with a deck area equivalent to 3.5 standard football fields and the maximum height equivalent to a 22-floor residential building when fully loaded

- **Crack arrest steel and extra-thick high-strength ship plate** — With high crack arrest toughness, good plate cut, and outstanding machinability, it has reached the international leading level and passed the certification by the authoritative classification society, sweeping away the materials obstacles in the manufacturing of ultra-large container ships for China



Smart manufacturing

- **10** production lines reached the intelligent production line of "one line one post"
- Over **200** new industrial robots were put into service with the number of industrial robots totaling **1179**
- For **10** processes that leverage AI technology automated robotic application was put into service
- The intelligent carbon data platform went live officially, realizing **carbon accounting, carbon assets** and product **carbon footprint** management
- It was listed as one of the **"Pilot Enterprises of Digitalization 2022"** integrating the development of next-generation information technology and manufacturing by MIIT
- Dongshan Base was included in the 2022 list of candidate **demonstration plants** of intelligent manufacturing published by MIIT

Green and low carbon

- Issued China' s iron and steel industry' s first **Climate Action Report**
- Opened up the whole-hydrogen-rich and carbon-cycling blast furnace process, **realizing carbon emission reduction of 21%, the first in China!**
- The million-ton hydrogen-based shaft furnace project of Zhanjiang Iron & Steel' s **Zero-carbon Demo Factory** started construction, scheduled to go into production by the end of 2023
- Launched auto sheet parts with carbon reduction of over 30%, winning the **"2022 Landmark Progress"** award of the China Auto Lightweight Technology Innovation Strategic Alliance
- **Low-carbon auto sheet** Went into mass production (Beyond EO - 30%)
- Joined hands with China Petroleum & Chemical Corporation, Shell China and BASF to launch China' s first **10-million-ton CCUS project**



Enhanced efficiency



External ratings

Highest credit ratings in the industry

Standard & Poor's:	Moody's:	Fitch:
A- Steady	A2 Steady	A+ Steady

Capital market assessment

The only iron and steel enterprise on the 2022 all-star list of **"Most Admired Chinese Companies"** of Fortune

Included in the SASAC **"Central Enterprise ESG · Pioneer 50 Index"**, with its ranking up by 3 notches to the 4th

Won the top rating - "Excellent" in the first **Dual-carbon Leadership Ranking List of Chinese Listed Companies (2022)**

Included in the list of A-share listed companies of the China Association for Public Companies for 2022 **Best ESG Practice Award**



Business Objectives for 2023

Guidelines for Production Output and Sales

Iron output	Steel output	Sales of steel billets
48.77 million tons	50.89 million tons	51.21 million tons

Business Objectives





Important Notice

(I) The Board of Directors and the Board of Supervisors of Baoshan Iron & Steel Co., Ltd. (hereinafter "the Company"), along with their directors, supervisors and senior executives, hereby guarantee that the Annual Report is free from false statement, misleading information or grave material omission, and assume relevant separate and joint responsibilities in regard to the truth, the accuracy and the integrity of the contents of the Report.

(II) Information about Absentee(s)

Title of absentee	Name of absentee	Reason for absence	Name of mandatary
Director	Yao Linlong	Job-related reason	Gao Xiangming

(III) Ernst & YoungHuaming Certified Public Accountants (special general partnership) gave standard unqualified audit report for the Company.

(IV) Zou Jixin, Chairman of the Company, Wang Juan, CFO in charge of the accounting affairs, and Ran Ruiwen, Head of Accounting Department, attest to the truth, the accuracy and the integrity of the financial statements in this Report.

(V) Proposed Profit Appropriation Plan and Capitalizing of Reverses Plan during the Reporting Period Reviewed by the Board of Directors

The profit distribution plan of the reporting period that has been deliberated is as follows: According to the cash dividend policies of the Company, the cash dividend distributed every year shall not be lower than 50% of the net profit attributable to shareholders of the parent company given in the audited consolidated statement for the year. It is hereby worked out that the cash dividend to be distributed shall not be lower than RMB 6.093 billion. Upon the deliberation and approval of the Second Extraordinary Shareholders' Meeting in 2022, the Company has distributed semi-annual profits at the cash dividend of RMB 0.18 yuan per share in October 2022, and the total amount of dividends distributed is RMB 3.988 billion, with the cash dividends for the second half of the year totaling no less than RMB 2.105 billion. In the second half of 2022, the Company intends to pay a cash dividend at RMB 0.10 per share (tax inclusive) based on 22,156,355,749 shares in total (excluding the shares in the Company's special repurchase account), with an expected total dividend of RMB 2,215,635,574.90 (tax inclusive), accounting for 50.40% of the net profit attributable to shareholders of the parent company for the second half of 2022 in the consolidated statements. The actual dividend distribution will be made using the number of shares on the registration date (minus the number of shares in the Company's special repurchase account) as confirmed in the dividend distribution announcement at RMB 0.10/share (tax-inclusive). The estimated total amount of dividends for 2022 is RMB 6,203,819,491.60 (tax-inclusive), accounting for 50.91% of the net profit attributable to shareholders of the parent company as shown in the consolidated statement for 2022.

(VI) Risk Disclosure on Forward-looking Statements

√Applicable □ Not applicable

The proactive future plans and developing strategies in this Report do not constitute actual promises to investors. Investors are kindly reminded that investment involves risks.

(VII) Was Capital Found in the Company to be Occupied by the Controlling Shareholder and its Related Parties?

None

(VIII) Was Guarantee Found in the Company to be Provided in Any Manner That is Against the Stipulated Decision-making Procedures?

None

(IX) Whether over half of the Directors Cannot Guarantee the Truthfulness, Accuracy or Integrity of the Annual Report Disclosed by the Company?

None

(X) Major Risk Warning

In 2023 the global economic uncertainty has significantly increased due to the effects of such factors as the Russia-Ukraine conflict, energy crisis, USD interest rate hike. The domestic iron & steel industry is faced with such challenges as sluggish demand, high raw materials and fuel prices, etc. With enhanced policy controls like environmental protection, energy consumption control, carbon control, etc, the Company is faced with increasing risks in terms of environmental protection and carbon dioxide peaking neutralization implementation.

(XI) Others

√Applicable □ Not applicable

Pursuant to the Interpretation of the Accounting Standards for Business Enterprises No. 15, the Company conducts separate accounting of and include in current gains and losses (with those in relation to daily activities presented under "Operating income" and "Operating cost" and those unrelated to daily activities presented under items like "Income from disposal of assets") the income and cost in relation to the external sales of fixed assets before reaching their expected serviceable conditions or of products or byproducts generated in the course of research and development (hereinafter "Trial Operational Sales") from January 1, 2022; with regard to the relevant products or byproducts generated from trial operation, prior to the external sales thereof, those that meet the conditions for recognition as assets shall be recognized as inventory or other relevant assets. With regard to trial operational sales that occurred during 2021, the Company shall make retroactive adjustments according to the Interpretation of the Accounting Standards for Business Enterprises No. 15.

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References	Original copy of the 2022 annual report signed by the Company's legal representative.
	Financial statements signed and stamped by the legal representative, person-in-charge of accounting, and head of accounting.
	Original copy of the audit report stamped by the accounting firm and signed and stamped by the certified accountants.
	Originals of all corporate documents and originals of all announcements disclosed during the reporting period.

Section I Definitions

I. Definitions

The following terms in this Report shall have the meanings as shown below unless the context requires otherwise:

commonly-used words	definition	
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
CISA	Refers to	China Iron and Steel Association
China BAOWU, BAOWU Group, Group Company	Refers to	China BAOWU Steel Group Co., Ltd., formerly Baosteel Group Co., Ltd. (or "Baosteel Group")
Carbon steel	Refers to	An alloy of iron and carbon. Generally speaking, its carbon content between 0.04% and 2%, while most of it less than 1.4%. Steel with no other alloy elements but iron, carbon, silicon, manganese, sulphur and phosphorus as well as silicon content no more than 0.4%, manganese no more than 0.8%.
Oriented silicon steel	Refers to	Silicon steel with certain rules and directions in crystal arrangement. Silicon content usually about 3%, low iron loss and high magnetic induction, with nominal thickness of 0.20mm, 0.23mm, 0.27mm, 0.30mm, 0.35mm etc. Used in various transformers and others aspects for electric power industry.
Four major manufacturing bases	Refers to	Baoshan Base, Qingshan Base, Dongshan Base and Meishan Base. Baoshan Base refers to the manufacturing base (located in Baoshan District, Shanghai) of Baoshan Iron & Steel Co., Ltd. Qingshan Base refers to Wuhan Iron & Steel Co., Ltd. Dongshan Base refers to Baosteel Zhanjiang Iron & Steel Co., Ltd. Meishan Base refers to Shanghai Meishan Iron & Steel Co., Ltd.
The Company	Refers to	Baoshan Iron & Steel Co., Ltd.
WISCO	Refers to	Wuhan Iron & Steel (Group) Corporation
Finance Co.	Refers to	Baowu Group Finance Co., Ltd. (formerly known as Baosteel Group Finance Co., Ltd.)
Magang Group	Refers to	Magang (Group) Holding Company Ltd.
Echeng Steel	Refers to	Baowu Group Echeng Iron and Steel Co., Ltd.
Ouyeel	Refers to	Ouyeel Co.,Ltd.
Baosight Software	Refers to	Shanghai Baosight Software Co., Ltd.
Baowu Carbon	Refers to	Baowu Carbon Technology Co., Ltd. (formerly known as Baowu Carbon Material Technology Co., Ltd.)
Baowu Raw Material	Refers to	Baowu Raw Material Supply Co., Ltd.
Baowu Water	Refers to	Baowu Water Technology Co. Ltd.
Baowu Clean Energy	Refers to	Baowu Clean Energy Co., Ltd.
Baosteel Metal	Refers to	Baosteel Metal Co., Ltd.

Section II Company Profile and Financial Highlights

I. Company Profile

Chinese Name	宝山钢铁股份有限公司
Chinese Abbreviation	宝钢股份
English Name	Baoshan Iron & Steel Co., Ltd.
English Abbreviation	Baosteel
Legal Representative	Zou Jixin

II. Contact Information

	Secretary to Board of Directors	Representative of Securities Affairs
Name	Wang Juan	Tao Yun, Sheng Zhiping
Address	Board of Directors' Office of Baoshan Iron & Steel Co., Ltd., Baosteel Administration Center, No. 885 Fujin Rd. Baoshan District, Shanghai	Board of Directors' Office of Baoshan Iron & Steel Co., Ltd., Baosteel Administration Center, No. 885 Fujin Rd. Baoshan District, Shanghai
Tel.	86-21-26647000	86-21-26647000
Fax	86-21-26646999	86-21-26646999
E-mail	ir@baosteel.com	ir@baosteel.com

III. Basic Information

Registered Address	No. 885 Fujin Road, Baoshan District, Shanghai
Alterations of the Company's registered address	In February 2000, the Company's registered address was at "the Orchard on Fujin Road in Baoshan District"; In June 2006, it was altered to "South Wing, No. 1813 Mudanjiang Road, Shanghai"; In October 2010, it was altered to "No. 885 Fujin Road, Baoshan District, Shanghai".
Office Address	885 Fujin Road, Baoshan District, Shanghai
Zip Code of Office Address	201999
Internet website	http://www.baosteel.com/
E-mail	ir@baosteel.com

IV. Company Announcements or Disclosures & Copies of the Report

Company Announcements or Disclosures published in:	China Securities News, Shanghai Securities News, and Securities Times
Annual Report Website Designated by China Securities Regulatory Commission	http://www.sse.com.cn
Copies of the Annual Report of the Company available at:	Baosteel Administration Center, 885 Fujin Road, Baoshan District, Shanghai

V. Profiles of Stocks of the Company

Company Stock			
Type of stock	Stock listed at	Abbreviation of stock	Stock code
A-share	Shanghai Stock Exchange	Baosteel	600019

VI. Other Relevant Information

Accounting Firm (Mainland China)	Name	Ernst & Young Huaming Certified Public Accountants (special general partnership)
	Office address	17th Floor, Ernst & Young Tower, Oriental Plaza, No.1, East ChangAn Street , Beijing (100006)
	Signing Accountants	Jiang Weimin, Wu Tingdong

VII. Major Accounting Data and Financial Indicators of the Company for the Latest Three Years

Unit: Million Yuan Currency: RMB

(I) Major accounting data

Major accounting data	2022	2021	Increase or decrease (%) over the same period of last year	2020
Operating incomes	367,778	364,349	0.9	281,519
Net profit attributable to shareholders of listed company	12,187	23,632	-48.4	12,695
Net profit attributable to shareholders of the listed company less non-recurring gains and losses	10,430	23,525	-55.7	12,434
Net cash flows from operating activities	44,719	59,869	-25.3	28,153
	The end of 2022	The end of 2021	Increase or decrease (%) over the same period of last year	The end of 2020
Net assets attributable to shareholders of listed company	194,623	190,934	1.9	184,676
Total assets	398,249	380,398	4.7	357,781

(II) Major financial indicators

Major financial indicators	2022	2021	Increase or decrease (%) over the same period of last year	2020
Basic earnings per share (Yuan/share)	0.55	1.07	-48.6	0.57
Diluted earnings per share (Yuan/share)	0.56	1.07	-47.7	0.57
Basic earnings per share less non-recurring gains and losses (Yuan/share)	0.48	1.07	-55.1	0.56
Weighted average return-on-equity (%)	6.33	12.36	Increase by 6.03 percentage points	7.02
Weighted average return-on-equity less non-recurring gains and losses (%)	5.42	12.31	Increase by 6.89 percentage points	6.90

The Company's major accounting data and financial indicators for the last three years at the end of the reporting period
☐ Applicable √ Not applicable

VIII. Differences in Accounting Data under Domestic and Foreign Accounting Standards

(I) The differences between the net profit and the net assets attributable to the shareholders of the listed company in financial reports disclosed in accordance with international accounting standards and Chinese accounting standards

☐ Applicable √ Not applicable

(II) The differences between the net profit and the net assets attributable to the shareholders of the listed company in financial reports disclosed in accordance with foreign accounting standards and Chinese accounting standards

☐ Applicable √ Not applicable

(III) Differences between domestic and foreign accounting standards:

☐ Applicable √ Not applicable

IX. Major Financial Data of Each Quarter 2022

Unit: Million Yuan Currency: RMB

	First quarter (Jan.-Mar.)	Second quarter (Apr.-Jun.)	Third quarter (Jul.-Sept.)	Fourth quarter (Oct.-Dec.)
Operating incomes	85,980	97,675	94,597	89,526
Net profit attributable to shareholders of listed company	3,732	4,059	1,672	2,723
Net profit attributable to shareholders of the listed company less non-recurring gains and losses	3,493	3,818	1,376	1,742
Net cash flows from operating activities	8,899	5,651	9,311	20,858

Differences between quarterly data and disclosed periodic report data

☐ Applicable √ Not applicable

X. Non-recurring Gains and Losses

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Non-recurring gains and losses items	Amount in 2022	Amount in 2021	Amount in 2020
Gains and losses arising from disposal of non-current assets	373	119	-529
Government subsidy calculated in current gains and losses, except closely related to normal operating activities, consecutive ration and quantitation government subsidy in lines with national policies, rules and certain standards	802	624	506
Net gain and loss in current period of subsidiaries generated from enterprise merger under the same control from the beginning of the period to the consolidation date	-	35	86
Gains and losses from the change of fair value for holding trading financial assets and liabilities, derivative financial assets and liabilities, investment income by the disposal of trading financial assets and liabilities, derivative financial assets and liabilities, and other debt investments, except effective hedging operations related to the Company normal operation business	1,090	435	642
Impact on current gains and losses of one-time adjustment to current gains and losses as per laws and regulations in relation to tax, accounting, etc.	125	-	-
Other net non-operating income and expenditure other than the above items	-46	-155	-216
Other gains and losses items in line with the definition of non-recurring gains and losses	-	-656	-66
Less: Effect of income tax	457	179	94
Effect of minority interest (after tax)	131	116	68
Total	1,757	107	261

Explanation for the items of non-recurring gains and losses defined according to the "Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses" and for defining the items of non-recurring gains and losses listed in the "Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public – Non-recurring Gains and Losses" as items of recurring gains and losses.

☐ Applicable √ Not applicable

XI. Projects Using Fair Value Measurement

√ Applicable ☐ Not applicable

Unit: MillionYuan Currency: RMB

Items	Beginning balance	Closing balance	Change during the reporting period	Amount affecting balance during the reporting period
Trading financial assets	3,519	2,775	-744	75
Derivative financial assets	0.3	68	68	265
Receivables financing	9,781	10,178	397	-
Non-current assets due within a year	-	50	50	-
Other current assets	14,863	42,092	27,229	615
Other debt investment	7,797	2,598	-5,199	17
Other equity instrument investments	1,155	1,191	37	49
Other non-current financial assets	9,464	785	-8,679	1,413
Derivative financial liabilities	-32	-52	-20	24
total	46,547	59,685	13,138	2,457

XII. Others

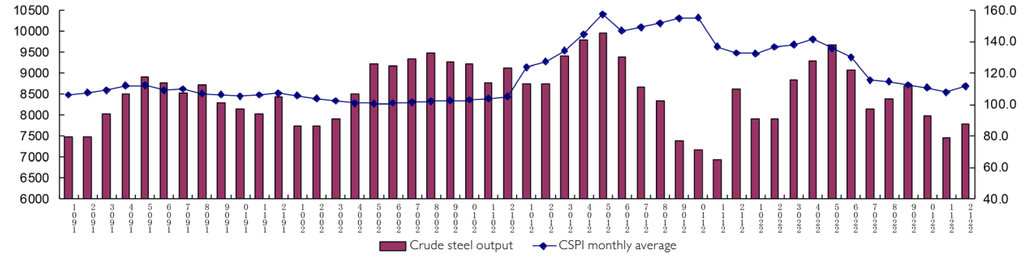
☐ Applicable √ Not applicable

I. Discussion and Analysis about Operation

In the first half of 2022, China's economic growth speed was first high and then dropped to a low point in the 2nd quarter, but gradually recovered in the second half. The national GDP for 2022 was RMB121 trillion, representing a YOY growth of 3.0%. The total value of import & export trade in goods was RMB42.1 trillion, marking a 7.7% YOY growth. The industrial added value of nationwide enterprises above designated size recorded a 3.6% YOY growth. The added value of hi-tech manufacturing marked a 7.4% YOY growth.

In 2022, the overall profitability of China's iron & steel industry dropped significantly. The total profit generated by the major large-scaled steel enterprises under China Iron & Steel Association was RMB98.2 billion, representing a 72.3% YOY drop. For the whole year of 2022, China's crude steel output was 1.01 billion tons, marking a 2.1% YOY drop. For 2022, the domestic steel price index was 123.4, representing a 13.8% YOY drop; the global commodity prices still remained high, the 2022 average price for Platts index for 62% iron cores was USD120.2, marking a 24.2% YOY drop. The 2022 average price for coking coal produced in Lvliang, Shanxi was RMB2,459/ton, marking a 20.2% YOY increase.

Unit: ten thousand tons, points



Data source: wind

In 2022, the Company implemented pandemic prevention and control measures, carried out production and operation activities, and actively responded to various risks and challenges like decreasing market demand, high raw materials and fuel prices, etc., and launched the campaign of fighting against crisis and creating first-class enterprise to improve operational efficiency. Thanks to all this, our total profit for 2022 remained No.1 in China's iron & steel industry. In 2022, the Company sold 49.763 million tons of billets, realized a total operating revenue of RMB369.06 billion, and generated RMB15.04 billion in total profit.

II. Industrial status of the Company in the reporting period

(I) Development stage, periodic characteristics of the industry and the industrial status of the Company in the reporting period

In 2022, the international situation had been grim and complex, with repeated outbreaks and scattered spread of Covid-19 in China. Though China's economy was faced with a downward pressure heavier than expected due to combined effects of multiple factors, both at home and abroad, like the Covid-19 pandemic and the Russia-Ukraine conflict, etc., domestic economy realized a year-on-year growth of 3% for the year thanks to effective coordination of pandemic prevention and control with economic and social development, rollout and rapid implementation of a string of policies to stabilize economy, with GDP coming in at RMB 121 trillion; the industrial added value above designated scale across the country grew by 3.6% year on year, which was 2.5 percentage points lower than the average of the previous two years and 2.1 percentage points lower than that of 2019.

In 2022, the situation with China's iron and steel industry had been relatively grim, with weak supply and demand as its epitome against the backdrop of a weak cycle and sluggish development, driving the price of steel down drastically; due to factors like global inflation and energy crisis, the prices of crude fuel for iron and steel rose quickly, continuously squeezing the profit margin of the iron and steel industry, leading to large-scale losses across the industry and reducing the overall profits to a relatively low level in recent years.

In 2022, as the iron and steel industry as a whole was faced with a "severe winter", the Company, focusing on "cost reduction, efficiency improvement and reform" across the board, spared no efforts to take actions against the crisis, such as improving the productivity of production lines, promote purchase reform, reducing cost through technology and optimizing product structure, with its annual total profit staying on top in the industry domestically.

(II) Major impact of newly issued laws, administrative regulations, departmental rules and industrial policies on the industry of the Company

In 2022, a host of industrial policies were issued by national ministries and commissions, including the Guideline on Promoting the High-quality Development of the Iron and Steel Industry, the Implementation Guideline for Energy Conservation and Carbon Reduction Upgrading in Key Sectors of Energy-Intensive Industries (2022), the Action Plan for Improving Industrial Energy Efficiency, and the Action Plan for Improving Industrial Water Efficiency, with requirements for the iron and steel industry mainly centered on aspects like capacity governance, energy and environmental protection and increased use of steel scrap.

In terms of capacity governance, relevant policies strictly prohibit increasing the capacity of iron and steel, promote business acquisitions and restructuring, encourage industry-leading enterprises to conduct business acquisitions and restructuring to build a host of world-class super-larger iron and steel conglomerates, and guide the development of electric steelmaking in an orderly fashion.

In terms of energy and environmental protection, relevant policies provide that by 2025 the production capacity of steelmaking and iron making procedures above the energy efficiency benchmark level in the iron and steel industry will account for 30%, while that under the energy efficiency benchmark level will have been basically eliminated. Over 80% of iron and steel capacity will be reconstructed for super low emission, reducing the comprehensive energy consumption per ton of steel by over 2% and the intensity of water consumption by over 10%, to ensure carbon peaking before 2030.

In terms of increased use of steel scrap, relevant policies provide that by 2025 the annual processing capacity of enterprises allowed to conduct steel scrap processing shall be over 180 million tons, with short-process steelmaking accounting for over 15%; by 2030 new breakthroughs shall be made in the application of such technologies as hydrogen-rich and carbon-cycling blast furnace smelting, directly reduced iron by hydrogen-assisted shaft furnace, and carbon capture, utilization and storage, etc., with short-process steelmaking accounting for over 20%.

The aforesaid policies have put forward more stringent requirements for reducing energy consumption and low-carbon development. Large-scale iron and steel groups in China will, in response to the call of the government and industry, implement actions for "carbon peaking and carbon neutrality", carry out the work to realize extreme energy efficiency, and promote the iron and steel industry to realize green and low-carbon transformation and attain high-quality development.

III. Business operations of the Company during the reporting period

(I) The Company's main business, main products and uses, business model and main performance driving factors during the reporting period

The Company has always been adhering to the development path of "Innovation, Coordination, Green Production, Openness and Sharing", has globally well-known brand, world-class technological level and service capability. The Company's main steel business is specialized in production of high-technological-content and high-additional-value carbon steel sheets, heavy plates, steel tubes and other quality iron and steel products, its main products have been widely applied to the industries of automobile, home appliances, petrochemical, machinery manufacturing, energy, transportation, etc. The Company focuses on core strategic product groups, and from the four major dimensions of manufacturing, R&D, marketing and service, it has formed the six major strategic products of automobile steel, electrical steel, energy and pipeline steel, high-grade sheets, tin plates, and long steel products.

The Company focuses on the cultivation of innovation ability, actively develops and applies advanced manufacturing and energy saving and environmental protection technology and has established a worldwide marketing and processing service network. The Company has independently researched and developed a new generation of automotive high strength steel, oriented silicon steel, high-grade household appliances steel, energy marine steel, bridge steel and other high-end products in the international advanced level. The Company sticks to the strategy to develop high-quality goods characterized with leading technology, pays close attention to the quick growth of China's high-end manufacturing such as military industry, nuclear power, high-speed rail, marine engineering equipment, new energy vehicles industry and others and develops premium products including high-strength steel, oriented silicon steel and others. Besides, the Company has also developed and reserved high-end new material technologies and tries to pursue economic benefit brought by premium product structure "from steel to materials".

As the most trusted value creation partner of the customer, Baosteel, focusing on being "from manufacturing to services" and "from China to global", has been actively providing customers with first-class products, technologies and services in a global marketing network through early service involvement, perfect client demand-driven mechanism, production and sales balance decision support system, Baosteel Huichuang platform, quickly-responded perfect marketing service system, and rapid strategic layout of the steel service platform, etc. In addition to meeting needs of domestic market, our products are also exported to more than 70 countries and regions, including Japan, South Korea, Europe and America.

Sticking to the model of duel engines with "scale + capacity", the Company strives to be "stronger, better and bigger", and build itself in to a "world-class" iron and steel enterprise. On the one hand, based on its positioning as the flagship company under Baowu Group and a specialized platform company of plates, it is promoting the integration of, consolidation of and business coordination between the relevant iron and steel enterprises within Baowu Group, and building segmented market champions through multiple channels and across the board in the product field under the "one-million-ton class - gross profit per ton at one thousand yuan, and total gross profit at one billion" strategy; on the other hand, it is speeding up to "go out" through controlling and holding shares in overseas steelmaking bases to accelerate the expansion of its international business capacity, competitiveness and influence. In the meantime, it is deepening the "1+5" strategy and advancing the innovative management model of "one company with multiple bases" to continuously enhance its capabilities in five major aspects, namely product operation, technological leadership, green and low carbon, smart manufacturing, and efficiency improvement.

With major manufacturing bases located in Baoshan (Shanghai), Qingshan (Wuhan), Dongshan (Zhanjiang) and Meishan (Nanjing), the Company is

one of the iron and steel enterprises with the completest varieties of carbon steel worldwide. In advancing its innovative management model of "one company with multiple bases", the Company sticks to the reform-driven approach, committed to building a smart and efficient manufacturing headquarters as well as smart and agile manufacturing bases. It will further enhance the construction of "five centers", product division and procedures management division, and strengthen the matrix management model integrating "platform + specialization"; deepen production-marketing coordination across bases and establish a new model of multiple-base production and marketing balancing to accommodate changes in supply and demand and thereby maximize the Company's benefits.

(II) Highlights of the Company

The company's percentile value in the industry by ROE
84 percentile
2021: 55 percentile
29 percentile

Net cash inflow from operating activities (Excluding Finance Co.)
RMB 37.49 billion
Target for 2022: RMB 33.42 billion
4.07 billion

"1+1+N" product sales
25.38 million tons
2021: 23.55 million tons
7.8%

Industry ranking by melted iron cost
No. 9
2021: No.19
10 notches

R&D investment ratio
4.69%
2021: 3.12%
1.57 percentage points

Per capita output of steel(Regular employees in the main business of iron and steel)
1620 tons per personyear
2021: 1516 tons per person year
88.8%

- The Company remained No. 1 domestically in terms of business performance. Overcoming negative factors and challenges such as the downward pressure on the iron and steel market, and pandemic prevention and control, etc., the Company deepened the management model of "one company with multiple bases", further expanded comprehensive benchmarking, increased efforts in coordinating between purchase and sales, dynamically optimized the flow of resources and product structure, and strengthened the efforts to tap the potential of cost reduction and expense control. The Company realized a total profit of RMB 15.04 billion, beating the industrial market in terms of the decline in profit.

- The Company has deepened the product differentiation strategy. The Company realized a total sales volume of 25.38 million tons of "1+1+N" products, representing a year-on-year increase of 1.83 million tons. An increase of over 1 million tons was achieved compared with the annual target in highly-profitable products like cold-rolled auto sheets, oriented silicon steel, high-grade non-oriented silicon steel for new energy vehicles, as well as steel for quality energy and structural ship missions. The Company further promoted the green and low-carbon branding, steadily pressed ahead with the "Beyond" action, and became a "dual championship" brand with Baosteel's auto sheet SMARTeX and silicon steel BeCOREs.

- The Company continued to deepen cost reduction. The Company pressed ahead with comprehensive cost reduction work centering on cost reduction with logistics for purchase, cost reduction with energy, optimization of coal blending and ore blending structure, cost reduction with key expense controls, improvement in technological and economic indicators, and other aspects, accumulatively reducing the cost by RMB 9.35 billion in 2022, outperforming the annual target and effectively boosting the Company's business performance.

- The Company spared no efforts to pursue green and low-carbon development. The Company started the construction of environment-friendly A-grade enterprise, and steadily promoted the reconstruction for ultra-low emission; four bases completely achieved zero solid waste discharge from factory; with the carbon peaking and carbon neutrality work entering the implementation stage, the Company formulated the "Action Plan for Realizing Carbon Peaking and Carbon Neutrality of Baoshan Iron & Steel Co., Ltd." and issued the industry's first "Climate Action Report"; the intelligent carbon data platform (iCD) went live officially, realizing carbon accounting, carbon assets and product carbon footprint management; the world debut of Baosteel auto sheet ultra-low carbon parts and net zero carbon path was held successfully; the hydrogen-assisted shaft furnace project of Zhanjiang Iron & Steel started construction, and the zero-carbon high-grade sheet steel factory project was progressing orderly.

- The Company led the development of the industry with technological innovation. The Company has won 36 scientific and technological prizes at the national, industrial and provincial level; steady progress has been achieved in 16 key and core technologies of the Company, with breakthroughs made in technologies like the technology of sheet bar embedded inspection, and steel for shipbuilding and marine engineering in extreme environments, etc. Nine products, represented by the next generation drive dynamo steel B30AHV1400M for highly energy-efficient new energy vehicles, made their world premiere, and breakthroughs were made in 40 signature technologies.

- New progress has been made in digital and intelligent transformation. The Company further pressed ahead with the plan for "all control rooms to be centralized and separate from the workshop; all operating positions to be taken by robots; all equipment to be monitored remotely; and all services to be offered online", and the go-live of "Baorobot", accelerating the construction of smart bases and intelligent factories. The Company has comprehensive upgraded the data-enabled approach, enriched the application scenarios of big data, and successfully put into operation carbon data management, procedure quality management across the four bases, and other big data applications. The Company was listed as one of the "Pilot Enterprises of Digitalization 2022" integrating the development of next-generation information technology and manufacturing by the Ministry of Industry and Information Technology, and Dongshan base was included in the 2022 list of candidate demonstration plants of intelligent manufacturing published by the Ministry of Industry and Information Technology.

- The Company has maintained the highest credit rating in the industry. In February 2023, Fitch raised the Company's credit rating to A+. Currently, international rating agencies Standard & Poor's, Moody's and Fitch gave a credit rating of A-, A2 and A+ to the Company, respectively, meaning that the Company maintains the highest credit rating as a global comprehensive iron and steel enterprise.

- The Company has continuously obtained recognition from the capital market. It was on the 2022 all-star list of "Most Admired Chinese Companies" of Fortune, the only iron and steel enterprise on the list; it was included in the "Central Enterprise ESG·Pioneer 50 Index", ranking No. 4; it was described as "Excellent", the highest praise, on the "Ranking of China's Listed Companies by Leadership in Carbon Peaking and Carbon Neutrality (2022)"; it was granted the Best Corporate Governance Responsibility Award under the China ESG Golden Award 2021 of Sina Finance.

IV. Analysis of Core Competitiveness during the Reporting Period

√ Applicable ☐ Not applicable

In 2022, the Company continued to deepen reform, speed up transformation, identify differences against benchmarks, strive for top efficiency, fully made use of our advantage in terms of one-company-multi-base collaboration, significantly improved our core competitiveness, and further enhanced our leadership in the carbon steel plate market in China. The Company's core competitiveness is mainly reflected in such aspects as product operation, technical innovation, green low carbon, smart manufacturing, efficiency improvement, brand building, etc.

1. Product operation

The Company has implemented the "Million, Thousand and Billion" new strategy for products, defined the "1+1+N" product family strategy, sticks to the combination of differentiated and homogeneous products, and promotes innovation of business models for oriented silicon steel, color painting and tin plating to achieve a bigger market share. In 2022, incremental output for high-profitability products like cold-rolled automobile sheets, oriented silicon steel, high-grade non-oriented silicon steel for new energy automobiles, steels for choicest energy and structured ship missions, etc., has reached over 1.0 million tons. Market shares for cold-rolled automobile sheets and oriented silicon steel have both improved. The Company promoted building of green low-carbon brands and solidly promoted the "Beyond Campaign". Baosteel's automobile sheet SMARTeX and silicon steel BeCOREs have become "Two Leaders" brands, and we have pioneered in publishing the environmental declaration for our hot-rolled and wire rods on the China iron & steel industry EPD platform.

2. Technical innovation

The Company's R&D investment ratio is 4.69%, with an invention patent application ratio of 97%, and an exclusive new test ratio of 32.2%. Breakthroughs have been achieved in key core technology research. The Company has successfully developed clad steel plates for icebreakers. We have supplied over 6,000 tons of high-end automobile propulsion system precision punched steel. The internal defect detector for automobile sheets is able to test whole-sheet width 1,800mm. Test technologies for three features have been steadily promoted. Breakthroughs have been achieved for some "throat-clutching" technologies. Hydrogen-rich carbon recycling oxygen blast furnace 100% oxygen smelting, coal gas cycling and jetting and blowing processes have been fully connected. In 2022, the Company had completed accreditation for 40 landmark technologies, including "Production Technology for High Utilization of Furnaces". The Company has 82 industry comprehensive materials solutions in such fields as photovoltaic supports, commercial vehicles, e-vehicles, etc.

3. Green low carbon

Sped up building of environmental protection Class A performance enterprise, and steadily promoted renovation of zero drainage. At all four bases, no solid wastes are transported outside. Solid waste comprehensive utilization rate and solid waste return to production for use rate reached 99.9% and 30.2%, respectively, and at the industry's leading position. All bases improved the factory landscape, carried out environmental governance, and the environmental landscape has been significantly improved. The dual carbon work has entered the implementation stage, and the Company has worked out the Baosteel Carbon Peaking Neutralization Action Plan, and issued the industry's first Climate Action Report. The smart carbon data system has fully gone live. The first global launch of Baosteel Automobile Sheet Super-Low Carbon Parts and Net Zero Carbon Path was successful. Construction of Zhanjiang Iron & Steel Hydrogen-based Vertical Furnace Project has begun, and the piling work has been completed. The vertical furnace body shell's first piece lifting has been successfully completed. The zero-carbon hi-grade thin steel plate factory project is proceeding in an orderly manner.

4. Smart manufacturing

The Company actively implemented the new round of smart manufacturing planning, fully upgraded data enabling, enriched big data application scenarios, and a lot of big data applications have been successfully put into operation, including carbon data management, process quality management for 4 bases, etc. "Four All" benchmarks traction achieved new progress. Ten production lines, including Baoshan Base's Iron Smelting No.3 Sintering, have reached the "1 Line 1 Post" smart production line level. In 2022, the Company added 200 plus industrial robots, and the first 10 process automation robot applications using AI technology have been put into use. The Company is selected by the Ministry of Industry and Information Technology ("MIIT") as the "Digital Leader" enterprise for 2022 new-generation IT and manufacturing integration development. Dongshan Base is selected by MIIT as 2022 Smart Manufacturing Model Factory.

5. Efficiency improvement

The Company does its utmost to improve efficiency by continuously improving machines' yield rates, improving the Company's steel ratio,

increasing economic furnaces' material use ratio, lowering liquid iron cost, improving TPC turnover rate for steel interfaces, reduce liquid iron temperature reduction, improving hot conveying and hot assembly ratios at steel rolling interfaces, and operational efficiency reached record high. The Company kept digging stock assets utilization by completing re-using and disposing several previously shut-down production lines. The Company continuously improved work efficiency, and the steel output per employee reached a new stage.

6. Brand building

Use "Creativity and Sharing Changes Life" as the Company's brand slogan. Surrounding the brand meaning of "Innovation, Coordination, Green, Open and Sharing", enhanced channel innovation and combination propagation for brand promotion. Focusing on development achievements in such fields as corporate reform innovation, low carbon development, etc., and through comprehensive, stereotype and interactive strong propagation, effectively improved exposure and influence of Baosteel's brands to multiple platforms and multiple groups. Speed up promotion of Baosteel brand promotion in overseas markets, build the image of an international public company, and create a good public opinion environment for deeply promoting the internationalization development strategy.

V. Main Operation during the Reporting Period

Main operation during the reporting period is as follows:

(I) Analysis of principal business

1. Analysis table of changes in relevant items of income statement and cash flow statement

Unit: Million Yuan Currency: RMB

Item	Amount during the reporting period	Amount over the same period last year	Change ratio (%)
Operating income	367,778	364,349	0.9
Operating cost	346,293	324,476	6.7
Sales expenses	1,789	1,720	4.0
Administrative expenses	4,351	4,396	-1.0
Financial expenses	1,546	1,788	-13.5
R&D expenses	3,168	2,942	7.7
Net cash flows from operating activities	44,719	59,869	-25.3
Net cash flows from investing activities	-26,191	-27,034	-3.1
Net cash flows from financing activities	-13,740	-31,344	-56.2

Reasons for changes in operating income: the operating income basically held the line mainly due to the combined effect of increased scale of sales and decreased selling prices.

Reasons for changes in operating cost: the operating cost increased slightly over the same period last year mainly due to the combined effect of increased scale of sales and decreased unit costs of sales.

Reasons for changes in selling expenses: the selling expenses basically held the line with no big change.

Reasons for changes in administrative expenses: the administrative expenses basically held the line with no big change.

Reasons for changes in financial expense: refer to "3. Analysis of Expenses".

Reasons for changes in R&D expenses: mainly due to the fact that the Company made further investments into R&D to promote research and development of green low-carbon, smart manufacturing technologies and the like in order to strengthen the Company's leadership in technology.

Reasons for changes in net cash flows from operating activities: see "5. Cash Flow Analysis" for details.

Reasons for changes in net cash flows from investing activities: see "5. Cash Flow Analysis" for details.

Reasons for changes in net cash flows from financing activities: see "5. Cash Flow Analysis" for details.

Details about major changes in the type of business, profit structure or source of profit of the Company during the reporting period

☐ Applicable √Not applicable

2. Analysis of cost and revenue

√Applicable ☐ Not applicable

The main operation is as follows:

(1). Description on main business situation by industry, product, region and sales mode

Unit: Million Yuan Currency: RMB

Main business situation by industry

Industry	Operating income	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY change in gross margin (%)
Steel manufacturing	289,165	279,150	3.5	-2.1	4.6	Decreased by 6.2 ppts.
Processing and distribution	343,764	338,275	1.6	-2.0	-2.1	Increased by 0.1ppts.
Others	29,833	22,786	23.6	26.8	31.6	Decreased by 2.8ppts.
Offset between segments	-293,599	-293,358				
Total	369,163	346,852	6.0	1.0	6.8	Decreased by 5.1ppts.

Main business situation by product

Products	Operating income	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in costs(%)	YoY change in gross margin (ppts.)
Cold-rolled carbon steel sheets and coils	121,853	115,633	5.1	-3.7	4.6	Decreased by 7.5ppts.
Hot-rolled carbon steel sheets and coils	92,847	90,673	2.3	-9.7	-0.3	Decreased by 9.3ppts.
Steel tubes and pipes	15,848	15,610	1.5	12.8	9.6	Increased by 2.8ppts.
Long material products	10,584	11,075	-4.6	21.2	28.7	Decreased by 6.1ppts.
Other steel products	23,806	21,865	8.2	11.3	6.6	Increased by 4.0ppts.
Total	264,938	254,855	3.8	-3.2	4.1	Decreased by 6.7ppts.

Main business situation by region

Regions	Operating income	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY change in gross margin (ppts.)
Domestic market	323,333	302,718	6.4	-1.2	5.2	Decreased by 5.7ppts.
Overseas market	45,830	44,135	3.7	19.4	18.7	Increased by 0.5ppts.
Total	369,163	346,852	6.0	1.0	6.8	Decreased by 5.1ppts.

Main business situation by sales mode

Sales mode	Operating income	Operating cost	Gross margin (%)	YoY change in revenue (%)	YoY change in cost (%)	YoY change in gross margin (ppts.)
Centralized sales	285,024	267,825	6.0	9.3	18.9	Decreased by 7.6ppts.
Non-centralized sales	84,138	79,027	6.1	-19.7	-20.7	Increased by 1.2ppts.
Total	369,163	346,852	6.0	1.0	6.8	Decreased by 5.1ppts.

Description on main business situation by industry, product, region and sales mode

According to the internal organization, the Company is divided into three divisions: iron and steel manufacturing, processing and distribution, and others. The iron and steel manufacturing division includes various steel manufacturing units. The processing and distribution division includes Baosteel International, overseas companies and other trading entities. The others division includes information technology, carbon industry and finance business.

In 2022, the prices of crude fuel had remained at a higher level, while the prices on the steel market dropped significantly on a year-on-year basis due to lower-than-expected recovery of downstream demands, further narrowing the Company's differential between purchase and sale prices, and leading to a year-on-year decrease in the gross profit rate of major products.

(2). Production output and sales analysis table

√Applicable ☐ Not applicable

Major items	Unit	Production output	Sales	Inventory	YoY change in production output (%)	YoY change in sales (%)	YoY change in inventory (%)
Cold-rolled carbon steel sheets and coils	Ten thousand tons	1,967	1,956	146	4.3	4.1	9.6
Hot-rolled carbon steel sheets and coils	Ten thousand tons	2,086	2,131	39	5.8	6.9	-28.8
Steel tubes & pipes	Ten thousand tons	204	206	21	-1.5	-1.2	2.0
Long products	Ten thousand tons	224	223	4	34.7	33.6	-4.2
Other steel products	Ten thousand tons	504	460	17	25.0	12.6	55.0
Total	Ten thousand tons	4,984	4,976	211	7.6	6.9	-5.6

Production output and sales analysis table

The Company exported 3.981 million tons of steel products in 2022, with export channel sales set out as follows:

Regions	2022	2021	Increase/decrease over the previous year
East Asia and Australia	20.7%	27.4%	Decreased by 6.7ppts.
Europe and Africa	26.7%	23.4%	Increased by 3.3ppts.
America	16.1%	17.2%	Decreased by 1.1ppts.
Southeast Asia and South Asia	36.5%	32.0%	Increased by 4.5ppts.
Total	100.0%	100.0%	-

In 2022, from the perspective of maximizing the Company's benefits, dynamic adjustments were made to the plan for domestic and overseas market resources.

In the Europe, Africa and Middle East region, the contracted volume was over a million tons for the first time, totaling 1.06 million tons; the Southeast Asia, South Asia region continued to play its leading role in balancing between production and marketing on overseas markets, accounting for 36% of the total volume of export; the East Asia, Australia region received orders of 800,000 tons, the second highest since 2008; the America region signed the contract for supply of thick plates for submarine pipelines.

(3). Fulfillment of major purchase contracts and major sales contracts

☐ Applicable √Not applicable

(4). Cost analysis table

Unit: Million Yuan

By Industries							
Industry	Cost structure	Amount in this period	Ratio in total cost(%)	Amount in the same period last year	Ratio in total cost in the same period last year (%)	Change of amount in this period compared with the same period last year (%)	Notes
Iron & steel manufacturing	Fuel and raw materials	212,027	77.5	201,684	77.5	5.1	
	Others	61,504	22.5	58,690	22.5	4.8	
	Total	273,532	100.0	260,374	100.0	5.1	

Other information in relation to cost analysis

Only including the cost of steel manufacturing unit, excluding the cost of processing, distribution and other units.

(5). Change in the consolidated scope due to changes in the shareholding of major subsidiaries during the reporting period

√Applicable ☐ Not applicable

1. Based on the need for business integration and management, Mitsui & Co. (China) Ltd., a foreign shareholder of Wuxi Bao-Mitsui Steel Processing and Distribution Co., Ltd.("Wuxi Bao Mitsui"), a joint operation under Shanghai Baosteel-Mitsui Steel Processing and Distribution Co., Ltd.("Shanghai Bao Mitsui"), a subsidiary controlled by Shanghai Baosteel International Economic and Trade Co., Ltd. (hereinafter "Baosteel International"), a wholly-owned subsidiary of the Company, transferred its equity to Ouyeel Co., Ltd. ("Ouyeel"), a subsidiary controlled by Baowu Group. Shanghai Bao Mitsui, together with Ouyeel, amended the Articles of Association of Wuxi Bao Mitsui, and owns the majority seats on the board and owns substantial control over Wuxi Bao Mitsui. It was included into the scope of consolidation in December 2022.

2. Shanghai Baosight Software Co., Ltd. (hereinafter "Baosight Software"), a subsidiary controlled by the Company, signed an equity transfer agreement with Taiyuan Iron&Steel (Group) Co., Ltd. And Shanxi Cloud Times Technology Co., Ltd.. Under the said agreement, the Company acquired 51% of the equity of Shanxi Cloud Times Tai Steel Automation Technology, and renamed the latter as "Baosight Software (Shanxi) Co., Ltd.. The consideration for this transaction is RMB10.51 million. In May 2022, Baosight Software had paid RMB7.36 million, and owned control over Baosight Software (Shanxi) Co., Ltd. which was included into the scope of consolidation since May 2022. In June 2022, Baosight Software had paid all the consideration in full.

3. Baowu Carbon Industry Technology Co., Ltd. ("Baowu Carbon"), a subsidiary controlled by the Company, and Wanhua Chemical Group Co., Ltd. ("Wanhua Chemical") set up a joint company called Zhejiang Baowan Carbon Fiber Co., Ltd., with a registered capital of RMB850 million. Baowu Carbon contributed RMB433.50 million and holds 51% of the equity. As of the end of December, Baowu Carbon actually paid up RMB433.50 million. Baowu Carbon and Inner Mongolia Baogang United Steel set up a joint venture named Baotou Baokai Carbon Materials Co., Ltd., with a registered capital of RMB200 million, and Baowu Carbon contributed RMB102 million, with a shareholding ratio of 51%. By the end of December, Baowu Carbon actually paid up RMB81.60 million.

The above companies are included into the scope of consolidation.

4. The Company further enhanced business integration, optimized equity, and continuously promoted disposal of low-efficiency and no-efficiency assets to improve asset operation efficiency. In 2022, the Company absorbed and consolidated Shengsi Baosteel Majishan Port Operation Co., Ltd. Wuhan Iron & Steel Co., Ltd., a wholly-owned subsidiary of the Company, absorbed and consolidated Wusteel Group International Economic and Trade Co., Ltd. Baosteel International completed liquidation and de-registration of Chongqing Baoji Auto Parts Co., Ltd., and completed transfer of equity of Yantai Baosteel Wheel Co., Ltd. Chongqing Baosteel Auto Steels and Parts Co., Ltd., a controlled subsidiary of Baosteel International, completed absorption and consolidation of Chongqing Baosteel Steel Processing and Distribution Co., Ltd. and Chongqing Bao-Mistui Steel Processing Co., Ltd. Zhejiang Baojin Carbon Materials Co., Ltd., a controlled subsidiary of Baowu Carbon, absorbed and consolidated Zhejiang Jingye New Materials Co., Ltd.

(6). About the major changes in or adjustments to the business, products or services of the Company during the reporting period

☐ Applicable √Not applicable

(7). Major customers and major suppliers

A. About the Company's major customers

√Applicable ☐ Not applicable

The sales amount to the top five customers was RMB 42.29 billion, accounting for 11.5% of the annual sales; in which the sales amount to affiliated parties in the sales amount to the top five customers was RMB 37.4 billion, accounting for 10.2% of the annual sales.

About sales to individual customer accounting for over 50% of the total sales volume, new entrants in the top 5 customers or heavy reliance on a few customers during the reporting period

☐ Applicable √Not applicable

B. About the Company's major suppliers

√Applicable ☐ Not applicable

The total purchase amount of top 5 suppliers was RMB 62.2 billion, accounting for 29.3% of the annual total; wherein, related party purchase amount was RMB 19.78 billion, accounting for 9.3% of the annual total.

About purchase from individual supplier accounting for over 50% of the total quantity purchased, new entrants in the top 5 suppliers or heavy reliance on a few suppliers during the reporting period

☐ Applicable √Not applicable

3. Costs

√Applicable ☐ Not applicable

(1). Sales expenses and administrative expenses

Unit: Million Yuan Currency: RMB

Items	Amount in the period	Amount over the same period last year	Change of amount in this period compared with the same period last year (%)
Sales expense	1,789	1,720	4.0
Administrative expense	4,351	4,396	-1.0

(2). Financial expenses

Unit: Million Yuan Currency: RMB

Items	Amount in the period	Amount over the same period last year	Change of amount in this period compared with the same period last year (%)
Interest incomes	249	160	55.3
Interest expenditures	1,602	1,903	-15.8
Exchange gains and losses	132	-34	-492.5
Others	61	79	-22.8
Total	1,546	1,788	-13.5

Financial expenses dropped RMB240 million on a YOY basis, including a reduction of interest expense by RMB300 million, mainly due to the combined effect of the Company's smaller financing scale and lower financing interest rates in 2022; interest income increase by RMB90 million, mainly due to the effects of the Company's safeguard provision and liquidity, and appropriately increased bank deposits. The FX loss increased by RMB170 million, mainly due to the 9% depreciation of RMB against USD in 2022, which resulted in an FX loss of RMB130 million on spot FX purchase.

4. R&D investment

(1). R&D investment table

√ Applicable ☐ Not applicable

Unit: Million Yuan

Expenditure of R&D investment	3,168
Capitalization of R&D investment	-
New product R&D and trial manufacturing during the current period	14,078
Total R&D investment	17,246
Ratio of total R&D investment to operating income (%)	4.69
Ratio of R&D investment capitalization (%)	-

(2). R&D personnel

√ Applicable ☐ Not applicable

Total number of R&D personnel in the Company	8,048
Proportion of R&D personnel in the total headcount of the Company	18.11
Degree structure of R&D personnel	
Degree	Number of personnel
PhD	312
Master	1,585
Bachelor	4,390
Junior college	1,761
Age structure of R&D personnel	
Age	Number of personnel
Under age 30 (excluding 30)	1,013
30-40 (including 30, excluding 40)	2,664
40-50 (including 40, excluding 50)	2,786
50-60 (including 50, excluding 60)	1,553
Aged 60 and older	32

(3). Situation

√ Applicable ☐ Not applicable

In 2022, the Company continuously developed choice iron & steel products to meet user requirements. The Company achieved 9 global first launches, including heat-resistant notch oriented silicon steel B18HS075, hi-weld hi-formation super-high strength steel CH1180, hi-energy efficiency new energy vehicle drive motor-used non-oriented silicon steel B30AHV1400M, etc.

A Study on the Ouyeel Furnace Smelting Reduction Smelt Iron Process Technology won the special award for advancement of smelting technology; six achievements, including the Research, Development and Application of Key Technologies and Equipment for Production of Alloyed Hot Galvanized (GA) Super High Strength Automobile Sheets, won the first place award for advancement of smelting technology; twelve achievements won the second and third place awards, respectively, for smelting technologies.

Fourteen achievements, including the Integration, Innovation and Application of Key Technologies for Production of Low-Cost Hi-performance Bainite Steel, received the provincial, municipal and industry association first, second and third awards, respectively, of Hu'bei Province.

(4). Reason for major changes in the composition of R&D personnel and impact thereof on the Company's future development

☐ Applicable √Not applicable

5. Cash flow

√ Applicable ☐ Not applicable

In Y2022, the Company's cash and cash equivalents increased by RMB4.72 billion, and the net cash flows generated from operating activities, investment activities and funds-raising activities were RMB44.72 billion, RMB-26.19 billion and RMB-13.74 billion, respectively, and the net effect of exchange rate change was RMB-70 million. Not considering the effects of the Finance Company, the Company's cash and cash equivalents increased by a net value of RMB4.11 billion, and the net cash flows generated from operating activities, investment activities and funds-raising activities were RMB37.49 billion, RMB-18.32 billion and RMB-1.496 billion, respectively, and the net effect of exchange rate change was RMB-90 million.

Unit: 100 million Currency: RMB

Items	2022		2021		Increase or decrease	
	Including Finance Co.	Excluding Finance Co.	Including Finance CO.	Excluding Finance Co.	Including Finance Co.	Excluding Finance Co.
Net cash flow from operating activities	447.2	374.9	598.7	471.5	-151.5	-96.6
Net cash flow from investing activities	-261.9	-183.2	-270.3	-191.7	8.4	8.5
Net cash flow from financing activities	-137.4	-149.6	-313.4	-321.8	176.0	172.2
Effect of fluctuation in exchange rate on cash	-0.7	-0.9	-0.2	-0.2	-0.5	-0.7
Net increase in cash and cash equivalents	47.2	41.1	14.7	-42.2	32.5	83.4

(1). Cash flow from operating activities

Without regard to the impact of Finance Co., the net cash flow from operating activities in 2022 was RMB 37.49 billion, down by RMB 9.66 billion from the RMB 47.15 billion in the same period last year. This is mainly caused by the following factors:

1. The net profit was RMB 13.77 billion, representing a year-on-year cash flow decrease of RMB 12.63 billion compared with the RMB 26.4 billion in the same period last year;

2. Assets impairment was RMB 1.11 billion, representing a year-on-year cash flow decrease of RMB 0.09 billion compared with the RMB 1.2 billion in the same period last year;

3. Depreciation and amortization were RMB 19.9 billion, representing a year-on-year cash flow increase of RMB 0.58 billion compared with the RMB 19.32 billion in the same period last year;

4. Financial expense was RMB 1.26 billion, representing a year-on-year cash flow decrease of RMB 0.3 billion compared with the RMB 1.56 billion

in the same period last year;

5. Investment income was RMB 5.1 billion, representing a year-on-year cash flow decrease of RMB 1.21 billion compared with the RMB 3.89 billion in the same period last year;

6. Loss from disposal and retirement of fixed assets and long-term assets, loss from changes in fair value, deferred income tax assets and liabilities decreased RMB 750 million, with an increase of RMB 500 million in the same period last year, representing a year-on-year cash flow decrease of RMB 1.25 billion;

7. Inventory decreased than that at the beginning of the year and resulted in a cash flow increase of RMB 2.77 billion, with a cash flow decrease of RMB 9.99 billion due to the increase of inventory in the same period last year, representing a year-on-year cash flow increase of RMB 12.76 billion;

8. Receivables under operating activities increased than that at the beginning of the year and resulted in a cash flow decrease of RMB 0.48 billion, with a cash flow increase of RMB 2.95 billion due to the decrease of receivables in the same period last year, representing a year-on-year cash flow decrease of RMB 3.43 billion;

9. Payables under operating activities increased than that at the beginning of the year and resulted in a cash flow increase of RMB 5.01 billion, with a cash flow increase of RMB 9.1 billion due to the increase of payables in the same period last year, representing a year-on-year cash flow decrease of RMB 4.09 billion.

(2). Cash flow from investing activities

Without regard to the impact of Finance Co., the net cash flow from investing activities was RMB-18.32 billion, RMB 0.85 billion more than the RMB -19.17 billion in the same period last year. This is mainly caused by the following factors:

1. The net investment expenditure was RMB -30 million, representing a year-on-year cash flow increase of RMB 390 million compared with the RMB 360 million during the same period of the previous year;

2. The cash paid for purchasing and establishing fixed assets, intangible assets and other long-term assets was RMB 22.39 billion, which was RMB 23.87 billion during the same period of the previous year, leading to a year-on-year cash flow increase of RMB 1.48 billion;

3. Income from investment led to a cash flow increase of RMB 2.55 billion, while that of the same period of the previous year led to a cash flow increase of RMB 2.27 billion, representing a year-on-year cash flow increase of RMB 0.28 billion;

4. Cash recovered from disposal of fixed assets, intangible assets, other long-term assets and subsidiaries was RMB 0.98 billion, which was RMB 2.5 billion during the same period of the previous year, leading to a year-on-year cash flow decrease of RMB 1.52 billion;

5. Cash received from payments by subsidiaries and other business entities basically remained unchanged;

6. Other cash receipts and payments related to investing activities led to a cash flow increase of RMB 550 million, while the cash flow increase during the same period of the previous year was RMB 340 million, representing a year-on-year cash flow increase of RMB 220 million.

Unit: 100 million Currency: RMB

Items (without regard to Finance Co.)	2022	2021	YoY change
Cash inflow from investing activities	580.5	483.7	96.8
Cash outflow from investing activities	763.7	675.4	88.3
Net cash flow from investing activities	-183.2	-191.7	8.5

(3). Cash flow from financing activities

Without regard to the impact of Finance Co., the net cash flow from financing activities was RMB-14.96 billion, RMB 17.22 billion more than the RMB -32.18 billion in the same period last year. This is mainly caused by the following factors:

1. Scaling down of debt financing led to a cash flow decrease of RMB 3.88 billion, while the scaling down of debt financing during the same period of the previous year led to a cash flow decrease of RMB 12.4 billion, representing a year-on-year cash flow increase of RMB 8.52 billion;

2. Cash paid for dividend distribution and interest repayment was RMB 12.63 billion; dividend and interest payment during the same period of the previous year was RMB 17.61 billion, representing a year-on-year cash flow increase of RMB 4.98 billion;

3. Absorbing investment led to a cash flow increase of RMB 2.18 billion, while that of the same period of the previous year led to a cash flow increase of RMB 2.04 billion, representing a year-on-year cash flow increase of RMB 0.14 billion;

4. Stock repurchase in the first half of the year led to an increase of RMB 3.58 billion in other net cash flow relating to financing activities, representing a year-on-year cash flow increase of RMB 3.6 billion.

Unit: 100 million Currency: RMB

Items (without regard to Finance Co.)	2022	2021	YoY change
Impact of change in financing scale on flow	-38.8	-124.0	85.2
Cash paid for dividend and profit distribution or interest repayment	-126.3	-176.1	49.8
Cash paid for stock repurchase	-	-36.0	36.0
Cash received from investors	21.8	20.4	1.4
Other cash related to financing activities	-6.3	-6.1	-0.2
Net cash flow from financing activities	-149.6	-321.8	172.2

(II) Major changes in profits caused by non-core business

☐ Applicable √Not applicable

(III) Analysis of assets and liabilities

√ Applicable ☐ Not applicable

1. Assets and liabilities status

Unit: Million Yuan

Items	Amount at the end of the reporting period	Ratio against total assets at the end of the reporting period (%)	Amount at the end of last reporting period	Ratio against total assets at the end of last reporting period (%)	YoY ratio change (%)	Notes
Current assets	174,889	43.91	149,355	39.26	17.10	
Including: Monetary capital	24,150	0.06	20,046	5.27	20.47	The Company appropriately increased liquid provision for due corporate bonds
Tradable financial assets	2,775	0.01	3,519	0.93	-21.13	The Finance Company reduced investments in tradable bonds, monetary capital and other tradable financial assets
Derivative financial assets	68	0.0002	0.3	0.0001	25,640.04	Effects of ore swap business and Finance Company's future FX settlements
Notes receivable	10,435	0.03	14,970	3.94	-30.30	Effects of lower bills receipt ratio of the marketing system
Accounts receivable	15,684	0.04	12,246	3.22	28.07	Effects of increased sales volume, reduced factoring of accounts receivable, etc.
Prepayment	8,358	0.02	5,819	1.53	43.64	Effects of increased advance payments for raw materials and fuels
Other receivables	1,319	0.003	2,026	0.53	-34.89	Effects of payments against documents under B/Ls issued by Finance Company, etc.
Redemptory monetary capital for sale	1,999	0.01	1,145	0.30	74.61	Finance Co. increased reverse repo
Contract assets	2,472	0.01	1,750	0.46	41.21	Revenue of Baosight Software for this year increased, affecting settlement of contract stage payments
Non-current assets due within one year	447	0.001	253	0.07	76.51	Re-classification of equity investments
Other current assets	50,994	0.13	28,309	7.44	80.13	Effects of reclassification of other equity investments, and of increase of wealth management products, etc.
Non-current assets	223,360	56.09	231,043	60.74	-3.33	
Including: loans and advance issued	796	0.20	679	0.18	17.32	
Creditor's right investment	-	-	325	0.09	-100.00	Non-current assets reclassified to be due in one year

Other creditor's right investment	2,598	0.65	7,797	2.05	-66.68	Reduction in other one-year or longer equity investments held by Finance Company
Other non-current financial assets	785	0.20	9,464	2.49	-91.71	Transfer of equity in the United Pipe Co., Ltd. Of PipeChina
Other non-current assets	2,383	0.60	1,199	0.32	98.66	Increase in advance payments for engineering equipment
Total assets	398,249	100.00	380,398	100.00	4.69	
Current liabilities	143,988	36.16	137,404	36.12	4.79	
Including: Short-term borrowings	4,600	1.16	10,933	2.87	-57.92	Replace due short-term loans with mid- and long-term loans
Deposits from customers and interbank	31,746	7.97	21,644	5.69	46.68	Increase in deposits received by Finance Company from associated enterprises in the Group
Derivative financial liabilities	52	0.01	32	0.01	63.15	Effects of future FX settlements of Finance Company
Tax payable	2,067	0.52	2,747	0.72	-24.77	Reduction in corporate income tax
Non-current liabilities	38,385	9.64	32,273	8.48	18.94	
Including: Long-term borrowings	21,573	5.42	14,773	3.88	46.03	The Company grasped the market policy window by increasing mid- and long-term RMB loans
Bonds payable	5,500	1.38	8,000	2.10	-31.25	Non-current liabilities reclassified to be due in one year
Long-term payables	1,981	0.50	648	0.17	205.81	Effects of the repurchase obligation recognition for Phase III equity incentive plan
Total liabilities	182,373	45.79	169,677	44.61	7.48	
Shareholders' equity	215,876	54.21	210,721	55.39	2.45	
Total liabilities and shareholders' equity	398,249	100.00	380,398	100.00	4.69	

2. Situation of overseas assets

√ Applicable ☐ Not applicable

(1) Development of overseas assets

In 2005, the Company acquired the shares of Baosteel Europe, Baosteel America and other overseas marketing companies as well as Bao-Trans and Bao-Island shipping companies held by former Baosteel Group and preemptive right of Baovale Mineracao through additional issue, and the consideration of such acquisition was RMB 1.11 billion. Since 2011, in order to explore the capacity of overseas manufacturing and processing service, the Company gradually established seven companies such as Boly Pipe and Baosteel India through sole proprietorship or joint venture. On March 1, 2017, the Company absorbed and merged Wuhan Iron & Steel Co., Ltd. in a stock-for-stock deal, and its overseas subsidiaries were included into the Company. As of the end of 2022, the Company had 23 various levels of overseas subsidiaries and 6 share-participating companies in the countries and regions such as the US, Japan, Germany, Singapore, Thailand, and Hong Kong (China).

(2) Operation condition of overseas assets

The overseas trade subsidiaries mainly include Baosteel Europe, Baosteel America, Baosteel Singapore companies directly held by Baosteel and the subsidiaries of WISCO Limited, including Wugang Australia; the overseas shipping service subsidiaries include Bao-Trans; the overseas processing service subsidiaries mainly include Boly Pipe, BGM, Baosteel India, Baosteel Indonesia, WISCO International Tailored Blanks GMBH and its subsidiaries.

(3) Overall situation of overseas assets

As of the end of 2022, the assets of the Company's overseas subsidiaries totaled RMB 14.81 billion and net assets reached RMB 6.951 billion. In 2022, overseas subsidiaries totally have achieved a net profit of RMB 986 million and a return on equity of 14.81%.

(1) Asset size

Including: 148.10 (Unit: 100 million Currency: RMB) in oversea assets, accounting for 3.7% of the total assets.

(2) Reason for oversea assets to take up a high proportion in the total

☐ Applicable √Not applicable

3. Limited status of major assets at the end of reporting period

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Items	Book value at the end of the year	Limited cause
Monetary capital	2,352	Legal required reserve that financial company deposited at Central Bank
Fixed assets	391	Mortgage loan, mortgage for bank credit
Intangible assets	1	Mortgage loan, mortgage for bank credit
Accounts receivable	64	Factoring of accounts receivable, pledge loan
Notes receivable	28	Mortgage loan
Total	2,836	

(IV) Analysis of industrial operations

√ Applicable ☐ Not applicable

Analysis of industrial operations is shown below:

Analysis of steel industry operations

1. Steel manufacturing and sales by processing

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

By the processing	Production output (ton)		Sales (ton)		Operating income		Operating cost		Gross margin (%)	
	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year
Cold-rolled steel	19,671,142	18,855,715	19,561,092	18,785,759	121,853	126,590	115,633	110,592	5.1	12.6
Hot-rolled steel	20,858,200	19,707,799	21,307,701	19,939,684	92,847	102,853	90,673	90,921	2.3	11.6
Others	9,311,776	7,758,154	8,893,985	7,845,852	50,239	44,176	48,549	43,359	3.4	1.8

2. Steel manufacturing and sales by form of finished products

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

By the form of finished products	Production output (ton)		Sales (ton)		Operating income		Operating cost		Gross margin (%)	
	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year	This year	Previous year
Strips	44,858,140	41,575,036	44,753,693	41,769,750	234,655	245,593	224,366	216,926	4.4	11.7
Tubes & pipes	2,039,487	2,067,587	2,061,919	2,087,776	15,848	14,049	15,610	14,238	1.5	-1.3
Others	2,943,492	2,679,045	2,947,166	2,713,769	14,435	13,978	14,879	13,707	-3.1	1.9

3. Steel sales by distribution channel

☐ Applicable √Not applicable

4. Manufacturing and sales of special iron and steel products

☐ Applicable √Not applicable

5. Supply of iron ore

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Supply source of iron ore	Supply (ton)		Expenditure	
	This year	Previous year	This year	Previous year
Domestic procurement	4,421,211	7,172,029	4,280	8,228
Overseas import	75,855,739	66,403,814	57,538	70,618

6. Supply of steel scrap

√Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Supply source of steel scrap	Supply (ton)		Expenditure	
	This year	Previous year	This year	Previous year
Self-supplied	3,894,128	4,137,889	-	-
Domestic procurement	7,559,566	7,327,518	22,795	23,356
Overseas import	-	-	-	-

Note: self-supplied steel scrap is recycled within the factory, involving no external expenditure.

7. Other information

☐ Applicable √Not applicable

(V) Investment Analysis

Analysis of equity investment outside Baosteel

√ Applicable ☐ Not applicable

In 2022, the Company spent RMB 2.62 billion in equity investment, RMB 2.95 billion less than that in last year.

1. Main equity investment

√ Applicable ☐ Not applicable

Unit: 100 million Currency: RMB

Name of Invested Company	Main Business	Fall into the Company's Scope of Main Investment Business	Mode of Investment	Amt of Investment	Shareholding Radio	Consolidated?	Reported Items (if applicable)	Source of Founds	Partner (if applicable)	Progress as of the Balance Sheet Date	Profit / Loss for This Period	Involved in Lawsuits?	Date of Disclosure (if any)	Disclosure Index (if any)
Baowu Group Environmental Resource Technology Co., Ltd.	Ecological protection and environmental governance	Yes	Increased investment	6.02	7.79%	No	long-term equity investment	Equity	-	Investment increase completed	-0.12	Yes	Dec. 31, 2021	http://www.sse.com.cn
Lanzhou Baohang New Energy Materials Co., Ltd. (Note)	Negative electrode materials	Yes	Newly established	10.00	100%	Yes	long-term equity investment	Self-owned	-	Staged capital contribution completed	-0.19	No	Nov. 23, 2021	http://www.sse.com.cn
Zhejiang Baowan Carbon Fiber Co., Ltd.	Synthetic fiber manufacturing	Yes	Newly established	4.34	51%	Yes	long-term equity investment	Self-owned	Wanhua Chemical Group Co., Ltd.	Capital contribution completed	0.02	No	Mar. 3, 2022	http://www.sse.com.cn
Total	/	/	/	20.36	/	/	/	/	/	/	-0.29	/	/	/

Note: On December 1st, 2021, Baowu Carbon Technology Co., Ltd., a subsidiary of the Company, set up a wholly-owned subsidiary Lanzhou Baohang New Energy Materials Co., Ltd., with a registered capital of RMB2.3 billion. RMB300 million and RMB1.0 billion were contributed in 2021 and 2022, respectively.

2. Main non-equity investment

√ Applicable ☐ Not applicable

In 2022, the Company invested RMB25.11 billion in fixed assets. The money was mainly used for the non-oriented silicon steel product structure optimization project of Baoshan Base, the vertical furnaces of Dongshan Hydrogen Base, and for renovation of Baoshan, Qingshan and Meishan bases for reaching the environmental protection Class-A enterprise standard, etc.

1. Proposed projects

Baoshan Base oriented silicon steel product structure optimization (Step 2) project: in order to further meet the demand of national super-high voltage power transmission transformation and distribution transformation industry for hi-end oriented silicon steel products, initiated, as planned, the oriented silicon steel product structure optimization Step 2 by newly building a production line for hi-end special oriented silicon steel which is thin and features low iron loss and high magnetic sensing. Currently piling for this project has been completed, and civil works construction has begun.

Adjustment of commonly cooled product structure of Baoshan Base Cold Rolling Factory's C411 machine set: in order to meet the demand of the automobile and household appliance industries for galvanized products, it is proposed to build a new galvanizing production line with an annual production capacity of 300,000 tons to push forward adjustment of the Cold-Rolling Factory's commonly cooled product category structure. Now the project is already established and is in the preliminary design stage.

Comprehensive renovation of Baoshan Base Cold Rolling Factory C202 machine set: in order to solve the aging problem of Cold Rolling Factory's C202 rolling machine equipment, it is proposed to renovate the rolling machine so as to achieve low carbon emission, improve the machine set's automation and stablize the operation level, and improve product quality. Now the project is already established and is in the preliminary design stage.

Low-carbon energy conservation renovation of Baoshan Base's Round and Square Billet Electric Furnace: in order to support the Company's dual carbon targets and subsequent development, it is proposed to remove the existing dual working position 7/8# furnaces, build a single working position 150t horizontal waste steel pre-heating AC electric furnace, and the production capacity will remain unchanged. It is supposed to reach the environmental protection targets of upgrading process equipment, lowering energy consumption, reducing iron & steel consumption, improving factory, etc. Now the project is already established and preliminary design stage already completed. Preparation is being made for inviting bids for construction work.

Product structure optimization and renovation of Baoshan Base Bar Steel Factory: in order to the demand of the rapidly developing new energy automobile industry for spring steel, bearing steel and other products used for auto parts, etc., it is proposed to build a production line with an annual production capacity of 600,000 tons so as to increase our share in the hi-end wire rod market. Now the project is already established and preliminary design stage already completed. Preparation is being made for inviting bids for construction work.

2. Carried-over projects

Baoshan Base non-oriented silicon steel product structure optimization project: by the end of 2022, hot load test runs had been performed for 2#APL 和 6#SACL, load-free combined test for 7#SACL, and single test for continuous rolling machine.

Dongshan Base Hydrogen Base Series Project: construction of the project began in February 2022, and equipment installation has begun.

3. Financial assets measured by fair value

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Category	At the beginning of 2022	Gains and losses from changes in fair value in current period	Accumulated changes in fair value included in equity	Impairment provisioned during current period	Purchase during current period	Amount sold/ redeemed during current period	Other changes	At the end of current period
Trading financial assets	3,519	-11	-	-	15,159	15,891	-	2,775
Derivative financial assets	0.3	26	-	-	42	-	-	68
Other current assets	14,863	6	-30	4	58,107	30,854	-	42,092
Other debt investments	7,797	-	-8	49	13,771	18,962	-	2,598
Other equity instrument investments	1,155	-	20	-	-	-	17	1,191
Other non-current financial assets	9,464	-2	-	-	-	8,677	-	785
Non-current assets due within a year	-	-	-0.2	0.02	50	-	0.2	50
Total	36,799	19	-18	53	87,128	74,384	17	49,560

Securities investment

√ Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Security Category	Security Code	Security Abbr.	Initial Investment Cost	Source of Funds	Beginning Book Value	Profit / Loss due to Change in Fair Value of Current Period	Change in Accumulated Fair Value Included into Equity	Amount Purchased in Current Period	Amount Sold in Current Period	Profit / Loss on Investment in Current Period	Ending Book Value	Accounting Item
Stock	000983.SZ	Shanxi Jiaomei	941.66	Self-owned funds	458.62	-	187.44	-	-	44.36	646.06	Investments in other equity instruments

Stock	1798.HK	Datang Xinnengyuan	198.47	Self-owned funds	486.15	-	-163.34	-	-	4.59	339.59	Investments in other equity instruments
Other stocks	/	/	16.67	Self-owned funds	304.34	-1.96	-	-	7.87	145.75	294.51	Other non-current financial assets
Other stocks	/	/	9.17	Self-owned funds	8.75	-3.15	-	2.63	-	85.91	8.23	Tradable financial assets
Total	/	/	1,165.98	/	1,257.85	-5.11	24.10	2.63	7.87	280.61	1,288.38	/

Investments in private equity funds

☐ Applicable √Not applicable

Investments in derivatives

√ Applicable ☐ Not applicable

The Company trades in financial derivatives in strict compliance with the hedging principle. All transactions in currency-related financial derivatives are for the settled exposures from import and export activities and the debt exposures resulting from low-cost financing activities in foreign currencies, so as to avoid the risks associated with FX rate fluctuations. All transactions in commodity-related financial derivatives are for locking profits generated from actual business operations or for inventory hedging so as to avoid risks associated with fluctuations in prices of raw materials or commodities. All businesses relating to financial derivatives follow relevant internal controls so as to strictly control risks associated with the Company's hedging business.

4. Concrete progresses in the restructuring and combination of major assets during the reporting period

☐ Applicable √Not applicable

(VI) Sales of major assets and equities

√ Applicable ☐ Not applicable

In May 2022, the Company, through an non-public agreed transfer, transferred the 3.52% equity held thereby in the United Pipe Col, Ltd. under PipeChina Group to PipeChina for a consideration of RMB9.234 billion. The above equity was already delivered on May 31st, 2022.

(VII) Analysis of main holding and joint-stock companies

√ Applicable ☐ Not applicable

1. Shanghai Meishan Iron & Steel Co., Ltd.

As of the end of 2022, the Company owned 77.0% of the equity. With a registered capital of RMB 7.08 billion, Meishan Steel specializes in the processing and sales of black metal smelting and rolling, with a total of 4210 employees. By the end of 2022, Meishan Steel had a total asset of RMB 33.48 billion, a net asset of RMB 16.92 billion, and a net yearly profit of RMB -400 million; the corporate income tax payable was RMB 149 million, and the corporate income tax paid was RMB 289 million.

2. Baosteel Zhanjiang Iron & Steel Co., Ltd.

As of the end of 2022, the Company owned 90% of the equity. With a registered capital of RMB 20 billion, Zhanjiang Iron & Steel's main business specializes in the processing and sales of black metal smelting and rolling, with a total of 4663 employees. By the end of 2022, Zhanjiang Iron & Steel had a total asset of RMB 69.89 billion, a net asset of RMB 32.72 billion, and a net yearly profit of RMB 1.71 billion; the corporate income tax payable was RMB 593 million, and the corporate income tax paid was RMB 593 million.

3. Wuhan Iron & Steel Co., Ltd.

As of the end of 2022, the Company owned 100% of the equity, and has the registered capital of RMB 500 million, and its main business scope includes manufacturing of metallurgical products and byproducts, extended steel products, etc., with a total of 10209 employees. As of the end of 2022, it had total assets of RMB 70.18 billion, net assets of RMB 34.41 billion, and realized net profit of RMB 1.04 billion in current year. The corporate income tax payable was RMB 290 million, and the corporate income tax paid was RMB 753 million.

4. Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd.

As of the end of 2022, the Company owned 50% of the equity. With a registered capital of RMB 3 billion, BNA's main business includes manufacturing and sales of cold-rolled steel sheets and hot-dip galvanized steel sheets for automobile, automotive parts and other services related to its principal business, with a total of 605 employees. By the end of 2022, BNA had a total asset of RMB 5.79 billion, a net asset of RMB 4.17 billion, and a net yearly profit of RMB 240 million. The corporate income tax payable was RMB 162 million, and the corporate income tax paid was RMB 162 million.

5. Yantai Lubao Steel Pipe Co., Ltd.

As of the end of 2022, the Company had 100% of its shares, the Company's registered capital is RMB 2.5 billion, and its main business scope includes processing and sales of seamless steel pipes. Its main products include seamless steel pipes for structures, seamless steel pipes for low- and medium-pressure boilers, seamless steel pipes for conveyance of fluid, seamless steel pipes for hydraulic props, seamless steel pipes for high-pressure boilers, seamless steel pipes for oil equipment, pipes for geological drilling, oil pipes, pipes for oxygen cylinders, etc., with a total of 551 employees. By the end of 2022, it had total assets of RMB 5.36 billion, net assets of RMB 3.33 billion, and realized net profit of RMB 130 million in current year. The corporate income tax payable was RMB 27 million, and the corporate income tax paid was RMB 42 million.

6. Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd.

As of the end of 2022, the Company had 50.63% of its shares, the Company's registered capital was RMB 167 million, and its main business scope includes production and sales of cold-rolled sheets, aluminum coated sheets, color-coated sheets, and related coated layer products, with a total of 437 employees. By the end of 2022, it had total assets of RMB 2.08 billion, net assets of RMB 610 million, and realized net profit of RMB 15.442 million in current year. The corporate income tax payable was RMB 19 million, and the corporate income tax paid was RMB 9 million.

7. Shanghai Baosteel International Economic & Trading Co., Ltd.

As of the end of 2022, the Company owned 100% of the equity. With a registered capital of RMB 2.25 billion, Baosteel International's main business includes imports and exports of goods and technology approved by the government, the imports of steel and scrap steel, processing with imported materials and compensation trade, with a total of 2971 employees. By the end of 2022, Baosteel International had a total asset of RMB 71.21 billion, a net asset of RMB 18.15 billion, and reporting a net yearly profit of RMB 2.27 billion. The corporate income tax payable was RMB 706 million, and the corporate income tax paid was RMB 644 million.

8. Shanghai Baosight Software Co., Ltd.

As of the end of 2022, the Company owned 49.55% of the equity. With a registered capital of RMB 1.98 billion, Baosight's main business includes computer, automation, network communication and the research, design, development, manufacturing and integration of software and hardware, with a total of 5711 employees. By the end of 2022, Baosight had a total asset of RMB 19.58 billion, a net asset of RMB 10.66 billion, and reporting a net yearly profit of RMB 2.25 billion. The corporate income tax payable was RMB 191 million, and the corporate income tax paid was RMB 197 million.

9. Baowu Carbon Technology Co., Ltd.

As of the end of 2022, the Company owned 71.78% of the equity. Baowu Carbon had a registered capital of RMB 750 million, and was mainly engaged in the production and selling of chemical materials and products, technological development, transfer, consulting and services in the chemical industry, and export of self-manufactured products, etc., with a total of 3440 employees. By the end of 2022, it had a total asset of RMB 19.74 billion, a net asset of RMB 8.76 billion, and reporting a net yearly profit of RMB 530 million. The corporate income tax payable was RMB 190 million, and the corporate income tax paid was RMB 221 million.

10. Shanghai Baosteel Asset Management Co., Ltd.

As of the end of 2022, the Company had 100% of its shares. With a registered capital of RMB 1 billion, its main business scope includes asset management; maintenance of engineering machinery and metallurgical equipment; design, manufacturing, installation and repair of electromechanical equipment (excluding special equipment); import and export of goods and technology; technical development, technical transfer, technical consulting, technical services, etc. in the field of metallurgical technology. By the end of 2022, it had total assets of RMB 1.12 billion, net assets of RMB 1.01 billion, and realized net profit of RMB 5.723 million in current year. The corporate income tax payable was RMB 8 million, and the corporate income tax paid was RMB 8 million.

11. Baowu Group Finance Co., Ltd.

By the end of 2022, the Company owned 33.43% of equities of this company, which, combined with the equities held by Wuhan Iron & Steel Co., Ltd., accounted for 52.10% of equities of this company. Its registered capital is RMB 2.84 billion, the main business is absorbing deposits from member units, processing loans for member units, processing internal transfer and settlement between the member units, processing entrusted loans and entrusted investment between the member units, and providing inter-bank borrowing, etc., with a total of 106 employees. By the end of 2022, its total assets was RMB 52.06 billion, net assets was RMB 4.99 billion, and net profits for the year was RMB 370 million. The corporate income tax payable was RMB 108 million, and the corporate income tax paid was RMB 108million.

12. Overseas Company

By the end of 2022, the Company has set up foreign subsidiaries in the US, Japan, Germany, Singapore and Hong Kong, which play a significant role in expanding sales and purchasing network of the Company, and improving the competitiveness of the Company in the international market.

(VIII) Structured entity controlled by the Company

☐ Applicable √Not applicable

VI. Discussion and Analysis of the Company's Future Development

(I) Industry structure and trend

√ Applicable ☐ Not applicable

In 2023, the environment, both domestic and abroad, is still tough. Due to the effects of the Russia-Ukraine conflict, USD interest rate hike, etc., the global economic uncertainty has significantly increased, and economic conditions in foreign markets are expected to further deteriorate. The domestic economy is still faced with contracting demand, supply shock and weaker expectation, and pressure on economic growth is high. In 2023, the real estate industry is expected to gradually stabilize, but will still remain in a sluggish state, so the demands for construction machinery, household appliances, etc. will remain weak, and the growth in the automobile industry is limited. The policies implemented by the government for stabilizing economic operation, increasing domestic demand, promoting consumption, etc. will provide certain support for iron & steel consumption. So, it is estimated that in 2023 the demand for iron & steel will continue to decrease, but for a smaller magnitude.

In 2023, the domestic iron & steel industry is still faced with such difficulties as low industry concentration, insufficient supply of iron cores, tighter energy and environment constraints, etc., and environmental protection and energy consumption - "Dual Control" will still remain a hard requirement for development of the iron & steel industry; the "Dual Carbon" progress will be accelerated, environmental protection and other policies will be continuously enhanced, so iron & steel production capacity governance and low-carbon development, extreme energy efficiency will continue to be the major tasks for the iron & steel industry, both now and in future.

(II) Company's development strategy

√Applicable ☐ Not applicable

The Company adheres to the mission of "being a model of high-quality development in the steel industry and a leader of future steel industry" and the vision of "being the most competitive steel enterprise in the world and the most valuable listed company in investment". In the new development planning period, the Company will focus on building its core competence to face future challenges, upgrade and implement the new "1+5" development strategy of "scale + competence", i.e. the multiple manufacturing base management mode and competence in five areas: product operation, technological leadership, green and low carbon, smart manufacturing, and efficiency improvement, to grow stronger, better and bigger so as to become a world leading steel enterprise.

(III) Business plan

√Applicable ☐ Not applicable

1. The progress of the early stage development strategy and business plan during the reporting period

Compared with the annual business objectives, the Company ranked No. 1 in the industry domestically in terms of total profit for 2022; accounted for over 50% of the market with its core products; realized a per capita steel output in the main iron and steel business of 1,620 tons per man year; realized a cost reduction of RMB 9.35 billion quarter on quarter; realized breakthroughs in digital and smart transformation; attained milestone targets in its major projects.

2. Baosteel's business objectives, plans and work priorities in 2023

The year 2023 is the first year for fully implementing the spirits of the 20th CPC National Congress and also the key year for implementing the "14th 5-year" plan. The Company will, surrounding the overall business policy of "Fully benchmark to identify differences, build extreme efficiency; drive development through innovation, and create the world's first-class", try to the overall business targets of "No.1 in business performance in China; '1+1+N' product sales 26.18 million tons; output for iron & steel - our main business - reaching 1,700 tons/person• year; cost reduction by RMB2.9 billion on a YOY basis; liquid iron cost remaining TOP 10 in industry; spot goods occurrence rate 6.2%; fully achieve building of super-low emission Class A enterprise; leading in digital-smart transformation; achieving nodes and targets for major projects".

In 2023, the Company plans to produce 48.77 million tons of iron and 50.89 million tons of steel, sell 51.21 million tons of commodity billets, and achieve total operating income of RMB 338.3 billion with operating cost at RMB 313.5 billion.

Centering on the overall business policy and overall business objectives of the Company for 2023 and combined with the planning requirements, Baosteel will focus on promoting the following work within this year:

(1) Stick to drive by two wheels, i.e. "scale + production capacity", and speed up building the Company into a world first-class enterprise. In China, the Group's internal integration is combined with the Group's external sourcing to continuously increase the Company's scale. On the international scene, the Company fully makes use of its advantages in terms of capabilities built in many years to mainly push forward construction of overseas steel factories and speed up the international layout that matches our status in the industry.

(2) Deepen product operations and build excellent products. Led by the "Million Thousand and Billion" strategy, enhance the "army type and war zone" production-sale-research collaboration mechanism, and continuously promote the "1+1+N" incremental market development. Surrounding "1+1+N" product family, enhance brand building by building segmented industry brand benchmarks. Deepen smart marketing and strengthen new advantages in customer-oriented supply chain digital services.

(3) Stick to drive by reform and deepen "One Company Multiple Bases" management mode. Continuously deepen construction of the "5 Centers" and Product Business Division and Process Management Department, and strengthen the matrix management that combines "Platform + Professional". Enhance construction of the Operation Center, deepen cost accounting, and continuously improve efficiency. Deepen construction of the Product Business Division, improve professional operation capability, and improve product manufacturing capability and market competitiveness through coordination of multiple bases. Deepen construction of the Process Management Department and deepen process difference identification against benchmarks to fully improve process capability.

(4) Strengthen technical leadership and push innovation leadership. Implement the mission of building the source of original technologies and the head link of the low-carbon metallurgy sub-chain, promote breakthrough of key core technologies; speed up development and marketing of new products, and further increase the ratio of unique leading products; deepen technical innovation mechanism reform, and try to achieve breakthroughs in such fields as industry-academy-research cooperation in original technologies, engineering and industrialization of major scientific research projects, introduction of benchmark projects, R&D cooperation with overseas partners, etc.

(5) Deepen smart manufacturing and lead digital-smart transformation. Speed up "BAO Robot" layout, refine "4 ALLs", and bring smart manufacturing to a new stage; construct business middle office and data middle office that can reuse enterprise-level capabilities, and build reusable and shareable business capabilities and data assets; improve digital capabilities surrounding the "Five Centers", and build and put into operation the main capabilities of the core business system.

(6) Deepen the green low-carbon strategy, and build a model green low-carbon steel factory for the world. Fully complete super-low emission of waste gases; steadily promote the model project of zero waste water discharge; enhance exploration and practice of low-carbon metallurgical technology; carry out feasibility study of extra-large hydrogen-rich carbon recycling oxygen blast furnace renovation; continuously deepen the activities for energy efficiency benchmark reaching and leadership creating.

(7) Enhance risk management and control, and fully improve corporate governance capability. Strengthen safe production risk management and control, deepen hidden danger screening and governance, and promote safety risk source governance and material improvement. Strengthen "Risk, Internal Control, Compliance" collaboration mechanism construction, and fully improve corporate risk management and control levels. Continuously promote compliance system construction, and continuously improve legal and compliant operation management level.

(8) Implement employee care work and promote joint development of employees and the enterprise. Continuously improve the "Inclusive Benefit + Precise" care service system, and build the "Party Committee Leadership, Administrative Support, Trade Union Promotion, Smart Assistance" work mode. Precisely and effectively carry out labor competition, and continuously promote employee job post innovation. Fully build the "3 Haves" good living brand project, begin from practical works and environment improvement, and continuously enhance employees' sense of gain, sense of happiness and sense of safety.

3. The Company's business plan in 2023 shall not constitute the Company's commitment to investors about performances, so investors should maintain sufficient risk awareness about this.

4. The funding demands for maintaining the Company's current businesses and completing the investment projects under construction, as well as the investment fund sources, costs and usage designed for the Company's business plan.

In 2023, the Company budgeted and arranged RMB28.28 billion investment in fixed assets. The money was mainly used as advance payments and progress payments for the oriented silicon steel product structure optimization project (Step 2) and energy efficiency benchmark reaching project renovation of Baoshan Base, the silicon steel plan series projects of Qingshan Base, hydrogen base system of Dongshan Base, and Meishan Base for reaching the environmental protection Class-A enterprise standard, etc. A certain part of the money was used for smart manufacturing and other technical renovation projects.

(IV) Possibly faced risks

√Applicable ☐ Not applicable

In 2023, with the global inflation pressure growing, trade protectionism rising, global economic growth obviously weakening, the external environment is becoming more complex and more uncertain. It is difficult to substantially change the supply-higher-than-demand situation of the iron & steel market, so the Company will be faced with such risks as construction of overseas investment projects, price fluctuations of commodity raw materials, environmental protection, safe production, etc., and needs to enhance judgment of changes in the macroeconomic policy environment and industry trend, actually improve our risk prevention capability, and effectively control major risks.

(V) Others

☐ Applicable √Not applicable

VII. Circumstances of failure to disclose information according to the standards by the Company due to inapplicable standards or state secrets, trade secrets and other special reasons as well as reasons

☐ Applicable √Not applicable

Section IV Corporate Governance

I. Corporate Governance

√Applicable ☐ Not applicable

The Company has established a corporate governance structure with Baosteel features which is line with the characteristics of steel industry, supports the strategic development and adapts to the manufacturing and operation of the Company. Moreover, the Company strictly observed relevant laws and regulations like Company Law, Securities Law,Code of Corporate Governance for Listed Companies and Rules of Shanghai Stock Exchange for Stock Listing, constantly enhanced normalized operation, strengthened scientific management, innovated interaction and communication channels, maintained good investor relations, kept perfecting internal control system and overall risk management system, and rigorously performed the obligation of information disclosure in an effort to improve the quality of corporate governance and operation.

The Eighth Board of Directors of the Company consists of 11 directors, including 5 independent directors (5/11). In addition, Mr. Luo Jianchuan is the external director of China Baowu Iron & Steel Group Co., Ltd., and also director of the Company. The Eighth Board of Supervisors of the Company consists of 7 supervisors, including 3 supervisors elected from employees (3/7).

The Company independent board members actively participate construction of and play an important role in four special committees under the Board of Directors. Of the four special committees, the Strategy, Risk and ESG Committee consist of 7 directors, of which 3 are independent directors; the Audit and Internal Control Compliance Management Committee consists of 5 independent directors, with accounting professor Mr. Xie Rong, an independent director, acting as the head; the Remuneration and Assessment Committee consists of 4 independent directors, with Mr. Lu Xiongwen, an independent director, as the head; the Nomination Committee consists of 5 directors, 3 of which are independent directors (3/5), with Mr. Zhang Kehua, an independent director, as the head. Each of the Audit and Internal Control Compliance Management Committee, Remuneration and Assessment Committee and the Nomination Committee is headed by an independent director, which effectively guarantees the independence and fairness of audit and internal control activities as well as assessment and appointment of directors and officers.

In 2022, the Company carefully implemented the state-owned enterprise reform 3-year action plan, continuously enhanced construction of the Board of Directors, improved the governance system, fully streamlined the responsibilities and powers of the Board of Directors, amended the corresponding articles of the Articles of Association, formulated the Board of Directors Authorization Management Policy, legally and compliantly implemented the responsibilities and powers of the Board of Directors; amended the Rules of Procedure of the Audit and Internal Control Compliance Management Committee, adjusted the responsibilities of this committee, and continuously normalized its operation; amended the Rules of Procedure for the Nomination Committee, disclosed the Board Member Diversification Policy which assists in improving corporate governance; amended the Investor Relation Management Rules, which further strengthens investor relation management; formulated the ESG Work Management Policy to continuously improve ESG management.

In 2022, the Company established the Rule of Law and Compliance Management Committee which is responsible for deliberating the overall targets and development plans for the Company's rule of law and compliance management work. At the same time, the Company also formulated the Compliance Management Policy which establishes the compliance system construction policy framework, defines compliance management rules and division of responsibilities, and the lead functions in major compliance fields, operation mechanisms, compliance culture building, information system construction, supervision and accountability, etc. The Articles of Association clearly specifies that "The Company adopts the general counsel policy", and defines the compliance management responsibilities. In addition, in 2022 the Company issued the External Lawyer Management Rules and the Legal Dispute Management Rules, and amended the Contract Management Rules and the Enterprise Credit Information Disclosure Management Rules. For long-term investment projects, the Company has implemented the "Investment Project Compliance Audit" to ensure legality and compliance of investment projects.

The Company is dedicated to deepening investors' understanding and recognition of Baosteel through smooth communication channels and sufficient information disclosure. In 2022, the Company's investor relation team mainly, through online means, maintained good communication with the capital market, and realized timely, fair and efficient information communication and exchange.

The interaction between the company and investors in 2022 is as follows:

Investor relations activities	Frequency	Remarks
Performance disclosures	6 times	on site + video bi-linguistic live performance disclosure meetings: 2 times (annual and Q1, half-year reports) Online performance explanation meetings: 3 times (annual and Q1, half-year, and Q3 reports) 2022 Shanghai Stock Exchange International Investor Conference - International Investors Online Communication with Companies Listed on Shanghai Stock Exchange
Independent investors exchange meetings	2 times	June 17th, Silicon Steel Special Topic Exchange Meeting June 30th, "Climate Action Report" Special Topic Exchange Meeting
Domestic and foreign investment banks and securities brokers strategy conferences	47 meetings	
Institutional investors telephone conferences	41 times	
Receiving investors' visits	5 times/15 persons	
Road shows and exchanges	16 times	14 video road shows for international investors after periodic reports 2 road shows for domestic investors
Answers to investors' questions	307	Answered 307 questions from Shanghai Stock Exchange E interactions, and from Quanjing investors on investor relation platform
Investor relation questionnaires	60	Collected capital market's views on the iron & steel industry in 2022, Baosteel and its investor relation services; received 60 valid replies
External exchanges	2 times	In February, participated in Shanghai Stock Exchange Performance Disclosure Meeting Special Topic Exchange, representing publicly listed companies in sharing performance disclosure meeting experiences In August, participated in publicly listed company research activities carried out by China Securities Regulatory Commission Investor Protection Bureau, and, as one of the 5 invited publicly listed companies, shared investor relation work experiences

In 2022, the Company was listed in the Forbes "2022 China ESG TOP50", the only iron & steel enterprise included in the list; re-listed in the "Central Enterprise ESG•Pioneer 50 Index", rank rose from No.7 in 2021 to No.4 in 2022; elected by Wealth magazine as "Most Praised Chinese Company in 2022"; in the 4th New Wealth "Best Publicly Listed Company" election, won the "Best Publicly Listed Company" and "Best ESG Practice Award"; in China Social Responsibility 100 Persons Forum's First "ESG Golden Bull Award" election, won "2022 ESG Golden Bull Award -- Dual Carbon Pioneer"; won the 2022 Chinese Enterprise ESG "Golden Responsibility Award" granted by Sina Finance -- Best Corporate Governance (G) Responsibility Award.

Whether there is any major deviation in corporate governance from laws, administrative regulations and CSRC's provisions regarding the governance of listed companies; if yes, please specify the reason

☐ Applicable √Not applicable

II. Concrete measures taken by the Company's controlling shareholder and actual controller to ensure the independence of the Company's assets, personnel, finance, organization, business, etc., and solutions taken in the case of the Company's independence being impacted, work progress and subsequent work plans

√Applicable ☐ Not applicable

The Company and the controlling shareholder are mutually independent in terms of business, personnel, assets, organization and finance, etc.; they are operating separately and independently taking on responsibilities and risks; and the Company has the complete business and independent operating capacity.

Circumstances where the controlling shareholder, the actual controller and other entities controlled thereby are engaged in business that is the same as or similar to the Company's, impact on the Company imposed by horizontal competition or major changes in the situation of horizontal competition, solutions already taken, progress and subsequent work plans

√Applicable ☐ Not applicable

Based on product types, application fields and main sales areas, the Company has certain overlap and market competition in the main steel business with Manshan Iron& Steel Co., Ltd. (hereinafter referred to as "Masteel") indirectly controlled by the Company's controlling shareholder China Baowu. To avoid horizontal competition, China Baowu issued a Commitment Letter on Avoiding Horizontal Competition to Masteel on August 26, 2019, promising that it will, in accordance with requirement of the securities regulators, then applicable laws, regulations and related regulatory rules, comprehensively apply multiple means such as asset restructuring, business adjustment, entrusted management to prudently proceed with relevant business integration to solve the problem of horizontal competition within 5 years or a shorter time if possible in principle of promoting the development of the listed company and safeguarding interests of shareholders, especially middle and small sized shareholders.

Since August 2019, China Baowu has organized multiple joint investigations with relevant companies and entities including Baosteel and Magang to get a grip on the situation of horizontal competition, is currently studying the horizontal competition solution of Baosteel and Magang, and undertakes to actively push for settlement of the aforesaid horizontal competition issue within the 5-year commitment period while maintaining the shareholders' interests of the relevant parties.

III. Brief Introduction of Shareholders' Meeting

Session	Date	Reference websites	Disclosure date	Resolutions
Annual shareholders' meeting of 2021	May 20, 2022	http://www.sse.com.cn	May 21, 2022	The meeting passed through resolution: 1.2021 BoD Report 2.2021 BoS Report 3.2021 Annual Report (full text and abstract) 4. Proposal for 2021 Annual Final Financial Report 5. Proposal for Profit Distribution of 2nd Half of 2021 6. Proposal for Annual Budget of 2022 7. Proposal for Related-Party Transactions of 2022 8. Report on Remuneration for Directors, Supervisors and Officers for 2021 9. Proposal for the Financial Services Agreement between Baowu Group Finance Co., Ltd. and Related parties 10. Proposal for Compliance with Applicable Laws and Regulations in Splitting Subsidiaries for Listing on the Growth Board 11.Proposal for Splitting Subsidiary Baowu Carbon Technology Co., Ltd. for Listing on Growth Board 12. Proposal Regarding "Baoshan Iron & Steel Co., Ltd.'s Proposal for Splitting Subsidiary Baowu Carbon Technology Co., Ltd. for Listing on Growth Board (Amended)" 13. Proposal for Compliance with Rules for Splitting Publicly Listed Companies (Trial) in Splitting Subsidiaries for Publicly Listing on the Growth Board 14. Proposal for Protection of Shareholders' and Creditors' Legal Rights and Interests in Splitting Subsidiaries for Publicly Listing on the Growth Board 15. Proposal for the Company to Maintain Independence and Ongoing Operation Capability 16. Proposal for Baowu Carbon Technology Co., Ltd. Having Corresponding Standard Operation Capability 17. Proposal for Explanation of the Completeness of Compliance of This Split in Performing Statutory Procedures and the Validity of Submitted Legal Documents 18. Proposal for the Purpose, Commercial Reasonableness, Necessity and Feasibility Analysis of This Split 19. Proposal for Requesting the Shareholders' Meeting to Authorize BoD and BoD's Authorized Persons to Handle Matters Relating to This Split 20. Proposal for Requesting the Shareholders' Meeting to Authorize BoD and BoD's Authorized Persons to Handle Matters Relating to This Split 21. Proposal for Administration Rules for Implementation Assessment of Phase III A Share Restricted Shares Plan of Baoshan Iron & Steel Co. Ltd. 22. Proposal for Requesting the Shareholders' Meeting to Authorize BoD to Handle Matters Relating to Phase III A Share Restricted Shares Plan of the Company 23. Proposal for Amending Articles of Association
First temporary shareholders' meeting in 2022	Aug. 17, 2022	http://www.sse.com.cn	Aug. 18, 2022	The meeting passed through resolution: 1.Proposal for Matters Relating to Lifting Restrictions on Phase II Restricted Shares Plan 2. Proposal for Repurchasing and De-registration of Restricted Shares Held by Partial Incentive Objects of Phase II Restricted Shares Plan 3.Proposal for Amending Articles of Association 4. Proposal for Increasing Directors for the Company's 8th BoD
Second temporary shareholders' meeting in 2022	Sep. 15, 2022	http://www.sse.com.cn	Sep. 16, 2022	The meeting passed through resolution: 1.Proposal for Profit Distribution of the 1st Half of 2022 2. Proposal for Renewing Employment of Ernst & Young Huaming as the Company's Independent Accountant and Internal Control Auditor for 2022
Third temporary shareholders' meeting in 2022	Oct. 10, 2022	http://www.sse.com.cn	Oct. 11, 2022	The meeting passed through resolution: 1. Proposal for Electing Mr Wu Xiaodi as A Member of the Company's 8th BoD
Fourth temporary shareholders' meeting in 2022	Dec. 1, 2022	http://www.sse.com.cn	Dec. 2, 2022	The meeting passed through resolution: 1.Proposal for Repurchasing and De-registration of Restricted Shares Held by Partial Incentive Objects of Phase III Restricted Shares Plan 2. Proposal for Matters Relating to Absorption and Merge by Baowu Finance Company of Magang Finance Company
Fifth temporary shareholders' meeting in 2022	Dec. 28, 2022	http://www.sse.com.cn	Dec. 29, 2022	The meeting passed through resolution: 1. Proposal for Proposed Guarantee after Successful Acquisition of 60% of the Equity of Shanghai Electric Steel Pipe

Extraordinary general meeting required by preferred shareholders with voting power resumed

☐ Applicable √Not applicable

Shareholders meeting information

☐ Applicable √Not applicable

IV. Information of directors, supervisors and senior executives

(I) Shareholding changes and remuneration of directors, supervisors, and senior executives in service or leaving the Company during the reporting period

√Applicable ☐ Not applicable

Unit: share

Name	Position (note)	Gender	Age	Beginning of office	End of office	Shares held at beginning of the year	Shares held at end of the year	Share change in the year	Reason for change	Remuneration from the Company in reporting period (pre-tax) (RMB ten thousand)	Remueration from the Company's related party
Zou Jixin	Chairman	Male	54	Jan. 9, 2019	May 20, 2024						Yes
Zou Jixin	Director	Male	54	Feb. 24, 2017	May 20, 2024						Yes
Wu Xiaodi	Director	Male	53	Oct. 10, 2022	May 20, 2024						No
Wu Xiaodi	General manager	Male	53	Sep. 23, 2022	May 20, 2024	211,000	676,000	+465,000	Granting of the third phase of the Restricted Stock Plan	24.85	No
Gao Xiangming	Director	Male	60	Aug. 17, 2022	May 20, 2024						Yes
Yao Linlong	Director	Male	58	Mar. 23, 2020	May 20, 2024	578,350	578,350				Yes
Xie Qi	Director	Male	51	Aug. 17, 2022	May 20, 2024					40.09	No
Luo Jianchuan	Director	Male	59	Jan. 21, 2020	May 20, 2024						No
Zhang Kehua(Note 1)	Independent Director	Male	69	Feb. 24, 2017	Feb. 23, 2023					35	No
Lu Xiongwen (Note 1)	Independent Director	Male	56	May 25, 2018	May 20, 2024					35	No
Xie Rong(Note 1)	Independent Director	Male	70	May 25, 2018	May 20, 2024					35	No
Bai Yanchun (Note 1)	Independent Director	Male	56	May 25, 2018	May 20, 2024					35	No
Tian Yong(Note 1)	Independent Director	Male	63	May 25, 2018	May 20, 2024					35	No
Zhu Yonghong	Chairperson of Board of Supervisors	Male	53	Feb. 24, 2017	May 20, 2024						Yes
Yu Hansheng	Supervisor	Male	59	Feb. 24, 2017	May 20, 2024						Yes
Wang Zhen	Supervisor	Male	49	Sep. 9, 2019	May 20, 2024						Yes
Qin Changdeng	Supervisor	Male	58	Jul. 5, 2021	May 20, 2024						Yes
Ma Jiangsheng	Employee supervisor	Male	50	Apr. 12, 2017	May 20, 2024					12.76	No

Li Chujun	Employee supervisor	Female	33	Dec. 23, 2020	May 20, 2024					39.27	No
Zhou Yanping	Employee supervisor	Female	46	Nov. 5, 2021	May 20, 2024					37.76	No
Fu Jianguo	Deputy general manager	Male	53	Apr. 9, 2022	May 20, 2024	111,000	576,000	+465,000	Granting of the third phase of the Restricted Stock Plan	213.04	No
Wu Jun	Deputy general manager	Male	54	Feb. 24, 2017	May 20, 2024	93,700	546,700	+453,000	Granting of the third phase of the Restricted Stock Plan	184.20	No
Hu Hong	Deputy general manager	Male	52	Apr. 25, 2021	May 20, 2024	207,000	672,000	+465,000	Granting of the third phase of the Restricted Stock Plan	214.71	No
Wang Juan (Note 2)	Deputy general manager	Female	50	Feb. 1, 2023	May 20, 2024	363,600	816,600	+453,000	Granting of the third phase of the Restricted Stock Plan	202.59	No
Wang Juan	CFO	Female	50	Feb. 26, 2020	May 20, 2024						No
Wang Juan	Secretary of Board of Directors	Female	50	Apr. 8, 2018	May 20, 2024						No
Liu Baojun (Note 2)	Deputy general manager	Male	44	Feb. 1, 2023	May 20, 2024	204,000	657,000	+453,000	Granting of the third phase of the Restricted Stock Plan		No
Hou An'gui	Outgoing director	Male	50	May 18, 2021	Aug. 1, 2022						Yes
Sheng Genghong	Outgoing director	Male	58	Feb. 9, 2021	Sep. 23, 2022					265.63	No
Sheng Genghong	Outgoing director	Male	58	Jan. 24, 2021	Sep. 23, 2022	622,600	1,243,600	+621,000	Granting of the third phase of the Restricted Stock Plan		No
Zhou Xuedong	Outgoing director	Male	53	Feb. 9, 2021	Aug. 1, 2022	272,000	737,000	+465,000	Granting of the third phase of the Restricted Stock Plan	189.19	No
Total	/	/	/	/	/	2,663,250	6,503,250	+3,840,000	/	1,599.10	/

Note 1: None of the Company's 5 Independent Directors hold Baosteel stock.

Note 2: Ms. Wang Juan and Mr. Liu Baojun were employed as the deputy general managers at the 25th meeting of the 8th BoD meeting held on February 1st, 2023.

Name	Main working experiences
Zou Jixin	Born in July 1968, Chinese nationality, Secretary of Party Committee and Chairman of Baoshan Iron & Steel Co., Ltd., Senior Engineer. Mr. Zou has abundant experiences in enterprise management, corporate governance, green development, steel production & manufacturing management, etc. He receives special governmental allowance from the State Council. He served as the Chief, General Manager Assistant and Deputy General Manager of General Steel Making Factory of Wuhan Iron & Steel Corporation, a Member of Standing Committee of CPC and Deputy General Manager of Wuhan Iron & Steel Group Co., Ltd., General Manager of Wuhan Iron & Steel Corporation, as well as Director of the 6th and 7th Board of Directors of Wuhan Iron & Steel Corporation. Since October 2016, he served as a Member of Standing Committee of CPC of China BAOWU Steel Group Corporation Ltd. From February 2017 to January 2019, he served as a General Manager and Deputy Secretary of Party Committee of Baoshan Iron & Steel Co., Ltd. He served as a Director of Baoshan Iron & Steel Co., Ltd since February 2017 and Secretary of Party Committee and Chairman of Baoshan Iron & Steel Co., Ltd. since January 2019. Mr. Zou was graduated from Chongqing Technology College in 1989, and obtained MBA Degree of US Ohio University in 2004.
Wu Xiaodi	Born in June 1969, Chinese nationality, BoD member, General Manager, Deputy Party Committee Secretary, Senior Engineer, Baoshan Iron & Steel Co. Ltd.. Mr Wu has rich experiences in iron & steel production management, enterprise management, low-carbon metallurgy, etc. In July 1991, he joined Baosteel and thereafter held such positions as Baosteel Hot Rolling Factory Head, Thick Sheet Department Head, Manufacturing Management Department Head, Assistant to GM of Baosteel, GM of Iron & Steel Business Development Center of China Baowu Iron & Steel Group Co., Ltd., Director of New Materials Industry Development & Promotion Office, Assistant to GM, etc. BoD member of Baosteel from May 2018 to July 2019. GM and Deputy Party Committee Secretary of Wugang Co., Ltd. from August 2019 to March 2020; standing member of Party Committee of Baosteel and GM and Deputy Party Committee Secretary of Wugang Co., Ltd. from March 2020 to May 2020; standing member of Party Committee of Baosteel and GM and Party Committee Secretary of Wugang Co., Ltd. from May 2020 to August 2020; standing member of Party Committee of Baosteel and executive director and Party Committee Secretary of Wugang Co., Ltd. from August 2020 to August 202; Deputy Party Committee Secretary of Baoshan Iron & Steel Co. Ltd. from August 2022; GM of Baoshan Iron & Steel Co. Ltd. from September 2020; director of Baoshan Iron & Steel Co. Ltd. from October 2022. Mr Wu graduated from the Metal Pressure Processing Discipline of Northeast College of Engineering in 1991, and received an MBA degree from Fudan University in 1999.
Gao Xiangming	Born in September 1962, Chinese nationality, BoD member of Baoshan Iron & Steel Co. Ltd., management expert and Senior Engineer of China Baowu. Mr Gao has rich experiences in iron & steel enterprise production management, operation management, and low-carbon green development management. He once held the following positions at Taiyuan Iron & Steel Group: Chief of Motor Section, Assistant to GM, BoD Member, Vice Board Chairman, Standing Member of Party Committee, GM, Deputy Party Committee Secretary, Party Committee Secretary and Board Chairman. From January 2021 to March 2022, Party Committee Secretary and Board Chairman of Taiyuan Iron & Steel Group, General Representative of China Baowu Shanxi HQ; China Baowu Management Expert from March 2022; Board Member of Baoshan Iron & Steel Co. Ltd. from August 2022. In July 1983, Mr. Gao graduated from the metallurgical machinery discipline of Beijing Iron & Steel College with a bachelor degree; in July 1986, he graduated from the metallurgical machinery discipline of Beijing Iron & Steel College with a master degree; in September 2012, he received a senior managers MBA degree from the Management School of Xiamen University.
Yao Linlong	Born in July 1964, Chinese nationality, General Manager of Steel Industry Development Center of China Baowu SteelGroup Corporation Ltd., Direrctor and Engineer of Baoshan Iron & Steel Co., Ltd. Mr. Yao has abundant experiences in production and manufacturing, green development and marketing management of steel enterprise. He joined Baosteel in July 1985, served as the Deputy Chief and Chief of the Steel Rolling Plant of Baosteel Cold Rolling Factory, Chief of Coating Plant, Chief Assistant, Deputy Chief and Chief of Cold Rolling Factory, Head of Preparation Team of 1800 Joint Venture, Director and General Manager of BNA, General Manager Assistant of Baoshan Iron & Steel Co., Ltd, Executive Director and General Manager of Shanghai Baosteel International Economic & Trade Co., Ltd, and Deputy General Manager of Baoshan Iron & Steel Co., Ltd. Since January 2020, he served as the General Manager of Steel Industry Development Center of China Baowu Steel Group Corporation Ltd. Since March 2020, he served as the Director of Baoshan Iron & Steel Co., Ltd. Mr. Yao was graduated from Northeast University in July 1985, and obtained the Master Degree of MBA from China Europe International Business School in September 2005.
Xie Qi	Born in November 1971, Chinese nationality, Board Member, Deputy Party Committee Secretary and Trade Union Chairman, Senior Engineer of Baoshan Iron & Steel Co. Ltd.. Mr. Xie has rich experiences in iron & steel enterprise production management, operation management, and low-carbon green development management. He joined Baosteel in July 1994, and held the following positions: Party Committee Secretary and Deputy Factory Hhead of Baosteel Hot Rolling Factory, Director of Production Technology Room, GM of Steel Pipes and Rods Business Division, Party Committee Secretary; Head of Baowu Group Production Safety Supervision Department, Energy and Environmental Protection Department, Head of Technological Innovation; BoD Member of Shaoguan Iron & Steel, Senior Vice President (hosting work), Deputy Party Committee Secretary; Vice Chairman and Deputy Party Committee Secretary of Shaogang Songshan; Party Committee Member of Central South Iron & Steel, Board Chairman of Baodi Guangdong. From December 2020, Party Committee Member of Central South Iron & Steel, Shaoguang Songshan Party Committee Secretary and Board Chairman; Board Chairman of Baodi Guangdong (holding positions of Central South Iron & Steel Party Commitee Member, Shaogang Songshan Party Committee Secretary and Board Chairman until August 2022). From July 2022, Deputy Party Committee Secretary of Baoshan Iron & Steel Co. Ltd. (also Trade Union Head from July 2022 to September 2022), Trade Union Head of Baoshan Iron & Steel Co. Ltd. from September 2022. Board Member of Baoshan Iron & Steel Co. Ltd. from August 2022. Mr. Xie graduated from Chongqing University in July 1994, and received an MBA degree from Fudan University in June 2004.
Luo Jianchuan	Born in April 1963, Chinese nationality, Full-Time External Director of central enterprises, External Director of China Baowu Steel Group Corporation Ltd., External Director of China COSCO Shipping Corporation Limited, External Director of China Information Communication Technologies Group Corporation, Director of Baoshan Iron and Steel Co., LTD., Professor-Level Senior Engineer. Mr. Luo has rich experience in enterprise operation, corporate governance, and green development, etc. He was once an Engineer of China Nonferrous Metal Mining (Group) Co., Ltd. Bureau of Lead and Zinc, Manager of Haikou Nanxin Industrial Company, General Manager Assistant of CNMC International Trading Co., Ltd., General Manager of Xinquan Company, Deputy Director of the Trading Department of China Copper, Lead and Zinc Group Corporation, General Manager of China Aluminum International Trading Group Co., Ltd., Market Trading Director of Aluminum Corporation of China Limited, the General Manager, Vice President and Senior Vice President of the Marketing Department of Aluminum Corporation of China Limited, Member and Director of the party organization of Aluminum Corporation of China Limited, Executive Director And President of Aluminum Corporation of China Limited, Chairman of China Aluminum Hong Kong, Chairman of China Aluminum International Trading, Chairman of China Aluminum Overseas Shareholding, and Deputy Director of the management committee of CNMC. Currently, Mr. Luo is full-time external director of a central enterprise. He became an external director of China Baowu Steel Group Corporation Ltd. from July 2019 and a director of Baoshan Iron and Steel Co., LTD. from January 2020. Mr. Luo was graduated from Kunming University of Science and technology with a bachelor's degree in mining engineering in 1985 and won a doctor's degree in engineering from Central South University in 2006.
Zhang Kehua	Born in August 1953, Chinese nationality, Independent Director and Professor-level Senior Engineer of Baoshan Iron & Steel Co., Ltd. Mr. Zhang has abundant experiences in the aspects of enterprise management, engineering construction management and green development. He served as the General Manager Assistant and Director of Engineering Department of the China Petrochemical Corporation, Vice President of Sinopec Corporation, and Vice Board Chairman of Sinopec Engineering (Group) Co., Ltd. From December 2015 to February 2017, he served as an Independent Director of the 7th Board of Directors of Wuhan Iron & Steel Corporation. Since February 2017, he served as an Independent Director of Baoshan Iron & Steel Co., Ltd. Mr. Zhang was graduated from East China University of Science and Technology in 1980, and obtained the Master Degree of Management Science and Engineering from China University of Petroleum in 2000.

Lu Xiongwen	Born in October 1966, Chinese nationality, Dean, Professor and Doctoral Supervisor of the School of Management, Fudan University, Independent Director of Baoshan Iron & Steel Co., LTD. Mr. Lu is mainly engaged in China's immature marketing, Internet economy, regional economy, enterprise organizational change research, sustainable development, and corporate governance, etc., and has published more than 50 papers in authoritative journals and conferences at home and abroad; he has presided over and completed major decision-making consultation by the national natural science foundation of China and Shanghai Government, the Excellent Young Teachers Program of the Ministry of Education, outstanding young teacher funding program of the Ministry of Education, key social science projects of Fudan University and other research projects. He has published many books and teaching materials, such as Democratic Management, Returning to the Center of the Economic Stage -- Integration and Transformation of Regional Economy in the Yangtze River Delta (coauthored), Surprising Victory, Service Marketing in Asia (the 2nd Edition) (coauthored), and Enterprise Strategic Management (coauthored), and is the chief editor of the Great Dictionary of Management and subject chief editor of Cihai (the 7th edition). He has served as an Independent Director and external director of many listed companies, financial institutions, state-owned enterprises, etc. He is currently the vice chairman of the 6th national steering committee for graduate education in business administration. Since May 2018, he became an Independent Director of Baoshan Iron& Steel Co., Ltd. Mr. Lu won his bachelor's degree in Economics from Fudan University in July 1988, his master's degree in Economics from Fudan University in July 1991, and his doctor's degree in Management from Fudan University in January 1997. He also went to Tuck School of Business, Dartmouth College for postdoctoral research and once went to MIT Sloan School of Management and Ohio State University Fisher College of Business as a visiting scholar.
Xie Rong	Born in November 1952, Chinese nationality, doctor and professor of accounting, an Independent Director of Baoshan Iron and Steel Co., LTD. Mr. Xie is mainly engaged in the research of accounting, auditing, internal control, risk management and other fields, lecturing the course of Advanced Audit Theory and Practice. He used to be a professor of Accounting Department of Shanghai University of Finance and Economics, a partner of KPMG Huazhen Accounting Firm, a professor and deputy dean of Shanghai National Accounting Institute, and an Independent Director of Shenyin Wanguo, Baosight Software, Everbright Bank and other listed companies. Currently, he is an Independent Director of listed companies such as China National Traditional Chinese Medicine, Shanghai Foreign Service (Group) Co., Ltd. In May 2018, he became an Independent Director of Baoshan Iron and Steel Co., LTD. Mr. Xie received his bachelor's degree in Accounting from Shanghai University of Finance and Economics in July 1983, his master's degree in Accounting from Shanghai University of Finance and Economics in December 1985, and his doctor's degree in Accounting from Shanghai University of Finance and Economics in December 1992.
Bai Yanchun	Born in August 1966, Chinese nationality, Executive Director of ZD Proxy, Independent Director of Baoshan Iron & Steel Co., LTD. With extensive experience in corporate governance, enterprise risk management and control and other areas, Mr. Bai specializes in company listing, mergers and acquisitions. He has participated in the restructuring and listing of dozens of large state-owned enterprises, such as Petrochina, Industrial and Commercial Bank of China, Shenhua, Ansteel, etc. In 2007, he was appointed as the 9th issuance committee member of China Securities Regulatory Commission and reviewed more than 150 IPO and additional issuance projects. In his many years of practice, Mr. Bai has dealt with hundreds of litigation and arbitration cases, and has tried International Chamber of Commerce (ICC) arbitration cases as an arbitrator. Mr. Bai now focuses on corporate governance and institutional investment decisions, providing investment decision-making services for large institutional investors at home and abroad. Currently, he is also a director of Guoshuang Technology, a listed company in the United States, and two other A-share listed companies. In May 2018, he became an Independent Director of Baoshan Iron & Steel Co., LTD. Mr. Bai received his bachelor's degree in Law from China University of Political Science and Law in May 1988. He took postgraduate courses in Johns Hopkins Center for China and the United States during Aug. 1991 and Jun. 1992 and received his master's degree in Law from Stanford University in June 2003.
Tian Yong	Born in October 1959, Chinese nationality, Chief Partner and Director of Management Committee of Zhongzhun Certified Public Accountants (special general partnership), Independent Director of Baoshan Iron and Steel Co., LTD., Certified Public Accountant, Certified Tax Agent and Senior Auditor. Mr. Tian has many years of experience in national audit, central enterprise audit and financial audit of listed companies, with extensive experience in enterprise internal control, risk management and other areas. He served successively as Deputy Director and Director of the capital construction audit department and the financial audit department of the National Audit Office. Since 1999, he has successively served as the Chairman, Chief Accountant, Chief Partner and Director of the Management Committee of Zhonghongxin Certified Public Accountants of the Ministry of Posts and Telecommunications and Zhongzhun Certified Public Accountants. Since September 2019, he has been an Independent Director of Baoshan Iron and Steel Co., LTD. Mr. Tian graduated from Liaoning Institute of Finance and Economics in January 1982 and received his master's degree from Renmin University of China in July 1987.
Zhu Yonghong	Born in Jan., 1969, Chinese Nationality, Standing Committee of CPC, Chief Accountant and Secretary of the Board of China Baowu Steel Group Corporation Limited, Chairman of Board of Supervisors of Baoshan Iron & Steel Co., Ltd., Senior Economist, Senior Accountant Mr. Zhu has extensive experience in corporate financial management and strategic planning. He has successively held positions as Chief Financial Officer and Head of Finance & Accounting Department, Deputy Chief Accountant, Chief Accountant of Wuhan Iron & Steel Co., Ltd.; Director on the 7th Board of Directors of Wuhan Iron & Steel Co., Ltd. He has assumed the Chief Accountant of China Baowu Steel Group Corporation Limited since Oct. 2016, concurrently served as Secretary of the Board of Directors of China Baowu Steel Group Corporation Limited since Oct. 2018, and served as a member of the Standing Committee of CPC of China Baowu Steel Group Corporation Limited since Feb. 2019, and Chairman of Board of Supervisors of Baoshan Iron & Steel Co., Ltd. since Feb. 2017. Mr. Zhu graduated from Zhongnan Forestry College in 1989, and received the Master Degree in Management from China University of Geosciences in 2000, and the Doctor's Degree in Economics from Huazhong University of Science and Technology in 2003.
Yu Hansheng	Born in Oct., 1963, Chinese nationality, Supervisor of Baoshan Iron & Steel Co., Ltd., Senior Professional Title Senior Accountant. Mr. Yu has extensive experience in corporate financial management and audit management. He has successively held positions as Director of Finance & Accounting Department, Deputy Chief Accountant & Director of Finance & Accountant Department of Wuhan Iron & Steel Co., Ltd. From Sept., 2014 to Feb., 2017, he assumed Chief Accountant of Wuhan Iron & Steel Co., Ltd. He has been Supervisor of Baoshan Iron & Steel Co., Ltd. since Feb. 2017. Mr. Yu graduated from WISCO TV University in 1986, majoring in Accounting, and received the Bachelor Degree in Accounting from Zhongnan University of Economics in 1999.

Wang Zhen	Born in April 1973, Chinese nationality, Director of the Party Committee Organization Department and General Manager of the Human Resources Department of China Baowu Steel Group Corporation Ltd., Supervisor of Baoshan Iron and Steel Co., LTD, Senior Political Engineer and Engineer. Mr. Wang has rich experience in the party and the masses, human resources management, enterprise management and so on. He joined Baosteel in July 1994, and served successively as the Deputy Director of the Party Committee Organization Department (HR department), Deputy President Assistant and Vice Party Committee Secretary of Baosteel Development Co., Ltd. (successively served part-time as the president of the manufacturing services division and the chairman of Baosteel Ecological Greening Company), the Deputy Party Committee Secretary and Discipline Inspection Commission Secretary of Baowu Group Environmental Resources Technology Co., Ltd., Deputy Director of the Party Committee Organization Department and Deputy General Manager of the HR Department (presiding over work) of China Baowu Steel Group Corporation Ltd. From September 2019, he became the director of the Party Committee Organization Department and General Manager of the HR Department of China Baowu Steel Group Corporation Ltd. From September 2019, he became the supervisor of Baoshan Iron and Steel Co., LTD. From July 2021, he has been concurrently serving as the Deputy Party Committee Secretary and Discipline Inspection Commission Secretary of Taiyuan Iron & Steel (Group) Co., Ltd., Taigang Stainless Steel. Mr. Wang graduated from Central South University of Technology in July 1994 and obtained the master's degree in project management from Northeastern University in January 2011.
Qin Changdeng	Born in Nov. 1964, Chinese nationality, GM (Director) of Strategic Planning (Economics and Planning Institute) of China Baowu Steel Group Corporation Limited, Supervisor of Baoshan Iron & Steel Co., Ltd., Senior Engineer, Senior Economist. Mr. Qin has extensive experience in corporate governance, risk management and control, specialized consolidation and deepening reform, education and training for large-sized enterprise groups, etc. He joined Baosteel in July 1987, and was once Chief of the Subject Management Department and Vice Director of the Iron and Steel Research Institute of Baosteel, Vice Director and Director of the User Technology Research Center of Baosteel Technology Center, Vice Director and Director of the Office for Talent Development of Baosteel Group's HR Department, Senior Supervisor of Baosteel Group's HR Department, Vice President of Baosteel Research Institute (Technology Center), Director of the Education and Training Center of Baosteel Group, Director of the Talent Development Institute of Baosteel Group, Director of the Talent Development Institute, Dean of the School of Management, and Managing Vice President of the Party School of China Baowu. From November 2017 to July 2022, he served as General Manager of Governance and Director of the Work Office for Comprehensively Deepening the Reform of China Baowu Steel Group Corporation Limited. Since July 2022 he has been serving as GM (Director) of Strategic Planning (Economics and Planning Institute) of China Baowu Steel Group Corporation Limited. Since July 2021, he has been serving as Supervisor of Baoshan Iron & Steel Co., Ltd. Mr. Qin graduated from Anhui University of Technology with a bachelor's degree in metal working in July 1987, and obtained a Master's in Business Administration from Fudan University in September 2003.
Ma Jiangsheng	Born in Aug. 1972, Chinese nationality, Manager of the General Affairs Office of Steel Plant of Wuhan Iron and Steel Company Limited, Employee Supervisor of Baoshan Iron & Steel Co., Ltd. and Senior Technician. Mr. Ma successively served as the steel casting worker of the Second Steel Plant and Steel Casting Line Director of the Third Steel Plant of Wuhan Iron and Steel (Group) Company, and Steel Casting Captain of the Third Steel Plant of Wuhan Iron and Steel Company Limited, and Wuhan Iron and Steel (Group) Company Iron& Steel Company, Steel Casting Captain of the Third Steel Plant of Wuhan Iron and Steel Company Limited and Shift Captain of the Third Steelmaking Continuous Casting Workshop. From May 2011 to Feb. 2017, he has served as the Employee Supervisor of the 6th and 7th Board of Supervisors of Wuhan Iron and Steel Company Limited. From Feb. 2017 to Jul. 2017, he has been serving as the Captain of the Third Steelmaking Continuous Casting Workshop of Steel Plant of Wuhan Iron and Steel Company Limited. From Jul. 2017, he has been serving as the Manager of the General Affairs Office of Steel Plant of Wuhan Iron and Steel Company Limited. From Apr. 2017, he has been serving as the Employee Supervisor of Baoshan Iron & Steel Co., Ltd. Mr. Ma graduated from Wuhan Iron and Steel Metallurgy Automation Technical School with the major of steelmaking in Jul. 1991 and was awarded the Administrative Management Bachelor degree of Central Radio and Television University in Jan. 2010.
Li Chujun	Born in July 1989, Chinese nationality, Employee Supervisor of Baoshan Iron and Steel Co., Ltd., and Contract Legal Affairs Director-level Manager of the Secretary Office of the Board of Directors. Ms. Li has served as the Technical Assistant of Customer Service in Sales Department of Baosteel Xinri Iron Auto Sheet Co., Ltd., Litigation Business Associate of Legal Affairs Department, Contract Legal Manager, Contract Legal Manager of the Legal Affairs Department of Baoshan Iron and Steel Co., Ltd., Contract Legal Manager of the Secretary Office of the Board of Directors, and Contract Legal Affairs Director-level Manager of the Secretary Office of Baoshan Iron and Steel Co., Ltd. since June 2020. She has been serving as the Employee Supervisor of Baoshan Iron and Steel Co., Ltd. since December 2020. Ms. Li graduated from the School of Intellectual Property of East China University of Political Science and Law in July 2012 with a bachelor's degree in law.
Zhou Yanping	Born in December 1976, Chinese Nationality, Employee Supervisor and Technical Assistant Manager for quality inspection in the Cold Rolling Plant of Baoshan Iron & Steel Co., Ltd. Ms. Zhou was once a main operator, senior operator for quality inspection in the Cold Rolling Plant of Baoshan Iron & Steel Co., Ltd. Since July 2020 she has been serving as Technical Assistant Manager for quality inspection in the Cold Rolling Plant of Baoshan Iron & Steel Co., Ltd., and Employee Supervisor of Baoshan Iron & Steel Co., Ltd. since November 2021. Ms. Zhou graduated from Shanghai DianJi University in July 1998, and then from Shanghai University of International Business and Economics majoring in International Trade in June 2007.
Fu Jianguo	Born in June 1969, Chinese Nationality, Deputy General Manager of Baoshan Iron & Steel Co., Ltd., Senior Engineer. Mr. Fu has extensive experience in production, manufacturing and marketing management of iron and steel enterprises. He joined Baosteel in August 1990, and was once Deputy Director of the Bar Office, Deputy Director of the Steel Sheet Office, Director of the Steel Sheet Office of the Technology Department of Baosteel, Director of the Production Technology Office of the Manufacturing Department of Baosteel, Director of the Services Office of the Sales Department of Baosteel, Deputy General Manager of Baosteel Steel Products Trading Co., Ltd., General Manager of Wuhan Baosteel Central China Trading Co., Ltd., General Manager of Guangzhou Baosteel Southern Trading Co., Ltd., General Manager of the Auto Steel Sheet Sales Department of Baoshan Iron & Steel Co., Ltd., Director of Baori Auto Steel Sheet Sales Department, General Manager Assistant of Baoshan Iron & Steel Co., Ltd., (concurrently serving as Secretary of the Party Committee of the Sales Network, General Manager of the Marketing Management Department, General Manager of the Marketing Center successively), Director and General Manager of Shaoguan Iron & Steel, etc. From June 2017 to April 2021, he was General Manager Assistant of Baoshan Iron & Steel Co., Ltd. (concurrently serving as Chairman of Baosteel Special Steel Long Products, Head of the Manufacturing Management Department, General Manager of the Pipeline and Bar Division successively). Since April 2021, he has been serving as Deputy General Manager of Baoshan Iron & Steel Co., Ltd. Mr. Fu graduated from Northeastern University with a bachelor's degree in metal working in July 1990, and then obtained a Master's in Business Administration from Fudan University while on the job in June 2004.

Wu Jun	Born in January 1968, Chinese Nationality, Member of the Standing Committee of CPC and Deputy General Manager of Baoshan Iron & Steel Co., Ltd., President (Director) and Secretary of the Party Committee of the Central Research Institute (Technology Center), Senior Engineer. Mr. Wu has extensive experience in strategic planning, enterprise management and scientific research management. He joined Baostee in December 1997, and had taken such posts as Deputy Director of the Automotive Steel Research Institute of Baosteel Research Institute (Technology Center), Deputy Head, Deputy Head (in charge of work), and Head (concurrently serving as Director for iron and steel planning of the Planning and Development Department of Baosteel Group) of the Strategic Management Department of Baosteel, Head of the Planning and Technology Department of Baosteel, Secretary of the Party Committee, Executive Vice President (Executive Deputy Director) and President (Director) of the Central Research Institute (Technology Center), etc. He has been serving as General Manager Assistant of Baosteel and President (Director) of the Central Research Institute (Technology Center) since March 2019, Deputy Secretary of the Party Committee (since May 2020), member of the Standing Committee of CPC of Baosteel (since February 2022), Secretary of the Party Committee of the Central Research Institute (Technology Center) (since March 2022), and Deputy General Manager of Baosteel (since April 2022). Mr. Wu graduated from Northeastern University with a master's degree in mineral process engineering in March 1994, and from East China University of Science and Technology majoring in chemical engineering with a doctor of engineering in April 1998.
Hu Hong	Born in November 1970, Chinese nationality, standing member of Party Committee and Deputy GM of Baoshan Iron & Steel Co. Ltd.. Mr Hu has rich marketing management experience. He joined Baosteel in July 1993, and thereafter held the following positions: Market Department Manager of Chengdu Baosteel West Trade Co., Ltd.; Baosteel's Sales Information Section Chief, Tin Plating Section Chief, Baosteel Sales Department Tin Plating Office Director, Deputy GM of Guangzhou Baogang Southern Trade Co., Ltd., Deputy GM and GM of Wuhan Baosteel Central South Trade Co., Ltd. (hosting work) ; Deputy GM of Baosteel Thin Sheet Sales Department (also Tin Plating Product Room Director), General Representative of Baosteel in Southeastern Asia and Souther Asia; GM and Party Sub-committee Secretary of Baosteel Singapore; GM of Baosteel Marketing Center (Baosteel International), Deputy Party Committee Secretary of Marketing System, etc.; from March 2020 to April 2021, Assistant to GM of Baoshan Iron & Steel Co. Ltd.,and also GM of Baosteel Marketing Center (Baosteel International), Deputy Party Committee Secretary of Marketing System. From April 2021, Deputy GM of Baoshan Iron & Steel Co. Ltd.; from June 2021, standing member of Party Committee Baoshan Iron & Steel Co. Ltd. Mr. Hu graduated from Zhongnan University of Economics and Law with a bachelor's degree in marketing in July 1993, and then obtained a Master's in Business Administration from Fudan University while on the job in July 2002.
Wang Juan	Born in November 1972, Chinese nationality, standing member of Party Committee, Deputy GM, Finance Director, BoD Secretary, of Baoshan Iron & Steel Co. Ltd, senior accountant, registered accountant. Ms. Wang has rich experiences in finance management, funds operation, capital operation, legal person governance, ESG system construction and promotion management, etc. She joined Baosteel in July 1996, and held the following positions: Baosteel Financial Accounting Funds Group Comprehensive Head, Finance Department Assets Management Room Head, Baosteel Branch Finance Department Assets Group Comprehensive Head, Baosteel Finance Head Funds Management Office Head, Administration Department Head of Baosteel Nippon Steel Automobile Sheet Co., Ltd.; Assets Management Director of Baosteel Group; Finance Department Head of Baosteel; Operational Finance Department Head, etc. (from January 2018, Baosteel BoD Secretary Room Director). From April 2018, BoD Secretary of Baoshan Iron & Steel Co. Ltd.; from February 2020, Finance Director of Baoshan Iron & Steel Co. Ltd.; from December 2022, standing member of Party Committee of Baoshan Iron & Steel Co. Ltd.; from February 2023, Deputy GM of Baoshan Iron & Steel Co. Ltd. Ms. Wang graduated from Shanghai Institute of Building Materials in 1996, received the bachelor of engineering degree, and then obtained the master of economics from Fudan University in June 2006.
Liu Baojun	Born in October 1978, Chinese nationality, standing member of Party Committee and Deputy GM of Baoshan Iron & Steel Co. Ltd., and also Executive Director and Party Committee Secretary of Wugang Co., Ltd., Senior Engineer. Mr Liu has rich experiences in iron & steel production, enterprise management and low-carbon metallurgy management. In July 2001, he joined Baosteel and thereafter held the following positions: Deputy Manager of Baosteel Silicon Steel Department Oriented Silicon Steel Subsequent Engineering Project Team, Deputy Head of Silicon Steel Department, Head and Deputy Manager of Silicon Steel Research Institute (hosting work), Deputy Manager of Oiented Silicon Steel Subsequent Engineering Project Team (hosting work), Silicon Steel Department Manager and Manager of Oiented Silicon Steel Subsequent Engineering Project Team, Silicon Steel Department Party Committee Secretary and Manager, Silicon Steel Business Division Party Committee Secretary and GM, Manufacturing Management Department Party Committee Secretary and Manager. From March 2021, Assistant to GM of Baosteel (in June 2021, also acting as GM and Deputy Party Committee Secretary of Meigang (Meishan) Company; from February 2022, Board Chairman, Party Committee Secretary and Executive Director of Meigang Company, and executive Director and Project Command Center General Commander of Yancheng Iron & Steel; from August 2022, also acting as Executive Director and Party Committee Secretary of Wugang Co., Ltd.); from December 2022, standing member of Party Committee of Baoshan Iron & Steel Co. Ltd.; from February 2023, Deputy GM of Baoshan Iron & Steel Co. Ltd.. Mr. Liu graduated from Metal Pressurized Processing Discipline of Xi'an University of Architecture and Technology in July 200, and received Engineering Master Degree from Northeastern University in March 2011.

Other information

☐ Applicable √Not applicable

(II) Employment of Directors, Supervisors, and Senior Executives in Service or Leaving the Company during the Reporting Period

1. Posts in the shareholding company

√Applicable ☐ Not applicable

Name	Shareholding company	Post held	Start of term	End of term
Zou Jixin	China Baowu Steel Group Corp., Ltd.	Standing member of Party Committee	Oct. 2016	
Gao Xiangming	Taiyuan Iron & Steel (Group) Co., Ltd.	Party Committee Secretary, and Board Chairman	Jan. 2021	Mar. 2022
Gao Xiangming	China Baowu Steel Group Corp., Ltd.	General Representative of Shanxi HQ	Jan. 2021	Mar. 2022
Gao Xiangming	China Baowu Steel Group Corp., Ltd.	Management Expert	Mar. 2022	
Yao Linlong	China Baowu Steel Group Corp., Ltd.	GM of Iron & Steel Industry Development Center	Jan. 2020	
Luo Jianchuan	China Baowu Steel Group Corp., Ltd.	External Director	Jul. 2019	Jun. 2025
Zhu Yonghong	China Baowu Steel Group Corp., Ltd.	General Accountant	Oct. 2016	
Zhu Yonghong	China Baowu Steel Group Corp., Ltd.	BoD Secretary	Oct. 2018	
Zhu Yonghong	China Baowu Steel Group Corp., Ltd.	Standing member of Party Committee	Feb. 2019	
Yu Hansheng	China Baowu Steel Group Corp., Ltd.	Full-time Supervisor	Feb. 2017	
Wang Zhen	China Baowu Steel Group Corp., Ltd.	Party Committee Organization Department Head, HR Department GM	Sep. 2019	May 2022
Wang Zhen	Taiyuan Iron & Steel (Group) Co., Ltd.	Deputy Party Committee Secretary, Discipline Committee Secretary	Jul. 2021	
Qin Changdeng	China Baowu Steel Group Corp., Ltd.	GM of Corporate Governance Dept.; Director of Comphensive Deepening Reform Work Office	Nov. 2017	Jul. 2022
Qin Changdeng	China Baowu Steel Group Corp., Ltd.	GM (Head) of Strategic Planning Dept (Economy and Planning Research Institute)	Jul. 2022	
Description of post in shareholding company				

2. Posts in other companies

√Applicable ☐ Not applicable

Name	Name of other entities	Post held	Start of term	End of term
Zou Jixin	Baojin Enterprise Co., Ltd.	Chairman of the Board	Apr. 2019	
Zou Jixin	Wisco-Nippon Steel Tinplate Co.,Ltd.	Chairman of the Board	Jan. 2021	
Wu Xiaodi	The Chinese Society for Metals Hubei	President	Aug. 2020	
Gao Xiangming	Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd.	Director	Aug. 2022	Apr. 2024
Gao Xiangming	Xinjiang Bayi Iron & Steel Co., Ltd.	Director	Nov. 2022	Nov. 2025
Xie Qi	Guangdong Shaoshan Songgang Co. Ltd.	Party Committee Secretary; Board Chairman	Dec. 2020	Aug. 2022
Xie Qi	Guangdong Baodi South China Industry City Development Co. Ltd.	Board Chairman	Jun. 2020	
Luo Jianchuan	China COSCO Shipping Corporation Ltd.	External Director	Jul. 2019	
Luo Jianchuan	China National Coal Group Corp	External Director	Mar. 2022	Mar. 2025
Lu Xiongwen	School of Management, Fudan University	Dean	Sep. 2006	
Lu Xiongwen	The 4th, 5th and 6th National Education Guidance Committee for the Postgraduate of Engineering Management P.R. China	Vice Chairman	Sep. 2008	
Lu Xiongwen	Shanghai Jinqiao Export Processing Zone Development Co., Ltd.	Independent Director	Mar. 2016	Jun. 2022
Lu Xiongwen	Morgan Stanley Securities (China) Co., Ltd.	Independent Director	Jul. 2018	
Lu Xiongwen	SPD Silicon Valley Bank	Independent Director	Jan. 2019	
Lu Xiongwen	China Eastern Airlines	Independent Director	Jun. 2021	
Xie Rong	China Traditional Chinese Medicine Co., Limited	Independent Director	Feb. 2013	
Xie Rong	Shanghai International Trust Co., Ltd.	Independent Director	May 2016	
Xie Rong	Shanghai Foreign Service (Group) Co., Ltd.	Independent Director	Se. 2021	
Xie Rong	Sinopharm Oral Medical Devices (Shanghai) Co., Ltd.	Director	Jan. 2022	
Bai Yanchun	Ziding (Beijing) Enterprise Service Co., Ltd.	Executive Director	Jun. 2016	
Bai Yanchun	Shijiazhuang Changshan Beiming Technology Co., Ltd.	Director	Jul. 2017	

Bai Yanchun	Shanghai Huangpu Financial Holding Co. Ltd.	Director	Jul. 2017	
Bai Yanchun	Beijing Insurance Service Center Co. Ltd.	Independent Director	Jun. 2018	
Bai Yanchun	Saimo Technology Co., Ltd.	Director	Nov. 2020	Apr. 2022
Bai Yanchun	Luoyang Guohong Investment Holding Group Co. Ltd.	Director	Dec. 2021	
Tian Yong	Zhongzhun Certified Public Accountants (Special General Partnership)	Chief partner, Director of Management Board	Oct. 2013	
Tian Yong	Beijing Institute of Certified Public Accountants	Council Member	Oct. 2013	Jul. 2022
Zhu Yonghong	China Pacific Insurance (Group) Co Ltd	BoS Chairman	Jun. 2018	
Zhu Yonghong	Baowu Group Finance Co., Ltd.	Chairman of the Board	Dec. 2018	
Zhu Yonghong	Huabao WP Fund Management Co. Ltd.	Chairman of the Board	Jun. 2019	Jul. 2022
Yu Hansheng	Wuhan Iron & Stee ICo. Ltd.	Supervisor	Apr. 2017	
Yu Hansheng	Chang Xin Asset Management Co., Ltd.	BoS Chairman	Mar. 2019	Jan. 2022
Yu Hansheng	Baosteel Howa Trading Co., Ltd	Supervisor	Nov. 2020	
Wang Zhen	Baowu Group Environmental Resource Technology Co., Ltd.	BoS Chairman	Aug. 2019	
Wang Zhen	Huabao Investment Co. Ltd.	BoS Chairman	Mar. 2021	
Wang Zhen	Shanxi Taigang Stainless Steel Co. Ltd.	Deputy Party Committee Secretary, Discipline Committee Secretary	Jul. 2021	
Qin Changdeng	Baosteel Engineering Technology Group Co. Ltd.	BoS Chairman	Jun. 2019	
Qin Changdeng	Baowu Water Technology Co. Ltd.	BoS Chairman	Aug. 2019	
Qin Changdeng	Baowu Heavy Industries Co. Ltd.	BoS Chairman	Apr. 2020	
Qin Changdeng	Baosteel Group Xinjiang Bayi iron & steelCo. Ltd.	BoS Chairman	Jul. 2020	
Qin Changdeng	Shanghai Baodi Real Estate Assets Management Co. Ltd.	BoS Chairman	Jul. 2020	
Fu Jianguo	11th Council of the Chinese Society of Metals	Council Member	Jul. 2021	
Fu Jianguo	Metallurgical Equipment Sub-association of China Iron & Steel Association	Deputy Chairman	Aug. 2021	
Fu Jianguo	China Metallurgical Construction Association	Deputy Chairman	Nov. 2022	
Wu Jun	6th Council of China Doctoral Science Association	Council Member	Aug. 2017	
Wu Jun	The Chinese People's Political Consultative Conference Shanghai Committee	Committee Member	Jan. 2018	Jan. 2028
Wu Jun	Expert Consulting Committee of Qinghua University Industrial Culture Research Institute	Committee Member	Oct. 2019	Oct. 2022
Wu Jun	Yangtze Delta Region Institute of Advanced Materials	Council Member	Mar. 2020	
Wu Jun	Shanghai Society of Metals	Chairman	Nov. 2021	
Wu Jun	The Chinese Society for Metals	Council Member	Nov. 2021	
Wu Jun	Joint Academic Adviser Board of Southern University of Science and Technology Innovation Smart Manufacturing Research Institute / Shenzhen Cross-Dimension Manufacturing Dynamics Major Lab	Board Member	Feb. 2022	
Wu Jun	Zhonglian Advanced Iron & Steel Materials Technology Co., Ltd.	BoD Member	Jun. 2019	
Hu Hong	Ouyeel Co. Ltd.	BoD Member	Jun. 2019	
Hu Hong	Shanghai Baosteel International Economy and Trade Co. Ltd.	Executive Director	May 2021	
Hu Hong	Baosteel Nippon Steel Automobile Sheets Co. Ltd.	Vice Board Chairman	May 2021	
Hu Hong	Guangzhou JFE Steel Sheets Co. Ltd.	Vice Board Chairman	Jul. 2022	Jun. 2025
Wang Juan	Baosteel Zhanjiang Iron & Steel Co. Ltd.	Director	Jun. 2020	
Wang Juan	Shanghai Baosight Software Co. Ltd.	Director	Oct. 2020	Aug. 2022
Wang Juan	Shanghai National Accounting Institute	Research Supervisor	Jun. 2014	
Wang Juan	Baoyun Enterprise Co. Ltd.	Chairman of the Board	Jan. 2018	
Wang Juan	The Listed Companies Association of Shanghai	Vice Chairman	Jun. 2018	
Wang Juan	Board Secretary Committee, The Listed Companies Association of Shanghai	Vice Chairman of Committee	Nov. 2018	
Wang Juan	Investor Relation Management Committee, The Listed Companies Association of Shanghai	Member	Sep. 2018	
Wang Juan	Board Secretary Committee, The Listed Companies Association of Shanghai	Member	Apr. 2021	
Wang Juan	Shanghai Rural Commercial Bank Co. Ltd.	Director	Nov. 2021	
Instructions about employment conditions in other units				

(III) Remunerations of the Directors, Supervisors, and Senior Executives

√Applicable ☐ Not applicable

Decision-making procedure of the remunerations of directors, supervisors, and senior executives	
Basis for determining the remunerations of directors, supervisors and senior executives	The annual payable remunerations of senior executives, directors and supervisors to be paid by the Company will be confirmed after examination and approval by Board of Directors in accordance with their annual performance and with the Performance Appraisal Method for Senior Executives and Remuneration Management Method for Senior Executives examined and approved by Board of Directors.
Remunerations payable for directors, supervisors and senior executives	The annual payable remunerations of those to be paid by shareholding companies and other related companies would be defined by these companies. The remunerations actually received by and payable to the Directors, Supervisors and Senior Executives from the Company this year totaled RMB 15.9910 million (pre-tax)
Total remunerations actually received by the Directors, Supervisors and Senior Executives by the end of reporting period	RMB 15.9910 million

(IV) Change in Directors, Supervisors and Senior Executives

√Applicable ☐ Not applicable

Name	Position	Change	Reason of change
Wu Jun	Deputy GM	Hired	Hired in April 2022
Hou An'gui	Director	Outgoing	Left in August 2022
Gao Xiangming	Director	Hired	Hired in August 2022
Zhou Xuedong	Director	Outgoing	Left in August 2022
Xie Qi	Director	Hired	Hired in August 2022
Sheng Genghong	Director	Outgoing	Left in September 2022
Sheng Genghong	GM	Outgoing	Left in September 2022
Wu Xiaodi	GM	Hired	Hired in September 2022
Wu Xiaodi	Director	Hired	Hired in October 2022
Wang Juan	Deputy GM	Hired	Hired in February 2023
Liu Baojun	Deputy GM	Hired	Hired in February 2023

(V) Punishment by Securities Regulatory Authorities in the Last Three Years

☐ Applicable √Not applicable

(VI) Others

☐ Applicable √Not applicable

V. Meetings of Board of Directors during the reporting period

Session	Date	Resolutions
10th Meeting of 8th BoD	Mar. 3, 2022	1. Approved the Proposal for Capital Increase Issues of Baowu Group Finance Co., Ltd 2. Approved the Proposal for Baowu Carbon Establishing Controlled Company to Execute the "Shaoxing Keqiao Original Silk Project" 3. Approved the Proposal for Issues Relating to Equity Transfer of United Pipe Co., Ltd. under PipeChina 4. Approved the Proposal for 2022 Financial Derivatives Operation Plan and 2021 Financial Derivatives Execution 5. Approved the Proposal for Adding Futures Trading Products and Trading Direction
11th Meeting of 8th BoD	Apr. 9, 2022	1.Approved the Proposal for Employing the Company's Deputy GM
12th Meeting of 8th BoD	Apr. 27, 2022 – Apr. 28, 2022	1.Approved the Proposal for Provision by Parent Company of Various Assets Impairment Reserves at End of 2021 2.Approved the Proposal for Adjusting Payments of Sold Commodity Transportation Costs 3.Approved the Proposal for Extending Performance Bond Authorization Period for Supply of Goods by Fully-owned Subsidiaries 4. Approved the Report on Risk Evaluation by Baosteel on Baowu Group Finance Co., Ltd. 5.Approved the Proposal for Risk Disposal of Financial Activities of Baowu Group Finance Co., Ltd. with Baowu Group and Affiliates 6.Agreed on the Proposal for Signing of the Financial Service Agreement between Baowu Group Finance Co., Ltd. and Related Parties 7.Agreed on the Proposal for 2021 Annual Report (Full Text and Abstract) 8.Agreed on the Proposal for 2021 Final Financial Budget Report 9. Agreed on the Proposal for 2021 2nd Half Year Profit Distribution 10.Agreed on the Proposal for 2022 Annual Financial Budget 11.Agreed on the Proposal for 2022 Related-Party Transactions 12. Approved the Proposal for Adding Futures Trading Products (Zinc, Tin, etc.) 13.Approved the Proposal for Provision of Various Assets Impairment Reserves by Parent Company at End of 2022 Q1 14.Approved the Proposal for 2022 Q1 Report 15.Approved the Proposal for <2021 Internal Control Evaluation Report> 16.Approved the Proposal for 2021 Donation Items Execution and 2022 Donation Items 17.Approved the Proposal for 2021 Organization Management Work Execution and 2022 Annual Work Program 18.Approved the Proposal for 2021 Annual Comprehensive Risk Management Report 19.Approved the Report on Baosteel 2021 Sustainable Development 20.Approved the Proposal for Baosteel Renewing Rent of Baowu Group Land 21.Approved the Proposal for Ironmaking / Steelmaking Production Capacity Replacement 22.Approved the Baosteel Development Plan (2022-2027年) 23.Agreed on the Proposal for Compliance of Splitting Subsidiaries for Listing on Growth Board with Applicable Laws and Regulations 24.Agreed on the Proposal for Splitting Subsidiary Baowu Carbon Technology Co., Ltd. for Listing on Growth Board 25.Agreed on the Proposal for <Proposal of Baoshan Iron & Steel Co. Ltd. for Splitting Subsidiary Baowu Carbon Technology Co., Ltd. for Listing on Growth Board (Revised) > 26.Agreed on the Proposal for Compliance of Splitting Subsidiary for Listing on Growth Board with <Listed Company Splitting Rules (Trial) > 27.Agreed on the Proposal for Splitting Subsidiary for Listing on Growth Board Protecting Shareholders' Legal Rights and Interests 28.Agreed on the Proposal for the Company Maintaining Independence and Continuous Operation Capability 29. Agreed on the Proposal for Baowu Carbon Technology Co., Ltd. Having Corresponding Standard Operation Capability 30.Agreed on the Proposal for Explaining the Completeness and Compliance of Splitting Performing Legal Procedure and Validity of Submitted Legal Documents 31.Agreed on the Proposal for Analysis of the Purpose, Commercial Reasonableness, Necessity and Feasibility of This Split 32.Agreed on the Proposal for Requesting Shareholders' Meeting to Authorize BoD and BoD-Authorized Persons to Handle Matters Relating to This Split 33.Agreed on the Proposal for Remuneration Execution for Directors, Supervisors and Officers for 2021 34.Approved the Proposal for Setting General Manager 2022 Annual Performance Indicators (Values) 35.Approved the Proposal for Holding 2021 Annual Shareholders' Meeting
13th Meeting of 8th BoD	May 17, 2022	1.Approved the Proposal for Annual Performance Assessment Results and Remuneration Settlements for Officers for Y2021
14th Meeting of 8th BoD	May 27, 2022	1.Approved the Proposal for Matters Relating to Adjustment of the Company's Phase III A Share Restricted Share Plan 2.Approved the Proposal for First Grant for Implementation of the Company's Phase III A Share Restricted Share Plan 3.Approved the Proposal for Formulating <Baoshan Iron & Steel Co. Ltd. BoD Authorization Management Policy> 4.Approved the Proposal for Merge by Wugang Co. Ltd. of Wugang International Trade Company 5.Approved the Proposal for Merge by Zhejiang Baojin of Jingye New Materials 6.Approved the Proposal for 2022 Targeted Yunnan Support Projects and Funds Allocation
15th Meeting of 8th BoD	Jun. 28, 2022	1.Approved the Proposal for Adjustment of BoD Authorizing Executive Director and GM-Related Authority 2.Approved the Proposal for Amending the <Rules of Procedure for Nomination Committee 3.Approved the Proposal for Amending <Outgoing Donations and Sponsor Management Rules>》 4.Approved the Proposal for Formulating <Liabilities Management Policy> 5.Approved the Proposal for Amending <Outgoing Guarantee Management Policy 6.Approved the Proposal for Formulating <Manager Appointment Work Rules> 7.Approved the Proposal for Formulating <Total Salary Amount Management Rules>
16th Meeting of 8th BoD	Aug. 1, 2022	1.Agreed on the Proposal for Additionally Electing Members of the Company's 8th BoD and Adjusting Executive Director and Members of Special Committees 2.Agreed on the Proposal for Matters Relating to Lifting Restrictions on Phase II Restricted Share Plan 3.Agreed on the Proposal for Repurchasing and De-registration of Restricted Shares Held by Partial Incentive Objects of Phase II Restricted Shares Plan 3. 4.Agreed on the Proposal for Amending <Articles of Association> 5.Approved the Proposal for Holding 2022 1st Temporary Shareholders' Meeting
17th Meeting of 8th BoD	Aug. 30, 2022	1.Approved the Proposal for Provision by Parent Company of Various Assets Impairment Reserves for End of 2022 Q2 2.Approved the Proposal for 2022 Half-Year Report (Full Text and Abstract) 3.Agreed on the Proposal for Profit Distribution of the 1st Half of 2022 4.Approved the Report on Risk Assessment by Baosteel on Baowu Group Finance Co., Ltd. 5.Approved the Proposal for Merge by Chongqing Baosteel of Chongqing Baojing and Ba'nan Baosteel 6.Approved the Proposal for Adjusting 2022 Fixed Assets Investment Scale 7.Approved the Proposal for Donation Items by Zhanjiang Iron & Steel 8.Approved the Proposal for Donations Targeted for Yuepu Town and Yangxing Town 9.Agreed on the Proposal for Renewing Employment of Ernst & Young Huaming as the Company's Independent Accountant and Internal Control Auditor for 2022 10.Approved the Proposal for Amending <Investor Relation Management Rules> 11.Approved the Proposal for Holding the 2nd Temporary Shareholders' Meeting for 2022
18th Meeting of 8th BoD	Sep. 23, 2022	1.Approved the Proposal for Employing the Company's General Manager 2.Agreed on the Proposal for Additionally Electing Members of the Company's 8th BoD and Adjusting Executive Director and Members of Special Committees 3.Approved the Proposal for Holding the 3rd temporary Shareholders' Meeting for 2022
19th Meeting of 8th BoD	Oct. 25, 2022	1.Approved the Proposal for Provision by Parent Company of Various Assets Impairment Reserves for End of 2022 Q3 2.Approved the 2022 Q3 Report 3.Approved the Proposal for Derivatives Trading Authorization 4.Approved the Proposal for Re-signing the Related-Party Transaction Agreement between the Company and Ouyeel 5.Approved the Proposal for Amending the <Developments Plan Management Rules> 6.Approved the Baosteel 2022 ESG Work Summary and Improvement Plan 7. Approved the Company to formulate the ESG Work Management Policy
20th Meeting of 8th BoD	Nov. 15, 2022	1.Agreed on the Proposal for Repurchasing and De-registration of Restricted Shares Held by Partial Incentive Objects of Phase III Restricted Shares Plan 2.Agreed on the Proposal for Matters Relating to Merge by Baowu Finance Company of Magang Finance Company 3.Approved the Proposal for Zhanjiang Iron & Steel Zero-Carbon High-Grade Thin Steel Sheet Factory Project Feasibility Study Program 4.Approved the Proposal for Formulating <Carbon Emission Reduction and Carbon Neutralization Promotion Management Rules> 5.Approved the Proposal for Employing Securities Affairs Representative for the Company 6.Approved the Proposal for Holding the 4th Temporary Shareholders' Meeting for 2022
21st Meeting of 8th BoD	Dec. 12, 2022	1.Approved the Proposal for Listed Transfer of Fixed Assets of 1 Closed-Down Cold Rolling Line and 1 Closed-Down Silicon Steel Line of Wusteel 2.Approved the Proposal for Formulating <Executive Director Work Rules> 3.Approved the Proposal for Setting Up Joint Venture Baosteel Pipe Industry Co., Ltd. and for Participating in Baosteel Pipe Industry Co., Ltd. 4.Agreed on the Proposal for Acquisition of 60% Equity of Shanghai Electric Steel Pipe 5.Approved the Proposal for Holding the 5th Temporary Shareholders' Meeting for 2022
22nd Meeting of 8th BoD	Dec. 29, 2022	Approved the Proposal for Implementation by Baosight Software of Phase III A Share Restricted Share Plan

VI. Directors' Duty Fulfillment

(I) Directors' attendance of the board meetings and the shareholders' meetings

Director Name	Independent Director or not	Attendance of the board meetings						Attendance of the shareholders' meetings
		Required number of board meetings for the year	Attendance in person	Attendance by correspondence	Entrusting a representative	Absence	Two successive absence	Times of attendance of the meetings
Zou Jixin	No	13	13	10			No	2
Hou An'gui	No	6	6	6			No	
Sheng Genghong	No	8	8	5			No	
Wu Xiaodi	No	4	4	2			No	1
Gao Xiangming	No	6	6	5			No	
Yao Linlong	No	13	13	12			No	
Zhou Xuedong	No	6	6	4			No	1
Xie Qi	No	6	6	3			No	2
Luo Jianchuan	No	13	13	12			No	
Zhang Kehua	Yes	13	13	12			No	
Lu Xiongwen	Yes	13	13	12			No	
Xie Rong	Yes	13	13	11			No	
Bai Yanchun	Yes	13	13	12			No	
Tian Yong	Yes	13	13	12			No	

Information of absence from board meeting for two times in a row

☐ Applicable √Not applicable

Number of Board Meetings held in the year	Number of Board Meetings held in the year	13
Including: number of on-site meetings	Including: number of on-site meetings	0
Number of meetings in communication mode	Number of meetings in communication mode	8
Number of on-site meetings combined with other ways of communication	Number of on-site meetings combined with other ways of communication	5

(II) Dissents from directors to relevant matters of the Company

☐ Applicable √Not applicable

(III) Others

☐ Applicable √Not applicable

VII. Ad Hoc Committees under Board of Directors

√Applicable ☐ Not applicable

(1). Members of Ad Hoc Committees under Board of Directors

Category of Ad Hoc Committee	Name of Member
Audit and Internal Control Compliance Management Committee	Zhang Kehua, Bai Yanchun, Tian Yong, Gao Xiangming, Xie Qi
Nominations Committee	Lu Xiongwen, Zhang Kehua, Xie Rong, Tian Yong
Compensation and Appraisal Committee	Xie Rong, Zhang Kehua, Lu Xiongwen, Bai Yanchun, Tian Yong
Strategy, Risk and ESG Committee	Zou Jixin, Lu Xiongwen, Xie Rong, Bai Yanchun, Luo Jianchuan, Wu Xiaodi, Gao Xiangming

(2). The Audit and Internal Control Compliance Management Committee convened 4 meetings during the reporting period

Date of meeting	Content of meeting	Important opinions and suggestions	Performance of other duties
March 3rd, 2022	Discussed issues relating to adding futures trading products and trading directions, etc.	NONE	
April 27th, 2022	Discussed 2021 Annual Report and other issues	1.In the Committee's opinion, the Company's annual report provides comprehensive and detailed materials for analysis and clear analysis of profit/loss factors, and requested the Company to further improve the materials for analysis and provide chart-based comparative analysis of the annual operation performance and strategic planning target. 2. Committee requested the Company's Internal Audit Department to strengthen supervision over related-party transactions, and ensure completeness and sufficiency of information disclosures. 3.In the Committee's opinion, the Company's internal management is standard and effective in an overall sense. The current external environment is complex and changeable, so the Company's operational pressure is huge, and it is suggested that the Company's Internal Audit Department adapt to the change by enhancing supervision to ensure proper implementation of internal control measures.	
August 29th, 2022	Discussed 2022 Half-year Report and other issues	1. The Committee suggested that the Company further improve the budget management system under the "1 Company and Multiple Bases" mode to improve the budgeting efficiency and rapidly respond to market changes at both ends. 2.The Committee requested the Company to continuously strengthen the completeness of internal control policy and the effectiveness of its implementation.	
Oct. 25th, 2022	Discussed 2022 Q3 Report and other issues	In the Committee's opinion, derivatives trading is a high-risk business, and suggested the Company to enhance the completeness of internal control and the effectiveness of their execution, and to strengthen internal audit and supervision.	
Nov. 15th, 2022	Discussed issues relating to acquisition and merge by Baowu Finance Company of Magang Finance Company	NONE	

(3). The Nominations Committee convened 4 meetings during the reporting period

Date of meeting	Content of meeting	Important opinions and suggestions	Performance of other duties
April 10th, 2022	Discussed the employment of the Company's Deputy GM	NONE	
June 28th, 2022	Discussed amendment to the Rules of Procedure for Nomination Committee	NONE	
August 1st, 2022	Discussed additionally electing members of the Company's 8th BoD	NONE	
Sept. 23rd, 2022	Discussed employment of the Company's GM and other issues	NONE	

(4). The Compensation and Appraisal Committee convened 6 meetings during the reporting period

Date of meeting	Content of meeting	Important opinions and suggestions	Performance of other duties
April 27th, 2022	Discussed execution of high remuneration for directors and supervisors for Y2021, setting of GM's performance indicators for Y2022, and other issues	In the Committee's opinion, GM's performance indicator system generally includes the Company's major operation and development indicators, but ignored other important factors. Committee suggested to set other key indicators in the GM performance indicator system, give them certain weights, and use them to appropriately reflect some work that is very important for the development of the Company, e.g. safety management, promotion of internationalization, ESG management, technology innovation, realization of mid- and long-term strategic objectives, etc.	
May 17th, 2022	Discussed performance assessment results and remuneration settlements of officers for 2021	NONE	
May 27th, 2022	Discussed fist grant of the Company's Phase III restricted share plan implementation and other issues	NONE	
June 28th, 2022	Discussed formulation of the Rules for Selection and Employment of Managers	NONE	
August 1st, 2022	Discussed the Proposal for Matters Relating to Lifting Restrictions on Phase II Restricted Share Plan and other issues	NONE	
Nov. 15th, 2022	Discussed repurchase and de-registering restricted shares from some incentive objects of Phase III restricted share plan	NONE	

(5). The Strategy, Risk and ESG Committee convened 6 meetings during the reporting period

Date of meeting	Content of meeting	Important opinions and suggestions	Performance of other duties
March 3rd, 2022	Discussed transfer of equity held in United Pipe Co., Ltd. under Pipe China and other issues		
April 27th, 2022	Discussed Y2021 Comprehensive Risk Management Report, the Proposal for Splitting Subsidiary Baowu Carbon Technology Co., Ltd. for listing on Growth Board and other issues	Committee noticed that the Company currently mainly adopted short-term risk control, and suggested the Company to enhance long-term risk control over iron ore supply, etc. in the future; to pay attention to intellectual property risks, enhance intellectual property protection; to pay attention to risks associated with low-carbon steel supply in the green low-carbon development process.	
August 29th, 2022	Discussed adjustment of Y2022 fixed assets investment scale	None	
Oct. 25th, 2022	Discussed the Company's Y2022 ESG Work Summary and Improvement Plan and other issues	1.Committee recognized the performance currently achieved by the Company in previous ESG management work, and suggested the Company to benchmark against international first-class iron & steel enterprises to continuously improve the Company's ESG work; proactively communicate with ESG rating bodies, and discuss indicator design and scoring method, and increase the Company's say. 2. Committee suggested that the Company further optimize ESG work architecture, define responsible persons and departments to ensure smooth execution of ESG work.	
Nov. 15th, 2022	Discussed Proposal for Feasibility Study on Zhanjiang Iron & Steel Zero-Carbon High-Grade Thin Sheet Factory Project and other issues	NONE	
Dec. 12th, 2022	Discussed setting up of joint venture Baogang Pipe and participation in Baosteel Pipe and other issues	NONE	

(6). Specifics about objections

☐ Applicable √Not applicable

VIII. Risks for the Company Found by Board of Supervisors

☐ Applicable √Not applicable

The Board of Supervisors has no objection to matters relating to supervision during the reporting period.

IX. Employees of the Parent Company and Main Subsidiaries at the end of the Reporting Period

(I) Employees

Number of employees in service in the parent company	11,774
Number of employees in service in the main subsidiaries	32,671
Total number of employees in service	44,445
Number of retired employees to be covered by the parent company and main subsidiaries	0
Professional composition	
Category of professional composition	Number of professionals
Production personnel	26,598
Sales personnel	1,620
Technical personnel	13,514
Financial personnel	744
Administrative personnel	1,969
Total	44,445
Educational background	
Category of educational background	Number (person)
Master's degree or above	3,688
Bachelor's degree	17,358
College degree	15,015
Secondary vocational school education or below	8,384
Total	44,445

(II) Compensation policy

√Applicable ☐ Not applicable

With a compensation budget mechanism oriented toward efficiency and profitability enhancement for the subordinate units, the Company stuck to the concept of "Compensation in line with the post value, performance, and contribution," and continued to perfect the compensation management system. The Company formulated and implemented corresponding compensation incentive policies for employees according to the nature and features of their posts. The company has established and improved the medium and long-term incentive mechanism, promoted the implementation of incentive mechanisms such as A-share restricted stock plan, profit sharing plan, technical innovation talent contribution accumulation fund, risk mortgage value creation team, etc., and continuously guided the core talents in key positions to create more incremental value, forming a virtuous circle in which the incentive mechanism plays an effective role.

(III) Training scheme

√Applicable ☐ Not applicable

In 2022, the Company talent cultivation work surrounded corporate development strategy and production/operation, and, based on the Company's new round of strategy and technology development planning objective, formulated a new talent development plan, implemented the "159" talent engineering and mechanism system guarantee measures, highlighted reform innovation support, focused on improvement of core competence, strengthened orientation towards solving problems, and cultivated talents as per the "Layered Classification" principle.

(IV) Labor outsourcing information

☐ Applicable √Not applicable

X. Plan for Profit Distribution or Capital Reserve Converted to Increased Capital

(I) Formulation, implementation or adjustment of cash dividend policy

√ Applicable ☐ Not applicable

The Company's dividend distribution plans in previous years were all in line with the Company's Articles of Association and were approved by the Resolutions of the Shareholders' Meeting. The cash dividend stipulated by the Company followed clear standard and proportion requirement, and the related decision-making procedures and mechanism were complete. The Independent Directors have fulfilled their obligations and played active roles and the medium and small shareholders could fully air their views and concerns. Measures were taken to protect the legal rights and interests of the medium and small shareholders.

The Company's expected profit that can be distributed by the end of 2022 is RMB 38,097,992,286.03 since the corporate-caliber net profit realized was RMB 14,118,539,090.94 in 2022, plus RMB 33,506,781,440.54, the amount of undistributed profit of the Company at the beginning of 2022 and minus RMB 5,539,144,328.75 (cash dividend already distributed for the second half of 2021) and RMB 3,988,183,916.70 (cash dividend already distributed for the first half of 2022). To realize the Company's long-term and sustainable development objectives and offer better return to investors, according to the Articles of Association, the following is a proposal for the Company's profit distribution plan for the second half of 2022:

1. 10% of the 2022 annual corporate-caliber net profit as provision of the legal accumulation fund, i.e. RMB 1,411,853,909.09;

2. 10% of the 2022 annual corporate-caliber net profit as provision of the optional accumulation fund, i.e. RMB 1,411,853,909.09;

3. According to the "Proposal for Amending the Articles of Association of Baoshan Iron & Steel Co., Ltd." as deliberated and approved by the Company's 2012 annual general meeting of shareholders, the cash dividend distributed every year shall not be lower than 50% of the net profit attributable to shareholders of the parent company given in the audited consolidated statement for the year. It is hereby worked out that the cash dividend to be distributed shall not be lower than RMB 6.093 billion. Upon the deliberation and approval of the Second Extraordinary Shareholders' Meeting in 2022, the Company has distributed semi-annual profits at the cash dividend of RMB 0.18 yuan per share in October 2022, and the total amount of dividends distributed is RMB 3.988 billion, with the cash dividends for the second half of the year totaling no less than RMB 2.105 billion. In the second half of 2022, the Company intends to pay a cash dividend at RMB 0.10 per share (tax inclusive) based on 22,156,355,749 shares in total (excluding the shares in the Company's special repurchase account), with an expected total dividend of RMB 2,215,635,574.90 (tax inclusive), accounting for 50.40% of the net profit attributable to shareholders of the parent company for the second half of 2022 in the consolidated statements. The actual dividend distribution will be made using the number of shares on the registration date (minus the number of shares in the Company's special repurchase account) as confirmed in the dividend distribution announcement at RMB 0.10/share (tax-inclusive). The estimated total amount of dividends for 2022 is RMB 6,203,819,491.60 (tax-inclusive), accounting for 50.91% of the net profit attributable to shareholders of the parent company as shown in the consolidated statement for 2022.

4. Other forms of distribution plans, such as capitalizing of capital reserves, would not be adopted.

5. Cash dividend-net profit ratios from 2020 to 2022

	Item	2022 (expected)	Second half of 2022 (expected)	2022 interim	2021	2020
1	Cash dividend per share (including tax) (RMB)	0.28	0.10	0.18	0.60	0.30
2	Total amount of cash dividend (RMB 100 million)	62.04	22.16	39.88	131.86	66.29
3	Net profit in the statements of legal person (RMB 100 million)	141.19	41.37	99.82	95.25	106.36
4	Net profit attributable to shareholders of parent company in consolidated statements (RMB 100 million) (Note 1)	121.87	43.96	77.91	236.32	126.77
5	Total cash dividends against net profit in the statements of legal person (%)	43.94	53.56	39.95	138.43	62.32
6	Cash dividend against net profit attributable to shareholders of parent company in consolidated statements (%)	50.91	50.40	51.19	55.80	52.29

Note: The profit distribution plan for the second half of 2022 is yet to be approved by the Company's 2022 annual general meeting of shareholders.

(II) Specification on the cash dividend distribution policy

√ Applicable ☐ Not applicable

Compliance with the provisions in the Articles of Association or requirements in the resolutions of the Shareholders' Meeting	√ Yes ☐ No
Whether the dividend distribution standard and proportion are definite and clear	√ Yes ☐ No
Completeness of the relevant decision-making procedure and mechanism	√ Yes ☐ No
Whether Independent Directors have diligently performed their duties and played their part	√ Yes ☐ No
Whether medium and small shareholders have had the opportunity to fully express their views and demands, and whether their legitimate rights and interests have been adequately protected	√ Yes ☐ No

(III) Where profit was made and the parent company's profit distributable to shareholders was positive during the reporting period, but no cash profit distribution plan was proposed, the Company should disclose in detail the reason as well as the purpose of and utilization plan for the undistributed profit

☐ Applicable √Not applicable

(IV) Profit distribution and capital surplus conversion into share capital for this reporting period

√ Applicable ☐ Not applicable

In RMB100 million

Number of bonus shares for every 10 shares (share)	-
Dividend for every 10 shares (RMB) (tax-inclusive)	2.8
Number of shares added for every 10 shares (share)	-
Amount of cash dividends (tax-inclusive)	62.04
Net profit attributable to ordinary shareholders of Listed Company shown in the annual consolidated statement	121.87
Ratio of net profit attributable to ordinary shareholders of Listed Company in consolidated statement (%)	50.91

XI. Situations and Impacts of Company Stock Ownership Incentive Plan, Employee Shareholding Plan or Other Employee Incentive Measures

For the establishment of a sound mid-term and long-term incentive mechanism in Baosteel, the Company implemented a restricted stock plan in 2014. The incentive grantees were the Company's senior management personnel, core management personnel, and technical backbone. At the first time, 136 incentive grantees were granted with totaling 47,446,100 shares which were originated from common shares of the Company's A stock repurchased from Shanghai Stock Exchange through public auction. In the same year, 2 incentive grantees adjusted to exit the restricted stock plan. According to the national policy and relevant provisions of the Company's restricted shares, the Company repurchased the restricted shares that were not up to the unlocked condition at the granted price from the incentive grantee and canceled the share.

In 2015, restricted shares held by the incentive grantees were still in the lock-up period. Because of personnel changes, in the whole year, a total of 9 incentive grantees adjusted to exit restricted stock plan. According to the national policy and relevant provisions of the Company's restricted shares, the Company repurchased the restricted shares which were not up to the unlocked condition at the granted price from the incentive grantees and canceled the shares.

In 2016, since the 2015 annual performance of the Company did not reach the initial release performance conditions for restricted stock plan, the first batch of 1/3 restricted shares could not be unlocked by the Company. Therefore, 14,216,800 shares of unlocked restricted shares were repurchased by the Company at the granted price and got canceled. The capital stock of the Company reduced RMB 14,216,800 correspondingly. At the same time of the year, 11 incentive grantees adjusted to exit the restricted stock plan. According to the national policy and relevant provisions of the Company's restricted shares, restricted shares which were not up to the unlocked condition would be repurchased at the granted price by the Company and got canceled.

In 2017, due to change of personnel, 12 incentive grantees adjusted and quit the initial restricted stock plan, the Company complied with the national policies and related regulations regarding restricted corporate stocks, restricted shares that hadn't reached unlocked conditions were purchased back by the Company based on the price granted to incentive grantees and canceled. On May 23, 2017, the 18th Meeting of the 6th Board of Directors of Baosteel reviewed and passed the Proposal Regarding Unlocking of the Baosteel's Restricted Stock Plan during the Second Unlocking Period, and approved this unlocking. The Company handled unlocking-related matters over the total of 12,930,700 shares of restricted stock that can be unlocked during the second unlocking period for 114 incentive grantees. In the same year, in order to establish a continuous and stable mid-term and long-term incentive and restriction mechanism, accelerate the progress of integration, merger and combination of Baowu, strengthen the coordination effect among various bases and the Company's long-term and stable development, the Company implemented the second phase of restricted stock plan, and granted 1,067 incentive grantees with a total of 166,282,200 shares of restricted stocks, and the source

of which was the A-share common share directionally issued from Baosteel to incentive grantees.

In 2018, due to internal personnel changes, a total of 2 incentive grantees were adjusted and exited from the first phase of restricted stock plan, 8 incentive grantees were adjusted and exited from the second phase of restricted stock plan. According to national policy and Baosteel's related provisions on restricted stock, restricted stock not yet reaching unlocking conditions have been bought back and de-registered by the Company according to the price awarded to the incentive grantee. On June 8, 2018, the Proposal Regarding Unlocking during the Third Unlocking Period of the Company's Initial Restricted Stock Plan was deliberated and adopted on the first meeting of Baosteel's 7th boards according to which the unlocking was agreed. The Company handled unlocking formalities for 100 incentive grantees for the third unlocking period for a total of 11,360,700 restricted stocks. In the same year, according to the second phase of restricted stock plan, 10 million restricted stocks were reserved for follow-up qualified incentive grantees and new backbones. On December 18, 2018, the Proposal on the Implementation, Reserving and Awarding of the Second Phase of A-share Restricted Stock Plan was deliberated and adopted on the fifth meeting of the 7th Baosteel's boards, according to which 9,566,700 restricted stocks were awarded to 76 incentive grantees. The source of stocks was A-share common shares issued by Baosteel to incentive grantees.

In 2019, due to change of personnel, 50 incentive grantees adjusted and quit the second phase of restricted stock plan, the Company complied with the national policies and related regulations regarding restricted corporate stocks, restricted stocks that hadn't reached unlocking conditions were purchased back by the Company based on the price granted to incentive grantees and canceled. On January 3, 2020, the Proposal on Matters Regarding the Release of Restricted Stocks during the First Lockup Expiration Period of the Company's Second Phase of A-share Restricted Stock Plan was deliberated and adopted on the thirteenth meeting of Baosteel's 7th boards according to which the unlocking was agreed. The Company handled unlocking formalities for 1,062 incentive grantees for the first unlocking period for a total of 54,895,700 restricted stocks.

In 2020, a total of 47 incentive grantees were adjusted to withdraw from Phase II restricted stock plan in the whole year due to personnel changes. According to the national policies and the relevant provisions of the company's restricted stock, the restricted stock that has not yet reached the unlocking conditions shall be purchased back and cancelled by the company according to the granting price of incentive grantees. On January 7, 2021, the 29th Directors' Meeting of the Seventh Board of Directors of Baosteel deliberated and passed the Proposal on Matters Related to the Release of Restriction on Sales during the Period of Restriction on Sales in Phase II Restricted Stock Plan, and agreed to unlock the second release of period of restriction on sales of the first granted restricted stocks and the first release of period of restriction on sales of the restricted stocks reserved to be granted. The company handled the unlocking of 56,370,812 restricted shares of 1,113 incentive grantees.

In 2021, due to personnel changes and personal performances, etc., the Company, in accordance with government policies and rules relating to corporate restricted shares, repurchased at the grant price and de-registered the Phase II restricted shares previously granted to 34 incentive objects who failed to meet the de-locking conditions.

In order to further support realization of the Company's strategic objectives, enhance the long-term incentive and constraint mechanism, the Company implemented Phase III restricted share plan, and in May 2022 granted for the first time a total of 374,271,000 restricted shares to 1,666 incentive objects, and the shares were ordinary Baosteel A shares repurchased from the secondary market. On August 1st, 2022, the 16th meeting of the 8th BoD of Baosteel discussed and passed the Proposal for Matters Relating to Lifting Restrictions on Phase II Restricted Share Plan, and agreed to de-lock the 3rd restricted period of the first granted restricted shares and de-lock the 2nd restricted period of the reserve granted restricted shares. The Company handled de-locking for 52,828,382 restricted shares for 1,066 incentive objects. Due to personnel changes and personal performances, etc., in 2022, the Company repurchased at the grant price and de-registered the Phase II restricted shares previously granted to 27 incentive objects who failed to meet the de-locking conditions. In 2022, due to personnel changes, 27 incentive objects exited the Phase III incentive share plan, and in accordance with government policies and rules relating to corporate restricted shares, the Company repurchased at the grant price and de-registered the restricted shares that failed to meet the conditions for de-locking.

All the above information about restricted stock plan has been disclosed. Please refer to the website of Shanghai Stock Exchange at http://www.sse.com.cn.

(I) Relevant incentives disclosed in temporary announcement and without progression or change in the follow-up implementation

☐ Applicable √Not applicable

(II) Incentive information undisclosed in temporary announcement or with follow-up development

Equity incentive information

☐ Applicable √Not applicable

Other information

☐ Applicable √Not applicable

Employee stock ownership plan

☐ Applicable √Not applicable

Other incentive measures

☐ Applicable √Not applicable

(III) Granted equity incentive of directors and senior executives during the reporting period

√Applicable ☐ Not applicable

Unit: share

Name	Position	Number of restricted stock held at beginning of year	Number of restricted stock newly granted during reporting period	Grant price of restricted stock (RMB)	Already unlocked shares	Shares not unlocked yet	Number of restricted shares held at end of year	Market price at the end of the reporting period (RMB)
Wu Xiaodi	Director, GM	0	465,000	4.29	0	465,000	465,000	2,599,350
Yao Linlong	Director	27,750	0	4.29	27,750	0	0	0
Fu Jianguo	Deputy GM	111,000	465,000	4.29	111,000	465,000	465,000	2,599,350
Wu Jun	Deputy GM	93,700	453,000	4.29	93,700	453,000	453,000	2,532,270
Hu Hong	Deputy GM	76,000	465,000	4.29	76,000	465,000	465,000	2,599,350
Wang Juan	Deputy GM, Finance Director, BoD Secretary	85,000	453,000	4.29	85,000	453,000	453,000	2,532,270
Liu Baojun	Deputy GM	68,000	453,000	4.29	68,000	453,000	453,000	2,532,270
Total	/	461,450	2,754,000	/	461,450	2,754,000	2,754,000	/

(IV) Establishment and Implementation of the Evaluation Mechanisms and the Incentive Mechanism for Senior Executives during the Reporting Period

√Applicable ☐ Not applicable

The Company, under a well-formed structure of corporate governance, has implemented a performance appraisal and compensation management mechanism for senior executives, which was approved by the Compensation and Performance Appraisal Committee and the Board of Directors. Senior executives' performance objectives, daily compensation management, performance appraisal and use of performance results are conducted in accordance with standard procedures, and the incentives of senior executives depend on the performances of the Company and their performance.

XII. Institutional Construction and Implementation of Internal Controls during the Reporting Period

√Applicable ☐ Not applicable

During the reporting period, the Company continues to improve and optimize the internal control system on the basis of the strict internal control management system established by the Company in strict accordance with the requirements of CSRC, Shanghai Stock Exchange, the Company Law, the Articles of Association and other laws and regulations, and in combination with the characteristics of its own industry and the actual operation situation of the Company, established an institutional system of "comprehensive coverage, clear responsibility, rapid transmission and efficient operation", constantly improving the efficiency of enterprise decision-making, guaranteeing the legal compliance of enterprise operation and management and the safety of assets, and effectively promoting the steady implementation of the Company's strategies.

The Company's internal control system framework is reasonable, and its internal control institutional framework is compliant with the requirements regarding the completeness, reasonableness and effectiveness of internal control system issued by the five ministries including the Ministry of Finance and the China Securities Regulatory Commission and can accommodate the Company's requirements for management and development. The Company continues to improve the internal control system for an effective operating mechanism of internal control, achieving the expected goals of external control and protecting the interests of the Company and all shareholders.

Explanations on material defects in internal controls during the reporting period

☐ Applicable √Not applicable

XIII. Management and Control of Subsidiaries during the Reporting Period

√Applicable ☐ Not applicable

In 2022, added 4 subsidiaries, all of which are diversified in multiple industries. As per the hierarchical management principle, these new subsidiaries are included into the corresponding groups for management, and 1 included into Baosteel International management system, 2 in Baowu Carbon management system, and 1 in Baosight Software management system, and Baosteel International, Baowu Carbon and Baosight Software are responsible for planning integration of these newly added subsidiaries for continuous improvement.

Baosteel continuously enhances management of the operation of subsidiaries, enhance legal-person assessment management and comprehensive capital operation, and, through business consolidation, system collaboration, management integration and platform system optimization, etc., further realize the overall improvement of asset efficiency.

XIV. Audit Report for the Company's Internal Control

√Applicable ☐ Not applicable

Ernst & Young Huaming Certified Public Accountants (special general partnership) conducted the internal control audit and gave its audit opinion for the Company, and the content of the report was disclosed at http://www.sse.com.cn

Whether the internal control audit report has been disclosed or not: yes

Type of opinion of internal control audit report: standard unqualified opinion

XV. Rectification after the Self-inspection on Special Governance of Listed Companies

The Company completed the List of Self-inspection on Special Governance of Listed Companies in April 2021. After self-inspection, the Company has certain overlap and market competition in the main steel business (product types, application fields, main sales areas, etc.) with Masteel indirectly controlled by the Company's controlling shareholder Baowu Group. To avoid horizontal competition, Baowu Group issued a Commitment Letter on Avoiding Horizontal Competition to Masteel on August 26, 2019, promising that it will, in accordance with requirement of the securities regulators, then applicable laws, regulations and related regulatory rules, comprehensively apply multiple means such as asset restructuring, business adjustment, entrusted management to prudently proceed with relevant business integration to solve the problem of horizontal competition within 5 years or a shorter time if possible in principle of promoting the development of the listed company and safeguarding interests of shareholders, especially middle and small sized shareholders.

Since August 2019, Baowu Group has organized Baosteel, Masteel and other relevant companies and units to investigate and understand the situation of horizontal competition for many times, and is studying a solution for the horizontal competition between Baosteel and Masteel to ensure to positively solve the problem of horizontal competition within the five-year commitment period under the condition of safeguarding interests of shareholders of all interested parties.

XVI. Others

☐ Applicable √Not applicable

I. Environmental information

Establish mechanism relating to environmental protection?	Yes
Investment in environmental protection in the reporting period (in RMB10,000)	1,596,358

(I) The environmental protection of the company that belongs to key pollutant discharging unit and or its important subsidiaries published by Environmental Protection Department

√Applicable ☐ Not applicable

1. Pollution discharge information

√Applicable ☐ Not applicable

In the reporting period, of the Company's waste gases the total amounts of permitted main pollutants are: 22,476.8 tons of particles; 27,662.9 tons of sulfur dioxides, and 54,393.1 tons of nitric oxides. In 2022, the actual amounts of emissions are: 6276 tons of particles, 7915 tons of sulfur dioxides, 21,141 tons of nitric oxides. Of waste water, the total amounts of permitted main pollutants are: 2,107.55 tons of COD, 315.48 tons of ammonia nitrogen. The actual amounts of emissions are 762.7 tons of COD and 53.7 tons of ammonia nitrogen. All are in the control indexes for total amounts of permitted pollutant emissions.

The monitoring activities by the environmental protection authority and by the Company show that the Company's emissions/discharges of various pollutants are within the emission limits of pollutants specified in the following standards: the Discharge Standard of Industrial Water Pollutants for Iron & Steel Industry (GB13456-2012); the Emission Standard of Air Pollutants for Sintering and Pelletizing of Iron & Steel (GB28662-2012); the Emission Standard of Air Pollutants for Iron Smelt Industry (GB28663-2012); the Emission Standard of Air Pollutants for Steel Smelt Industry (GB28664-2012); the Emission Standard of Air Pollutants for Steel Rolling Industry (GB28665-2012); the Emission Standard of Air Pollutants for Thermal Power Plants (GB13223-2011), the Emission Standard of Air Pollutants for Coal-Fired Power Plants (DB31/936-2016), the Emission Standard of Pollutants for Coking Chemical Industry (GB16171-2012), and the Emission Standard for Industrial Enterprises at Boundary (GB12348-2008). Details of emissions/discharges of the Company and its major subsidiaries are given below:

Name of company or subsidiary	Major pollutants and characteristic pollutants	Emission e mode	Quantity of emission outlets	Distribution of emission outlets	Emission concentration	Pollutant emission standards implemented	The total emission(ton/ year) in 2022	Total permitted emissions (tons/year) in 2022	Excessive emission in 2022
Baoshan Iron & Steel Co., Ltd.	Particulate matter	Organized emission	770	Iron making, steel making, steel rolling	All meet the relevant standards	Air Pollutant Emission Standards for Iron and Steel Sintering and Pellet Industry (GB28662-2012);Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012); Emission Standard of Air Pollutants for Coal-fired Power Plants (DB31/936-2016); Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012); Air Pollutant Emission Standards for Steelmaking Industry (GB28664-2012)	2125.0	8890.2	None
	Sulfur dioxide						2286.67	7567.4	
	Nitrogen oxides						6338.7	13781.4	
	COD		6	Wastewater treatment outlet		Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012), Integrated Wastewater Discharge Standard (DB31/199-2009)	77.09	168.49	
	Ammonia nitrogen						1.77	8.22	
Wuhan Iron& Steel Co., Ltd.	Particulate matter	Organized emission	459	Iron making, steel making, steel rolling	All meet the relevant standards	Air Pollutant Emission Standards for Iron and Steel Sintering and Pellet Industry (GB28662-2012); Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012); Emission Standards for Air Pollutants of Thermal Power Plants (GB13223-2011)	2235.13	6128.01	None
	Sulfur dioxide						2707.27	10858.73	
	Nitrogen oxides						7102.07	20199.07	
	COD		2	Wugang north lake and industrial port outlets		Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012)	399.61	1217.50	
	Ammonia nitrogen						47.08	123.98	

Baosteel Zhanjiang Iron& Steel Co., Ltd.	Particulate matter	Organized emission	380	Iron making, steel making, steel rolling	All meet the relevant standards	Air Pollutant Emission Standards for Iron and Steel Sintering and Pellet Industry (GB28662-2012);Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012); Emission Standards for Air Pollutants of Thermal Power Plants (GB13223-2011); Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012); Air Pollutant Emission Standards for Steelmaking Industry (GB28664-2012)	1347	3762	None
	Sulfur dioxide		380				1437	4763	
	Nitrogen oxides		380				4919	12234	
	COD		1	Deep sea vent		Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012)	0	157.8	
	Ammonia nitrogen		1				0	14.5	
Shanghai Meishan Iron& Steel Co., Ltd.	Particulate matter	Organized emission	144	Iron making, steel making, steel rolling	All meet the relevant standards	Emission Standards for Pollutants of Coking Chemical Industry (GB16171-2012); Air Pollutant Emission Standards for Iron and Steel Sintering and Pellet Industry (GB28662-2012); Air Pollutant Emission Standard for Iron making Industry (GB28663-2012); Air Pollutant Emission Standards for Steelmaking Industry (GB28664-2012); Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012); Emission Standards for Air Pollutants of Thermal Power Plants (GB13223-2011)	553.24	3634.0215	None
	Sulfur dioxide		34				1442.08	4356.6104	
	Nitrogen oxides		27				2614.42	7830.525	
	COD		1	Outlet		Water Pollutant Discharge Standard for Iron and Steel Industry (GB13456-2012) and its Modification List	152.56	342	
	Ammonia nitrogen						3.92	164.10	
Baosteel-NSC/Arcelor Automotive Steel Sheets Co. Ltd.	Particulate matter	Organized emission	12	Steel rolling	All meet the relevant standards	Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)	9.01	41	None
	Sulfur dioxide		8				33.81	54	
	Nitrogen oxides		8				82.68	196	
	COD		1				28.41	80.36	
	Ammonia nitrogen		1				0.29	3.18	
	Total nitrogen		1				3.32	10.11	
	Total phosphorus		1				0.085	0.48	
Baosteel Huangshi Coated and Galvanized Sheet Co., Ltd.	Particulate matter	Organized emission	5	Cold rolling unit	All meet the relevant standards	Air Pollutant Emission Standard for Steel Rolling Industry (GB28665-2012)	2.9	8.6	None
	Sulfur dioxide						4.24	24.6	
	Nitrogen oxides						37.36	70.1	
Baowu Carbon Technology Co., Ltd.	Particulate matter	Organized emission	22	Tar, Benzene processing, carbon black, electrodes, cathodes, carbon fiber	All meet the relevant standards	The Integrated Emission Standard of Air Pollutants (DB31 933-2015), and the Emission Standard of Pollutants for Coking Chemical Industry (GB 16171-2012)	3.67	12.98	None
	Sulfur dioxide						3.87	38.59	
	Nitrogen oxides						46.96	82.03	
	COD		2	Phenol and cyanide wastewater treatment	All meet the relevant standards	The Emission Standard of Pollutants for Coking Chemical Industry (GB 16171-2012)	105.0	141.4	
	Ammonia nitrogen						0.66	1.5	

2. Construction and operation of pollution control facilities

√Applicable □ Not applicable

The Company actively responds to the pressure from environmental protection by adjusting the ecological and environmental protection management method and using the existing laws, regulations and industry policies as guides to carry out refined environmental management. Strengthen the ecological and environmental protection job performance, guide employees to fully make use of their subjective activity, enhance monitoring, and ensure control of targets.

The Company attaches high importance to operation and management of environmental protection facilities by defining the management functions of various departments and establishing a complete management system. All subsidiaries work in strict compliance with ISO14001 environmental protection system standards. The Company continuously pays attention to environmental protection equipment management by further shifting from "Results-Oriented" to "Process-Oriented", promotes construction of hierarchical management and control of environmental protection facilities, formulated the list of controls and management indicators, and enhanced management requirements. Currently the Company's environmental protection and governance facilities already fully cover waste gases, wastewater, noises and waste solids, and all environmental pollution prevention and control facilities operate normally.

On the basis of operation management, the Company continuously increases investment, speeds up environmental protection and governance, and all major iron & steel production bases mainly promote super-low emission renovation work, continuously strengthen the "solid wastes not out of factory" results, assist in construction of "Waste-Free City", timely screen hidden dangers of water pollution, and relentlessly protect the ecological environments of major drainage basins. In 2022, the Company's HQ completed the full-process super-low emission/discharge renovation project which smoothly passed third-party professional evaluation and monitoring. Wusteel speeds up promotion of "Control of 3 Wastes" and continuously improves its environmental protection and control, fully meeting clean transportation requirements, and smoothly passing third-party evaluation which is published on the website of China Iron & Steel Association. In addition, the Company also saves water and reduces discharge from sources, eliminates unreasonable use and discharge of water by various processes/ production lines. In 2022, the Energy and Environmental Protection Department completed 54 water saving projects, including the living water pipeline optimization renovation project, and the water saving result is obvious. In 2022, Zhanjiang Iron & Steel completed the super-low emission project for three blast furnaces and smoothly passed review by China Iron & Steel Association and the Ministry of Ecology and Environment; Meigang completed several projects, including desulfuration of coke oven coal gas at source, flue denitration upgrading renovation for 3 sintering machines, etc., and the materials yard integration and enclosing renovation and other non-organized super-low emission/discharge projects are moving ahead as planned, and all of them are estimated to be completed and put in use in 2023.

3. EIA of projects under construction and other administrative license for environmental protection

√Applicable □ Not applicable

All new, reconstruction and expansion projects of the company comply with the relevant regulations of "three Simultaneities" of environmental protection for national and local construction projects. The project has gone through the procedures of environmental impact assessment and completion acceptance. In 2021, the environmental protection acceptance work of the company and its subsidiaries was completed according to the national Catalogue of Environmental Impact Assessment and Classified Management of Construction Projects and Regulations on Environmental Protection Management of Construction Projects. See the following table for details:

Company and subsidiaries	Key projects	EIA issuance/ acceptance situation
Baoshan Iron & Steel Co., Ltd	Two high line projects added to the bar steel factory	EIA approval has been obtained
	Cold Rolling Factory color painted base plate structure optimization	EIA approval has been obtained
	Standby flue purification equipment added to coke oven	The EIA registration form has been filed
	Cogged ingot production line super-low emission renovation project	The EIA registration form has been filed
Wuhan Iron and Steel Co., Ltd.	I. Four-sinter energy saving and environmental improvement renovation project	EIA approval has been obtained
	Silicon Steel Department No.3 Branch Factory added 20-roller Sendzimir rolling machines	EIA approval has been obtained
	Five-sinter energy saving and environmental improvement renovation project	EIA approval has been obtained
	Cold Rolling Factory added color painting machines	EIA approval has been obtained
	Energy and Environmental Protection Department newly built sub-critical gas-fired boiler power generation project power connection works	EIA approval has been obtained
	3-time dust removal project for one steel smelting branch factory of Bar Steel Factory	The EIA registration form has been filed
	Energy saving and environmental protection upgrading renovation project for four-sinter ring cooler and dust-removing equipment	The EIA registration form has been filed
	Hot Rolling No.3 Branch Factory E roller bed insulated cover and precision rolling dust-removing system renovation project	The EIA registration form has been filed
	tar plant enclosure renovation project	The EIA registration form has been filed
	Silicon Steel Department acid mist purification system renovation project	The EIA registration form has been filed
	Silicon Steel No.2 Branch Factory CT4 dust-remover renovation project	The EIA registration form has been filed

Wuhan Iron and Steel Co., Ltd.	Thermal power station flue purification renovation project	The EIA registration form has been filed
	Hot Rolling Factory No.1 Flattening Line cross-location renovation project	The EIA registration form has been filed
	Added flue purification devices for hot air furnaces of Nos. 6 & 7 blast furnaces	The EIA registration form has been filed
	Iron Smelting Factory blending system enclosure renovation	The EIA registration form has been filed
	Added process dust removal devices for Hot Rolling Factory Unit 2250	The EIA registration form has been filed
	Renovation project for primary hi-speed fan of converter of 1 steel smelting factory of Bar Steel Factory	The EIA registration form has been filed
	Flue denitration device added to 1-sinter	Acceptance has been completed
	Zero Seven Power Station furnace flue purification project	Acceptance has been completed
	3 Steel Smelting added 3-time dust removal renovation project	Acceptance has been completed
	Steel Smelting No.3 Branch Factory steel slag treatment environmental protection renovation project	Acceptance has been completed
	Hazardous wastes warehouse compliance renovation	The EIA registration form has been filed
	Refractory materials alloy warehouse equipment and logistics road renovation	The EIA registration form has been filed
	Incoming raw materials test system upgrading renovation project	The EIA registration form has been filed
	Continuous casting billet low heat hot acid erosion test system renovation project	The EIA registration form has been filed
	Rolling machine de-mist system renovation project	The EIA registration form has been filed
	Added exhaust treatment system for black amber WSA acid-making device	The EIA registration form has been filed
	Added plastic-fired plate dust removal system for Hot Rolling Factory 1422 production line precision rolling machine set	The EIA registration form has been filed
	No. 3 sinter flue flue denitration system renovation project	The EIA registration form has been filed
	Nos.4 & 5 sinter flue purification device upgrading renovation project	The EIA registration form has been filed
	Newly built ECIA-M environment-friendly materials yard	The EIA registration form has been filed
	Cold rolling wastewater station oil-inclusive wastewater treatment system odor removal device renovation	The EIA registration form has been filed
	Newly built C-8 and C-9 transfer transportation station dust-removal system	The EIA registration form has been filed
	Iron Smelting Factory No.5 blast furnace hot air furnace flue desulfuration project	The EIA registration form has been filed
	Iron Smelting FactoryNo.4 blast furnace hot air furnace flue desulfuration project	The EIA registration form has been filed
	Iron Smelting Factory No.2 blast furnace hot air furnace flue desulfuration project	The EIA registration form has been filed
Shanghai Meishan Iron & Steel Co., Ltd.	Main blend materials yard (B1) relocation integration environmental protection renovation project	The EIA registration form has been filed
	Auxiliary materials yard (B2) environmental protection renovation project	The EIA registration form has been filed
	Spray and blow materials yard environmental protection renovation project	The EIA registration form has been filed
	No.2 blast furnace water slag yard environmental protection renovation project	The EIA registration form has been filed
	Lime kiln materials yard environmental protection enclosure renovation project	The EIA registration form has been filed
	Added residual coal cleaning line environmental protection renovation	The EIA registration form has been filed
	No.2 blast furnace No.3 sinter belt passage enclosure	The EIA registration form has been filed
	Pre-iron raw materials zone dust remover renovation and optimization project	The EIA registration form has been filed
	Manufacturing Department added waste steel recovery rate test devices	The EIA registration form has been filed
	Input system integration and environmental protection renovation project (1 step)	The EIA registration form has been filed
	No.2 blast furnace coke tank environment improvement project	The EIA registration form has been filed
	Meigang industrial tourist entrance service zone environment improvement	The EIA registration form has been filed
	No. 4 sintering machine ring cooling low-temp residual heat utilization and exhaust emission control improvement	The EIA registration form has been filed
	Class 3 ray device added to thick sheet acid pickling project	The EIA registration form has been filed
	No.5 materials yard enclosure renovation project	The EIA registration form has been filed
	Coke oven D101, pulverizer dust removal, sinter fuel solvent dust removal upgrading renovation	The EIA registration form has been filed

Shanghai Meishan Iron & Steel Co., Ltd.	In-factory vehicle washing platform environmental protection renovation	The EIA registration form has been filed
	Factory access control system Class A renovation	The EIA registration form has been filed
	Cold rolling 1# acid regenerated flue and mist treatment and equipment upgrading renovation	The EIA registration form has been filed
	Blast furnace iron output yard, gravitational dust collection, dry dust collection dust storage area environmental protection renovation, and big blast furnace equal pressure coal gas recovery renovation	The EIA registration form has been filed
	Big blast furnace pre-tank belt passage enclosure	The EIA registration form has been filed
	Coal yard area's partial passage enclosure project	The EIA registration form has been filed
	Wheel steel laboratory construction project	The EIA registration form has been filed
	Raw materials wharf 11# portal crane environmental protection renovation	The EIA registration form has been filed
	Manufacturing Management Department cold rolling physical and chemical inspection area added Class-3 ray device	The EIA registration form has been filed
	Manufacturing Management Department iron smelting laboratory operation area added Class-3 ray device	The EIA registration form has been filed
	No.4 sintering machine residual heat boiler renovation	The EIA registration form has been filed
	Coke system dust removal capability improvement optimization environmental protection renovation	The EIA registration form has been filed
	Lime kiln belt passage enclosure rectification	The EIA registration form has been filed
	Blast furnace area's existing transport system's non-organized emission comprehensive governance renovation	The EIA registration form has been filed
	Sinter area environmental protection enclosure comprehensive governance renovation	The EIA registration form has been filed
	Secondary steel smelting main factory dust collection system comprehensive renovation	The EIA registration form has been filed
	Primary steel smelting main factory dust collection system comprehensive renovation	The EIA registration form has been filed
	Secondary steel smelting factory enclosure and environmental governance project	The EIA registration form has been filed
	Primary steel smelting main factory enclosure and environmental protection governance renovation project	The EIA registration form has been filed
	Dangerous and waste warehouse compliance renovation	The EIA registration form has been filed
	Refractory materials alloy warehouse equipment and logistics road renovation	The EIA registration form has been filed
	Incoming raw and auxiliary materials inspection system upgrading renovation project	The EIA registration form has been filed
	Continuous casting low heat acid erosion test system renovation project	The EIA registration form has been filed
	Rolling machine de-misting system renovation project	The EIA registration form has been filed
	Black amber WSA acid making device added exhaust treatment system	The EIA registration form has been filed
	Hot Rolling Factory 1422 production line precision rolling machine set added burning plate dust removal	The EIA registration form has been filed
	No. 3 sinter flue denitration system renovation project	The EIA registration form has been filed
	Nos. 4 & 5 sinter flue purification device upgrading renovation project	The EIA registration form has been filed
	Added ECIA-M environment-friendly materials yard	The EIA registration form has been filed
	Cold-rolling wastewater station oil-inclusive wastewater treatment system odor removal device renovation	The EIA registration form has been filed
	Added C-8 and C-9 transfer transport station dust removal system	The EIA registration form has been filed
	Iron Smelting Factory No.5 blast furnace hot air furnace flue desulfuration project	The EIA registration form has been filed
	Iron Smelting Factory No.4 blast furnace hot air furnace flue desulfuration project	The EIA registration form has been filed
Baosteel Zhanjiang Iron & Steel Co., Ltd.	Baosteel Zhanjiang Iron & Steel Hydrogen Base system project (1 step)	EIA approval has been obtained
	Baosteel Zhanjiang Iron & Steel No.3 blast furnace system project	Acceptance has been completed
Baowu Carbon Technology Co., Ltd.	Coal gas refining purification system environmental protection qualification renovation	EIA approval has been obtained

4. Emergency plan against environmental emergencies

√Applicable ☐ Not applicable

In order to ensure the safety of the enterprises, society and the worker's life and property, prevent the occurrence of environmental emergencies, and to ensure quick and efficient control and disposal in case of any environmental emergency, Baosteel has continuously enhanced its environmental emergency rescue system, and improved its ability to respond to and deal with environmental emergencies, to effectively prevent, timely control and eliminate the damages caused by environmental emergencies, reduce or eliminate the losses incurred by environmental incidents to surrounding areas, personnel and properties, safeguard social stability, protect public health and environmental safety, and promote sustainable development for the Company in accordance with the Environmental Protection Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Atmospheric Pollution Prevention Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes, Administrative Measures for the Emergency Plan and Recording of Enterprises and Institutions Against Environmental Emergencies(for trial implementation), Guideline for Preparing the Risk Assessment Report of Environmental Emergencies of the Enterprises (for trial implementation), and other related requirements. All subsidiaries have assessed their environmental risks based on their own situation, compiled emergency plans and filed the same with local ecological environmental protection departments. In the meantime, they revise, review and file emergency plans according to the reporting period. Emergency exercise, emergency response, environmental monitoring, emergency disposal and system operation are constantly in harmony with emergency plans, so as to further prevent and effectively respond to emergent environmental pollution events.

5. Environment self-monitoring plan

√Applicable ☐ Not applicable

In accordance with the requirements of the pollutant discharge permit and the technical guidelines for self-monitoring of pollutant discharge units, the Company regularly conducts the self-monitoring of environmental protection, and publishes the self-monitoring information on information disclosure platforms such as the national pollution source monitoring information management and sharing platform, Shanghai enterprises and public institutions information disclosure platform.

The Company continues to strengthen the capacity building of monitoring system, and further improve the accuracy of environmental monitoring through updating environmental monitoring equipment; changes the original monitoring management mode and takes monitoring, analysis, rectification, tracking and supervision as important functions of environmental monitoring management, so as to achieve the whole-process closed-loop management of monitoring problems. At the same time, in accordance with national and local requirements, the Company earnestly carries out self-monitoring, and timely, completely and truthfully releases self-monitoring data and relevant information. During the reporting period, the release rate of self-monitoring reached 100%。

6. Administrative penalties for environmental problems during the reporting period

√Applicable ☐ Not applicable

In 2022, the Company paid RMB840,000 in administrative penalty, mainly due to violation of regulatory requirements for dock flying dust, solid waste management, etc.

7. Other environmental information that should be disclosed

√Applicable ☐ Not applicable

The Company increased investment to improve the environments and landscapes of iron & steel production bases. For example, Meigang, a subsidiary of the Company, built the Meigang Industrial Culture Tourism Zone which successfully passed the national Class 4A tourist landscape quality review.

(II) Environmental protection situation of companies other than key pollutant discharge units

☐ Applicable √Not applicable

(III) Information related to ecological protection, pollution prevention and control, and environmental responsibility

√Applicable ☐ Not applicable

The Company continuously improves the ESG management system by establishing and improving the BoD, the Strategic Risk and ESG Committee and the ESG work groups. This 3-level ESG governance architecture is designed with reference to the Shanghai Stock Exchange Listed Company Environment Information Disclosure Guide, the Sustainable Development Report Standard (GRI Standard) core standards, the Chinese Enterprise Social Responsibility Report Compilation Guide (CASS — CSR4.0) and other regulatory requirements, the UN Sustainable Development Goals (SDGs), the Morgan Stanley Capital International Environment, Society and Governance Ratings (i.e. MSCI ESG ratings), the Dow Jones Sustainability Indexes (DJSI) and other rating indexes, and established and improved the ESG quantitative index data system, compiled sustainable development reports and disclosed them together with annual reports, and won honors. In the election of the 4th NEWFORTUNE Best Listed Company, the Company won awards for The Best Listed Company and The Best ESG Practice. The Company was re-included in the "Central Enterprise ESG· Pioneer 50 Index" issued by China Social Responsibility 100-Person Forum under the guidance of the State-owned

Assets Supervision and Administration Commission of the State Council, and the ranking rose from No.7 in 2021 to No.4 in 2022.

(IV) Measures taken during the reporting period to reduce carbon emissions and their effects

Carbon reduction measures taken?	Yes
Carbon dioxide equivalence emission reduction (in tons)	607,500
Type of carbon reduction measures (e.g. using clean energy for power generation, using carbon reduction technology in production, developing and producing new products helping to reduce carbon emission, etc.)	Power generation by clean energy; promoting applications of energy-saving low-carbon technologies, e.g. speeding up updating and replacement of hi-efficiency water pumps and fans, carrying out smart illumination power-saving renovation, etc.

Specific Notes

√Applicable ☐ Not applicable

The Company actively responded to the national "Dual Carbon" target by establishing and improving the carbon management system, specifically setting up the Carbonn Neutralization Promotion Committee and the Carbon Neutralization Office, and enhancing "Dual Carbon" work planning and implementation. In 2022, in order to reduce carbon emission, the Company took the following measures:

1.The Company internally promotes the extreme energy efficiency and process energy consumption benchmark reaching campaign, and invested RMB550 million. In 2022, the technical energy saving reached 243,000 tons of standard coal;

2.The Company continues to increase investment in photovoltaic industry. In 2022, the Company's main production bases added 61.8MW installation in factories, and another 75.7MW is under construction;

3.Enhance green electricity trading. In 2022, the Company's green electricity trading volume reached 577 million KWH. The Company continues to carry out green electricity sourcing work.

4.In June 2022, the Company issued the first Climate Action Report in China's iron & steel industry, proposing the dual-carbon roadmap and the targets of various stages, showing the Company's active measures in responding to climate changes, and also firmly grasping the opportunity of new energy development, and relentlessly developing steel for new energy and steel for new energy vehicles.

5.Baosteel Smart Carbon Data Platform (iCD) officially went live. It will provide important quantitative tools and big data support for Baosteel's energy saving and carbon reduction strategy decision and for carbon peaking and neutralization.

In Nov. 22nd, 2022, Baosteel andn Beijing Benz officially signed the Memorandum on Cooperation in Building Low-Carbon Green Iron & Steel Supply Chain. Under this Memorandum, both parties will use greener raw materials in manufacturing of vehicles, and jointly build a low-carbon green vehicle iron & steel supply chain. It is the first time for a Chinese steel producer to provide an auto maker with iron & steel products with clear carbon reduction values. This strategic cooperation will enable both parties to promote low-carbon emission in the full industry chain and lifecycle, realize cross-field collaborative carbon reduction, jointly move to the greennn and sustainable future, and join hands in making substantial contribution to responding to global climate change.

The Company's collaborative governance practices in terms of pollution and carbon reduction are highly appraised by external parties. The Caijing magazine, together with SinoCarbon Innovation & Investment Co.,Ltd and other parties, issued the Dual-carbon Leadership Ranking List of Chinese Listed Companies (2022). Among the 100 publicly listed companies in the top eight industries with high carbon emission intensities, Baosteel won the top rating -- "Excellent" (this rating was granted to two listed companies only). On November 18th, 2022, in the first "Listed Company Sustainable Development Officer Summit Forum and Annual Best Awards Selection" held by Ernst & Young, the Company's "Dual Carbon" strategy implementation was rated the annual outstanding case - Technical Innovation Progress, and Mr. Fu Jian'guo, the Company's Deputy GM, won the annual outstanding individual award. The Company was rated by China Federation of Industrial Economics as China's "Leader" enterprise in industrial carbon peaking.

II. Social responsibility work

(I) Does the Company separately issue the social responsibility report, the sustainable development report or the ESG report?

√Applicable ☐ Not applicable

The Company disclosed the sustainable development report, in the website http: //www.sse.com.cn/.

(II) Specifics of social responsibility work

☐ Applicable √Not applicable

III. Details on efforts to consolidate and expand poverty alleviation and rural revitalization

√Applicable ☐ Not applicable

Property Relief and Rural Revitalization Projects	Q'ty/Content	Details
Total investment (in RMB10,000)	7,321	Baosteel directly donated cash to Puer Municipality, Ninger County, Zhenyuan County, Jiangcheng County and Guangnan County in Yunnan Province, and this money was used for the targeted support projects funded by Baowu Group.
including: funds (in RMB10,000)	7,321	
Goods converted into cash (in RMB10,000)	-	
Beneficiary (persons)	90,000	
Form of support (e.g. support through industry, employment, education, etc.)	62 support projects	Project funds were allocated by industry development category, infrastructure category, and culture, education and sanitation category in a ratio of 6:3:1.

Details

☐ Applicable √Not applicable

I. Performance Situation of Commitment Matters

(I) Commitments of actual controllers, shareholders, related parties and acquirer, the Company and other committed parties during or until the reporting period

√ Applicable ☐ Not applicable

Commitment background	Commitment type	Commitment party	Commitment content	Commitment time and duration	If strictly perform the duration	If strictly perform in time	Specific reasons for nonperformance in time	Notes for next plan if nonperformance in time
Commitment related to initial public offering	Solve horizontal competition	Baosteel Group Co., Ltd.	Baosteel Group makes two commitments at the establishment of the Company: (1) Baosteel Group commits that any and all affiliated transactions made with the Company shall be implemented in accordance with the provisions of related laws, administrative regulations and rules of competent authorities, and shall not damage the lawful interests of the Company and the Company's non-controlling shareholders. (2) Baosteel Group commits not to directly participate in any business or activity that poses any competition with the Company, nor directly hold any equity of any business, activity or entity that poses competition with the Company. But Baosteel Group may hold the Company's shares and continue to operate and develop the existing businesses (including the business that has or may have competition with the Company). Baosteel Group commits that when Baosteel Group or its subsidiaries intend to engage in any new business, investment or research that may generates competition with the business of the Company, the Company shall have preemptive development right and preemptive project acquisition right. The foresaid commitments shall be valid under the following circumstances: A. The Company goes public at the Stock Exchange of Hong Kong Ltd. and stock exchange within Chinese territory; B. Baosteel Group holds no less than 30% of the outstanding shares of the Company. Besides, Baosteel Group further made the following commitments to the Company on June 13, 2001 and September 6, 2002, that is, after the Company acquires partial Stage III engineering assets and residual assets of Baosteel Group, the foresaid two commitments shall remain valid. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Jun 21, 2001 and Sep 12, 2002.	Feb 3, 2000	No	Yes		
Commitment related to refinancing	Solve horizontal competition	Baosteel Group Co., Ltd.	Baosteel Group's commitments in the Company's opinion paper of additional issue and share offer: (1) For the assets and businesses that the group company currently holds and may generate horizontal competition with Baosteel, Baosteel shall have the right to choose proper opportunity to acquire from the group company. (2) For any business opportunity that the group company obtains in the future to engage in any similar business with that of Baosteel, the group company shall give that opportunity to Baosteel, only after Baosteel gives up such business opportunity, the group company may make investment. For the foresaid commitments, please refer to the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Apr 2005.	Aug 10, 2004	No	Yes		
Other commitments made to intermediate and minority shareholders of the Company	Others	Baosteel Group Co., Ltd.	Baosteel Group's commitments regarding Luojing land: As a wholly-owned subsidiary company of Baosteel Group, Shanghai Pudong Iron & Steel Co., Ltd. of Baosteel Group (hereinafter referred to as "Pudong Iron & Steel Company") plans to sell its owned Luojing project under construction and related fixed assets (hereinafter referred to as "Related Assets of Luojing Project"), and this company plans to acquire the related assets of Luojing Project. The related assets of Luojing Project occupies 3.228 million m² of land in total (hereinafter referred to as "Luojing Project Land"). As for Luojing project land, Pudong Iron & Steel Company has paid certain early-stage expense, but hasn't paid the land transferring fee. If this company acquires the related assets of Luojing Project, this Pudong Iron & Steel Company needs to bear the unpaid land transferring fee, and compensate Pudong Iron & Steel Company for the early-stage expenses already paid as of the appraisal benchmark date of the related assets of Luojing Project (meaning Sep 30, 2007). Based on preliminary estimation, such expenses totaled about RMB 2.8 billion. Baosteel Group commits that: (1) If the Company acquires related assets of Luojing Project, Baosteel Group and/or Pudong Iron & Steel Company shall actively coordinate with this copany in completing the land transferring procedures of Luojing project land, and provide corresponding assistance as rationally required by this company. (2) If the actually incurred amount of the foresaid total expense exceeds RMB 2.8 billion, the exceeding part shall be borne by Baosteel Group and/or Pudong Iron & Steel Company, and shall be timely and fully paid to this company and/or competent government agency (depending on specific circumstance). For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Dec 12, 2007. The land involved in the foresaid commitment shall include the west area of Luojing project land, east area of Luojing project land and northern energy corridor. As of the end of this reporting period, the Company has paid the land fee for the west area of Luojing project land of RMB 2.34 billion and obtained land ownership certificate; has paid the land fee of northern energy corridor of RMB 20 million and obtained land ownership certificate; the related ownership certificate for the land of east area is under application, and the land transferring fee hasn't been paid yet.	Dec 11, 2007	No	Yes		

	Others	Baosteel Group Co., Ltd.	On Dec 16, 2010, Baosteel Group sent the "Enquiry Letter Regarding Desheng Nickel Industry Project" and the "Commitment Letter Regarding Desheng Nickel Industry Project" to enquire whether this company is willing to invest in Desheng Nickel Industry Project or not. This company agreed to let Baosteel Group to invest in Desheng Nickel Industry Project, but shall reserve the right to acquire this project by opportunity in the future. Baosteel Group committed that when this company proposes acquisition offer in the future, it shall transfer the held equities of Desheng Nickel Industry to this company based on asset appraisal by independent appraisal institution, in accordance with related laws, regulations and other normative documents, and at rational price. The foresaid commitments shall be valid under the following circumstances: (1) The Company goes public at stock exchange; (2) Baosteel Group holds no less than 30% of the outstanding shares of the Company. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Dec 23, 2010.	Dec 16, 2010	No	Yes
	Solve horizontal competition	Baosteel Group Co., Ltd.	1. After the completion of this transaction, this company shall not directly or indirectly (including but not limited to sole proprietorship, shareholding or other methods) participate in or engage in any business activity that poses substantial competition or may pose substantial competition with the business of Baosteel. 2. When this company or its subsidiaries intend to engage in any new business, investment or research that may generates competition with the business of Baosteel, Baosteel shall have preemptive development right and preemptive project acquisition right, this company will make the most efforts in promoting that the price of related transaction is determined fairly and rationally and based on normal business transaction with an independent third party. 3. After the completion of this transaction, this company will promote the performance of related commitments issued by various parties of this transaction regarding peer competition by executing lawful rights. 4. The foresaid commitments shall all be valid during the period when this company serves as the controlling shareholder of Baosteel. In case any right or interest of Baosteel is damaged due to any violation of the foresaid commitments, this company is willing to bear corresponding damage compensatory liabilities. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes
Other commitments	Solve horizontal competition	Wuhan Iron & Steel Group	1. This company commits not to control Guangxi Steel Group Co., Ltd. or dominate the Company's operation any longer three years after the completion date of this transaction or after the Fangchenggnag Steel Project is comprehensively put into operation (whichever earlier). 2. After the completion of this transaction, this company shall not directly or indirectly (including but not limited to sole proprietorship, shareholding or other methods) participate in or engage in any business activity that poses substantial competition or may pose substantial competition with the business of Baosteel. 3. When this company or its subsidiaries intend to engage in any new business, investment or research that may generates competition with the business of Baosteel, Baosteel shall have preemptive development right and preemptive project acquisition right, this company will make the most efforts in promoting that the price of related transaction is determined fairly and rationally and based on normal business transaction with an independent third party. 4. Except Guangxi Steel Group Co., Ltd. performs based on the solution committed at this time and the commitment exempted through performance procedure, the commitment currently being performed by this company regarding the horizontal competition with Wuhan Iron & Steel Corporation shall be continuously performed after the completion of this transaction, and shall be valid for Baosteel. 5. The foresaid commitments shall all be valid during the period when this company serves as the controlling shareholder of Baosteel. In case any right or interest of Baosteel is damaged due to any violation of the foresaid commitments, this company is willing to bear corresponding damage compensatory liabilities. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes
	Solve affiliated transactions	Baosteel Group Co., Ltd.	1. This company shall ensure Baosteel to have independent business, complete assets as well as independent and complete system of production, supply, distribution and other auxiliary facilities. 2. This company and other enterprises controlled by this company shall not use the identity as shareholder of Baosteel to seek preemptive deal making with Baosteel Corporation and its subsidiary enterprises. 3. This company and other enterprises controlled by this company shall avoid and reduce unnecessary transactions with Baosteel and its subsidiary enterprises. If there is any indeed necessary and unavoidable transaction, this company and other enterprises controlled by this company shall sign agreement with Baosteel and its subsidiary enterprises in the principle of fairness, fair value and compensation of equal value, perform legal procedures, and legally perform information disclosure obligations and perform related internal decision-making and application procedures according to requirements of related laws, regulations and normative documents as well as the regulations in the "Articles of Association of Baosteel Co., Ltd.", and guarantee not to transact with Baosteel and its subsidiary enterprises in obviously unfair conditions compared with market price, nor use such transaction to engage in any behavior that would damage the lawful rights and interests of Baosteel and its other shareholders. 4. If this company violates any of the foresaid commitments, this company shall bear and compensate Baosteel Corporation for any loss incurred hereof. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes

	Solve affiliated transactions	Wuhan Iron & Steel Group	1. This company and other enterprises controlled by this company shall not use the identity as shareholder of Baosteel to seek preemptive deal making with Baosteel and its subsidiary enterprises. 2. This company and other enterprises controlled by this company shall avoid and reduce unnecessary transactions with Baosteel and its subsidiary enterprises. If there is any indeed necessary and unavoidable transaction, this company and other enterprises controlled by this company shall sign agreement with Baosteel and its subsidiary enterprises in the principle of fairness, fair value and compensation of equal value, perform legal procedures, and legally perform information disclosure obligations and perform related internal decision-making and application procedures according to requirements of related laws, regulations and normative documents as well as the regulations in the "Articles of Association of Baosteel Co., Ltd.", and guarantee not to transact with Baosteel and its subsidiary enterprises in obviously unfair conditions compared with market price, nor use such transaction to engage in any behavior that would damage the lawful rights and interests of Baosteel and its other shareholders. 3. If this company violates any of the foresaid commitments, this company shall bear and compensate Baosteel for any loss incurred hereof. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes
	Others	Wuhan Iron & Steel Group	I. Notes and commitments regarding land lease matters. 1. For the 39 authorized operating parcels that have obtained "Letter of Authorization for Operation and Management of State-owned Land Use Right", the 2 authorized operation lease parcels that have not obtained "Letter of Authorization for Operation and Management of State-owned Land Use Right", and the lands used in the Stage II project of Wuxin Corporation, subject to the provisions of the current laws and regulations, the Company will no longer handle authorized operating parcels and state-owned land use right registration procedure, and will continue the procedures after the laws and regulations permit. 2. This company shall ensure WISCO Limited and its subsidiaries to continuously and stably use the lands including the foresaid lease land; if WISCO Limited and its subsidiaries are unable to use such land because the authorized operation land involved in the lease land hasn't handled state-owned land use right registration procedure or related leases haven't handled registration procedures, then this company shall adopt all reasonable and feasible measures to eliminate related obstacles or influences, as well as bear the related loss that WISCO Limited and its subsidiaries suffer for this reason. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Aug. 23, 2019.	Aug. 21, 2019	No	Yes
Other commitments	Others	Wuhan Iron & Steel Group	II. Notes and commitments regarding real-estate-related matters. 1. For the real estates that are registered under the name of Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, but the corresponding land use right holder is this company, subject to the provisions of the current laws and regulations, the Company will no longer handle authorized operating parcels and state-owned land use right registration procedure, and will continue the procedures after the laws and regulations permit. This company confirms that the actual property owner of such real estates shall be Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, WISCO Limited and its subsidiaries may continue to occupy and use such properties as is, such properties shall have no property dispute, disagreement or potential dispute. 2. For the real estates that are owned by Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, but still registered under the name of this company, subject to the provisions of the current laws and regulations, the Company will no longer handle authorized operating parcels and state-owned land use right registration procedure, and will continue the procedures after the laws and regulations permit. The Company shall confirm that Wuhan Iron & Steel Corporation and related subsidiaries have fully paid related consideration to this company for obtaining the foresaid real estates or the properties are independently invested and constructed by themselves, then the actual property owner of foresaid real estates shall be Wuhan Iron & Steel Corporation and related subsidiaries; this company commits to ensure that Wuhan Iron & Steel Corporation and its subsidiaries may use the foresaid real estates in long-term, continuous, stable and free manner, and utilize and dispose such properties as instructed by Wuhan Iron & Steel Corporation and its subsidiaries, if generating any income, it shall be owned by Wuhan Iron & Steel Corporation and its subsidiaries. 3. For the real estates that are owned by Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, but still haven't handled "Property Ownership Certificate", subject to the provisions of the current laws and regulations, the Company will no longer handle authorized operating parcels and state-owned land use right registration procedure, and will continue the procedures after the laws and regulations permit. This company confirms that the actual property owner of such real estates shall be Wuhan Iron & Steel Corporation and various levels of subsidiaries of Wuhan Iron & Steel Corporation, Wuhan Iron & Steel Corporation and its subsidiaries may continue to occupy and use such properties as is, such properties shall have no property dispute, disagreement or potential dispute. 4. If this company violates any of the foresaid commitments and causes any loss to WISCO Limited and its subsidiaries, this company commits to make compensation. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Aug. 23, 2019.	Aug. 21, 2019	No	Yes
	Others	Wuhan Iron & Steel Group	III. Notes and commitments regarding the land use situation of Wuhan Weishike Steel Material Processing and Distribution Co., Ltd.: This company commits to ensure Wuhan Weishike to obtain the land use right of the foresaid land parcel within 1 year after the completion of this consolidation by merger; if Wuhan Weishike is subject to any administrative penalty or order of dismantling buildings above ground or order of relocation by any competent governmental agency due to actual use of the foresaid land parcel before obtaining the "State-owned Land Use Certificate", or subsequently Wuhan Weishike fails to obtain the "State-owned Land Use Certificate" based on legal procedures, this company shall compensate Wuhan Weishike for related losses incurred hereof. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep. 22, 2016	No	Yes

	Others	Wuhan Iron & Steel Group	IV. Notes and commitments regarding trademark. 1. The registered trademark listed in Appendix II of this Notes and Letter of Commitments (hereinafter referred to as "This Trademark") is applied and registered by this company, this trademark is legal and valid, and its exclusive rights are protected by law and free of any ownership dispute. This trademark is currently used by Wuhan Iron & Steel Corporation and its subsidiaries for free. 2. This company confirms that Wuhan Iron & Steel Corporation and its subsidiaries shall have the right to continuously use this trademark free of charge, and this company shall continue to protect the validness of this trademark, and guarantee the using rights of Wuhan Iron & Steel Corporation. Without the consent from Wuhan Iron &Steel Corporation, this company shall not waive the extended protection of this trademark, nor transfer it to any third party. 3. After the completion of this consolidation by merger, the receiver of the assets of Wuhan Iron & Steel Corporation as determined by the scheme of this consolidation by merger (hereinafter referred to as "the receiver of the assets of Wuhan Iron & Steel Corporation") shall have the right to continuously use this trademark in long-term and free manner during the valid term of this trademark, and this company commits that if it is required by any law, regulation or regulatory agency that this company shall transfer the used trademark to the receiver of the assets of Wuhan Iron & Steel Corporation, this company shall coordinate. Without the consent from the receiver of the assets of Wuhan Iron & Steel Corporation, this company shall not waive the extended protection of this trademark, nor transfer it to any third party. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http: //www.sse.com.cn/ on Sep 23, 2016.	Sep. 22, 2016	No	Yes
	Others	Wuhan Iron & Steel Group	V. Notes and commitments regarding other matters: This company commits that in order to protect the interest of the listed company after going to public, if the listed company after consolidation has any loss due to any legal flaw of Wuhan Iron & Steel Group existing before this consolidation by merger, Wuhan Iron & Steel Group shall compensate the listed company after the consolidation to ensure the listed company after consolidation to be free of actual losses. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http: //www.sse.com.cn/ on Sep 23, 2016.	Sep. 22, 2016	No	Yes
Other commitments	Others	All the directors and senior management of Baosteel	1. I commit not to transfer interest to other units or individuals without compensation or in unfair conditions, nor adopt other means to damage the Company's interests; 2. I commit to restrain my position-related consumption behaviors; 3. I commit not to use the Company's assets to engage in or perform any investment or consumption activities unrelated to performance of duties; 4. I commit the linking between the remuneration system formed by the board of directors or the remuneration and assessment committee and the performance situation of the Company's filling and return measures; 5. I commit that I will support the linking between the planned execution conditions of the stock incentive programs to be released by the Company and the performance situation of the Company's filling and return measures if the Company subsequently releases stock incentive programs; 6. I commit to practically perform this commitment, and am willing to bear any and all legal liabilities generated from violation of foresaid commitments. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep. 22, 2016	No	Yes
	Others	Baosteel Group Co., Ltd., Wuhan Iron & Steel Group	I. Maintain the independence of the personnel of Baosteel This company commits to maintain the independence of the personnel of Baosteel after the completion of this transaction, the senior management of Baosteel, including the general manager, deputy general manager, financial director and board secretary, shall not serve as other positions than directors and supervisors in this company and other enterprises controlled by this company, and shall not receive salary at other subsidiaries of this company. The financial personnel of Baosteel shall not have part-time job at this company and other enterprises controlled by this company. II. Guarantee the independence and completeness of the assets of Baosteel 1. Guarantee Baosteel to have independent and complete assets. 2. Guarantee Baosteel to be free of the situation where the funds or assets are occupied by this company and other enterprises controlled by this company. 3. Guarantee the residence of Baosteel to be independent from that of shareholders. III. Guarantee the financial independence of Baosteel. 1. Guarantee Baosteel to establish independent financial department and independent financial accounting system. 2. Guarantee Baosteel to have standard and independent financial accounting system. 3. Guarantee Baosteel to open independent account at banks and not to share a bank account with shareholders. 4. Guarantee the financial personnel of Baosteel not to have part-time job at this company and other enterprises controlled by this company. 5. Guarantee Baosteel to be able to make independent financial decisions, and this company and other enterprises controlled by this company shall not intervene the use of funds of Baosteel. IV. Guarantee the independence of the organs of Baosteel, guarantee Baosteel to have independent and complete organs, which shall be completely separated from the organs of shareholders, especially this company and other enterprises controlled by this company. V. Guarantee the independence of businesses of Baosteel. This company commits to maintain the business independence of the Baosteel after the completion of this transaction, and is free of neither substantial horizontal competition nor obviously unfair affiliated transactions. Guarantee Baosteel to have independent assets, personnel, qualifications and capabilities to develop operational activities, and have the capability of independent operation facing the market. VI. This company commits not to intervene the operational and management activities of Baosteel, not to embezzle interests of the Company. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Sep 23, 2016.	Sep 22, 2016	No	Yes

	Others	Wuhan Iron & Steel Group	A statement and commitment to standardize the lease of land Whereas WISCO Limited intends to acquire part of the operational assets and related liabilities of the Company and our subsidiaries, including Wugang Group Logistics Co., Ltd., WISCO Green City Construction Development Co., Ltd. and WISCO Engineering Technology Group Co., Ltd., the Company hereby makes statement and commitment as follows with regard to land leasing by the Company to WISCO Limited to support this time of transaction: As of the issuance date of this statement and commitment letter, there is no material violation of land and planning laws and regulations in the land use related to the purchased assets, and the Company and its subsidiaries are not subject to major administrative penalties from relevant competent authorities for violating land and planning laws and regulations. In view of the above situation, the Company hereby undertakes as follows: The Company will ensure that WISCO Limited can continue to use the land related to the acquired assets in a stable way. If WISCO Limited is unable to use the land because the state-owned land use right registration formalities or relevant lease registration formalities are not yet handled for the authorized operation site involved in the land, the Company will take all reasonable and feasible measures to remove the relevant obstacles or impacts and bear the relevant losses suffered by WISCO Limited as a result. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Aug. 28, 2018.	Aug. 27, 2018	No	Yes
Other commitments	Others	Wuhan Iron & Steel Group	A statement and commitment to property of the Company and our subsidiaries: Whereas WISCO Limited intends to acquire part of the operational assets and related liabilities of the Company and our subsidiaries, including Wugang Group Logistics Co., Ltd. (hereinafter referred to as Wugang Logistics), WISCO Green City Construction Development Co., Ltd. (hereinafter referred to as WISCO City Construction) and WISCO Engineering Technology Group Co., Ltd. (hereinafter referred to as WISCO Engineering), the Company hereby makes statement and commitment as follows with regard to problems about such properties of the Company and our subsidiaries: As of the issuance date of this statement and commitment letter, properties owned and currently used by the Company and our subsidiaries, including Wugang Logistics, WISCO City Construction, WISCO Engineering, that will be acquired by WISCO Limited have not yet acquired the House Ownership Certificate. In view of the above situation, the Company hereby undertakes as follows: 1. For properties owned by the Company and our subsidiaries specified above for which the Property Ownership Certificate has not yet been handled, the Company confirms that the actual ownership holder of the property is the Company or our subsidiaries specified above. After acquiring the properties of our company and our subsidiaries specified above, WISCO Limited can occupy and use such properties based on the current status. Such properties do no involved any property disputes or potential dispute. 2. In case of any loss caused to WISCO Limited due to the Company's breach of the above commitments, the Company promises to make compensation. For the foresaid commitments, please refer to the China Securities Journal, the Shanghai Securities News, the Securities Times as well as the website of Shanghai Stock Exchange http://www.sse.com.cn/ on Aug. 28, 2018.	Aug. 27, 2018	No	Yes

(II) There is a profit forecast of the Company's assets or projects which are still in the profit forecast period during the reporting period. The Company makes an explanation for whether the Company's assets or projects can achieve the original profit forecast.

☐ Reached ☐ Not reached √Not applicable

(III) Completion of performance commitments and their impact on goodwill impairment test

☐ Applicable √Not applicable

II. Non-operating capital occupied by controlling shareholders and other affiliated parties during the reporting period

☐ Applicable √Not applicable

III. Illegal guarantee

☐ Applicable √Not applicable

IV. Explanation of the Board of Directors to the "Non-standard Opinion Audit Report" of the accounting firm

☐ Applicable √Not applicable

V. The Company's Analysis for Accounting Policy, Accounting Estimates Change or Major Accounting Error's Correction Reasons and Effects

(I) The analysis for the reasons and effects of changes in accounting policies and accounting estimates

√Applicable ☐ Not applicable

Pursuant to the Interpretation of the Accounting Standards for Business Enterprises No. 15, the Company conducts separate accounting of and include in current gains and losses (with those in relation to daily activities presented under "Operating income" and "Operating cost" and those unrelated to daily activities presented under items like "Income from disposal of assets") the income and cost in relation to the external sales of fixed assets before reaching their expected serviceable conditions or of products or byproducts generated in the course of research and development (hereinafter "Trial Operational Sales") from January 1, 2022; with regard to the relevant products or byproducts generated from trial operation, prior to the external sales thereof, those that meet the conditions for recognition as assets shall be recognized as inventory or other relevant assets. With regard to trial operational sales that occurred during 2021, the Company shall make retroactive adjustments according to the Interpretation of the Accounting Standards for Business Enterprises No. 15. For details, please refer to "Section X, III, 38. Changes in Important Accounting Policies and Accounting Estimates".

(II) The Company's analysis for correction reasons and effects of major accounting errors

☐ Applicable √Not applicable

(III) The communication with previous accounting firm

☐ Applicable √Not applicable

VI. Appointment and Dismissal of the Accounting Firm

Unit: Ten thousand yuan Currency: RMB

	Now employ
Name of the domestic accounting firm	Ernst & Young Huaming Certified Public Accountants (special general partnership)
Remuneration of the domestic accounting firm	216.7
Domestic accounting firm's audit age limit	5 years
Names of publicly certified accountants at domestic accounting firm	Jiang Weimin, Wu Tingdong
Years of continuous audit services provided by publicly certified accountants at domestic accounting firm	Jiang Weimin, a signatory accountant, has provided the Company with audit services for 3 consecutive years; Wu Tingdong, a signatory accountant, has provided the Company with audit services for 2 consecutive years.

	Title	Remuneration
Accounting firm for the Company's internal control audit	Ernst & Young Huaming Certified Public Accountants (special general partnership)	95

Explanation of hiring and dismissal of accounting firm

√Applicable ☐ Not applicable

As approved by the Company's 2nd temporary shareholders' meeting of 2022, the Company hired Ernst & Young Huaming Certified Public Accountants (Special General Partnership) as the Company's 2022 annual financial report auditor and internal control auditor, and the financial report audit fee was RMB 2,167,000 (tax-inclusive), and the internal control audit fee was RMB950,000 (tax-inclusive).

Changes of hired accounting firm during the audit period

☐ Applicable √Not applicable

VII. Risks of Listing Suspension Risks of Listing Suspension

(I) Reasons for listing suspension

☐ Applicable √Not applicable

(II) Countermeasures to be taken by the Company

☐ Applicable √Not applicable

(III) Situation and Reason for Listing Termination

☐ Applicable √Not applicable

VIII. Issues about Bankruptcy and Reorganization

☐ Applicable √Not applicable

IX. Major Litigation and Arbitration Events

√Major litigation and arbitration events of this year ☐ No major litigation and arbitration events of this year

(I) Litigation and arbitration matters disclosed in temporary announcement and without follow-up progression

√Applicable ☐ Not applicable

Overview and Type of Matter	Query Index
Baoshan Iron & Steel Co. Ltd. ("Baosteel" or "Company") received the court summons, pleadings and other relevant materials for the three lawsuits launched by Nippon Steel Corporation ("NSC") at Tokyo District Court of Japan ("Court") against the Company. NSC claimed that the electromagnetic steel sheets supplied by Baosteel to Toyota infringed on its three patents, and launched lawsuits specifically for these three patents. The amount involved in each of these three cases is Yen 20,429,640,000, and the amount of interest calculated at an annual rate of 5% from April 1st 2020 to the day of full payment of Yen 796,180,000, and the amount of interest calculated at an annual rate of 3% from Sept. 1st 2021 to the day of full payment of Yen 19,633,460,000. These lawsuits will not materially impact the normal production and operation of the Company. The Company has hired a team of professional layers to actively respond to such lawsuits. Considering the fact that these lawsuits are still underway, the effects of such cases on the Company's profits for the current period or subsequent periods are uncertain, and the actual effects will be determined based on the final judgment of the Court. The Company will timely disclose relevant information based on the progress of litigation.	For details, please refer to the "Explanation of Baosteel Regarding the Technical Patent Lawsuits Raised by Nippon Steel Corporation Against the Company" (Announcement No.: Lin 2021-079) published on the website of Shanghai Stock Exchange (http://www.sse.com.cn) on Oct. 19th, 2021, and the Announcement of Baosteel Regarding Lawsuits (Announcement No.: Lin 2022-05) published on the website of Shanghai Stock Exchange (http://www.sse.com.cn) on August 18th, 2022.

(II) Litigations and arbitrations undisclosed in temporary announcement or with follow-up progression

☐ Applicable √Not Applicable

(III) Other information

☐ Applicable √Not Applicable

X. Illegal acts of, punishments for and rectifications of the listed company and its directors, supervisors, senior executives, controlling shareholders and actual controllers

☐ Applicable √Not Applicable

XI. The Integrity Situation of the Company and Its Controlling Shareholder, Actual Controllers during the Reporting Period

☐ Applicable √Not Applicable

XII. Major Affiliated Transactions

(I) Affiliated transaction related to daily operation

The main related party to the Company is a legal person directly controlled by Baowu Group. During the reporting period, the daily affiliated transactions between the Company and its major related parties are as follows:

1. Buying and selling products and accepting services

Unit: Million Yuan Currency: RMB

Related party	Contents of related transaction	Pricing principle	Transaction amount
Ouyeel Co., Ltd.	Sales of steel products, etc.	Market price	19,316
Baosteel Resource International Co., Ltd.	Sales of raw fuel, etc.	Market price	4,418
Baowu Group Environmental Resources Technology Co., Ltd.	Sales of energy medium, etc.	Market price or agreement price	3,152
Baowu Clean Energy Co., Ltd.	Sales of steel by-products, energy medium, etc.	Market price or agreement price	2,943
Wuhan Iron & Steel Group Co., Ltd.	Sales of steel products, energy medium, etc.	Market price or agreement price	2,804
Baosteel Special Steel Co., Ltd.	Sales of steel products, energy medium, etc.	Market price or agreement price	2,428
Baosteel Metal Co., Ltd.	Sales of steel products, etc.	Market price	1,372
Ouyeel Industrial Products Co., Ltd.	Sales of steel products, etc.	Market price	1,238
Subtotal of product sales			37,671
Ouyeel Industrial Products Co., Ltd.	Procurement of equipment, spare parts for materials and equipment, etc.	Market price	20,666
Baowu Resource Co., Ltd.	Procurement of raw fuel	Market price	12,809
Baowu Raw Material Supply Co., Ltd.	Procurement of raw materials	Market price	4,811
Wuhan Iron & Steel Group Co., Ltd.	Procurement of raw and auxiliary materials and energy medium, etc.	Market price or agreement price	4,299
Ouyeel Co., Ltd.	Procurement of steel products	Market price	3,302
Baowu Clean Energy Co., Ltd.	Procurement of energy medium	Market price or agreement price	2,924
Baowu Aluminum Technology Co., Ltd.	Procurement of steel products	Market price	2,392
Magang (Group) Holding Co., Ltd.	Procurement of raw fuel, iron and steel products, etc.	Market price	1,822
Baowu Group Xinjiang Bayi Iron & Steel Co., Ltd.	Procurement of steel products	Market price	1,788
Ningbo Baoxin Stainless Steel Co., Ltd.	Procurement of steel products	Market price	1,558
Baosteel Resource International Co., Ltd.	Procurement of raw fuel, etc.	Market price	1,336
Ouyeel Co., Ltd.	Procurement of steel products	Market price	1,113
Baowu Group Zhongnan Iron and Steel Co., Ltd.	Procurement of chemical products, steel products, etc.	Market price	1,022
Subtotal of commodity procurement			59,842
Baowu Equipment Intelligent Technology Co., Ltd.	Testing, overhauling, engineering and other services	Market price or agreement price	2,496
Baowu Group Environmental Resources Technology Co., Ltd.	Production operation cooperation and other services	Market price or agreement price	1,828
Wuhan Iron & Steel Group Co., Ltd.	Production operation cooperation, overhauling and other services	Market price or agreement price	1,538
Ouyeel Co., Ltd.	Transportation, warehousing and other services	Market price or agreement price	1,191
Baowu Water Technology Co. Ltd.	Waste water treatment, etc.	Market price or agreement price	1,108
Subtotal of received labors			8,161
Magang (Group) Holding Co., Ltd.	Technical services, etc.	Market price or agreement price	1,166
Subtotal of labors provided			1,166

Note: Each of the above companies includes its subsidiaries.

Sales of the above products account for 10.24% of the operating income of this reporting period; commodity purchases account for 17.28% of the operating cost of this reporting period; accepted labor accounts for 2.36% of the operating cost of this reporting period; provided labor accounts for 0.32% of the operating income of this reporting period. All of the above transactions were settled in cash or by notes.

2. Financial service

Baowu Group Finance Co. (hereinafter referred to as "Finance Co.") is a national non-banking financial institution jointly held by the Company and Wuhan Iron & Steel Group Co., Ltd. (holding 52.1%), Baowu Group (holding 47.9%) and other organizations. It was established for central management of the funds of the Company to raise the efficiency of fund use. It provides comprehensive financial services such as internal settlement, deposits and loans, short-term capital financing, investment and fund-raising, etc. for members of the group.

During this reporting period, Finance Co., provided a total of RMB 23.671 billion to controlled subsidiaries of Baowu Group, with outstanding loan of RMB 6.39 billion, and a total interest income of RMB 236 million.

During this reporting period, Finance Co., discounted RMB 4.036 billion for cash to controlled subsidiaries of Baowu Group, with the discount balance of RMB 1.644 billion, and the received discount interest of RMB 29 million.

During this reporting period, Finance Co., conducted the interbank business of RMB 780 million to financial subsidiaries of Baowu Group, with the closing balance of RMB 1 billion and the net interest expenditure of RMB 6 million.

The daily affiliated transactions mentioned in 1 and 2 were the market choices made by both sides on the basis of maximizing the benefit and optimizing the efficiency of operation, which fully embodied the principle of professional cooperation and complementary advantages. The daily affiliated transactions between the Company and its major related parties will continue to exist.

3. Entrusted assets management

In order to effectively raise the use efficiency of temporarily idle funds, maintain and increase capital value, Baosteel entrusted the financial subsidiary of Baowu Group for assets management, including purchasing financial products like funds and trust. Trading volume during the reporting period was RMB 1.23 billion, with the closing balance of RMB 1.36 billion, and the investment income of RMB 20 million.

(II) Affiliated transactions in the acquisition or sale of assets or equity

1. Matters disclosed in temporary announcement and without progression or change in the follow-up implementation

☐ Applicable √Not applicable

2. Matters disclosed in temporary announcement but with progression or change in the follow-up implementation

☐ Applicable √Not applicable

3. Matters undisclosed in temporary announcement

☐ Applicable √Not applicable

4. Where agreed achievements are concerned, the realization of achievements to be disclosed for the reporting period

☐ Applicable √Not applicable

(III) Major affiliated transactions of joint external investment

1. Matters already disclosed in temporary announcement and without progress or change in follow-up implementation

☐ Applicable √Not applicable

2. Matters already disclosed in temporary announcement and with progress or change in follow-up implementation

☐ Applicable √Not applicable

3. Matters undisclosed in temporary announcement

☐ Applicable √Not applicable

(IV) Affiliated creditor's rights and debts

1. Matters already disclosed in temporary announcement and without progress or change in follow-up implementation

☐ Applicable √Not applicable

2. Matters already disclosed in temporary announcement but with progress or change in follow-up implementation

☐ Applicable √Not applicable

3. Matters undisclosed in temporary announcement

☐ Applicable √Not applicable

(V) Financial business between the Company and its affiliated finance company, or between the Company's controlling finance company and its affiliated parties

√Applicable ☐ Not applicable

1. Deposit business

√Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Related party	Association relationship	Maximum daily deposit limit	Range of deposit interest rate	Balance at the beginning of the period	Current amount incurred		Balance at the end of the period
					Total deposit amount in the current period	Total withdrawal amount in the current period	
China Baowu	Parent company	20,000	0.455%-3.15%	8,520	169,611	163,850	14,282
Wuhan Iron & Steel (Group) and its subsidiaries	A subsidiary of China Baowu	10,000	0.455%-2.25%	9,053	48,221	49,709	7,565
Xinjiang Bayi and its subsidiaries	A subsidiary of China Baowu	1,500	0.455%-1.50%	618	22,915	22,209	1,324
Chongqing Changshou Iron and Steel and its subsidiaries	A subsidiary of China Baowu	2,000	0.455%-2.025%	19	13,085	11,876	1,228
Taiyuan Iron & Steel and its subsidiaries	A subsidiary of China Baowu	2,000	0.455%-2.025%	-	1,000	-	1,000
Ouyeel and its subsidiaries	A subsidiary of China Baowu	1,000	0.0001%-1.50%	859	31,356	31,503	712
Hwabao Investment	A subsidiary of China Baowu	500	0.455%-2.025%	382	7,735	7,726	391
Zhongnan Iron and Steel and its subsidiaries	A subsidiary of China Baowu	3,000	0.455%-1.50%	26	7,281	7,086	221
Baosteel Packaging and its subsidiaries	A subsidiary of China Baowu	600	0.455%-2.025%	45	16,856	16,717	184
Baosteel Resources and its subsidiaries	A subsidiary of China Baowu	500	0.05%-0.455%	41	21,626	21,512	155
Baowu Environmental Resources Technology and its subsidiaries	A subsidiary of China Baowu	500	0.455%-2.025%	75	250	231	94
Ouyeel Lianjin Renewable Resources and its subsidiaries	A subsidiary of China Baowu	500	0.455%-2.025%	4	1,599	1,518	85
Hwabao Trust	A subsidiary of China Baowu	500	1.62%-2.79%	225	-	225	0.1
Baosteel Stainless Steeel and its subsidiaries	A subsidiary of China Baowu	500	0.455%-2.025%	-	0.1	0.1	-
Others	A subsidiary of China Baowu	5,000	0.455%-2.025%	139	1,047	1,093	92
Total	/	/	/	20,006	342,581	335,255	27,332

2. Loan

√Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Related party	Association relationship	Line of credit	Range of deposit interest rate	Balance at the beginning of the period	Current amount incurred		Balance at the end of the period
					Total loan amount in the current period	Total repayment amount in the current period	
Xinjiang Bayi and its subsidiaries	A subsidiary of China Baowu	5,000	2.08%-5.22%	537	2,496	1,497	1,537
Baowu Resources and its subsidiaries	A subsidiary of China Baowu	5,000	3.02%-5.19%	830	2,260	1,965	1,125
Ouyeel Lianjin Renewable Resources and its subsidiaries	A subsidiary of China Baowu	1,000	2.0%-5.6%	252	2,735	2,025	962
Zhongnan Iron and Steel and its subsidiaries	A subsidiary of China Baowu	5,000	2.0%-5.6%	623	1,017	840	801
Wuhan Iron & Steel (Group) and its subsidiaries	A subsidiary of China Baowu	1,000	2.45%-5.55%	1,340	4,829	5,399	770
Magang (Group) and its subsidiaries	A subsidiary of China Baowu	5,000	2.0%-5.6%	-	405	23	382
Baowu Raw Material	A subsidiary of China Baowu	1,000	2.0%-5.6%	-	558	290	268
Baowu Water and its subsidiaries	A subsidiary of China Baowu	500	3.5%-3.8%	7	172	50	128
Ouyeel and its subsidiaries	A subsidiary of China Baowu	500	2.0%-5.6%	87	4,418	4,399	105
Meishan Company and its subsidiaries	A subsidiary of China Baowu	500	2.0%-5.6%	300	100	300	100
Ouyeel Industrial Products and its subsidiaries	A subsidiary of China Baowu	500	2.0%-5.6%	-	81	25	56
Engineering Technology Company and its subsidiaries	A subsidiary of China Baowu	500	4.05%-4.16%	-	10	-	10
Baosteel Special Steel and its subsidiaries	A subsidiary of China Baowu	500	2.0%-5.6%	-	10	5	5
Baosteel Stainless Steeel and its subsidiaries	A subsidiary of China Baowu	5,000	2.0%-5.6%	-	2,978	2,978	-
Chongqing Changshou Iron and Steel and its subsidiaries	A subsidiary of China Baowu	1,000	2.0%-5.6%	63	-	63	-
Others	A subsidiary of China Baowu	5,000	2.0%-5.6%	160	1,602	1,622	140
Total	/	/	/	4,198	23,671	21,480	6,390

3. Credit granting business or other financial business

√Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Related party	Association relationship	Business type	Total amount	Actual amount
Wuhan Iron & Steel (Group) and its subsidiaries	A subsidiary of China Baowu	Discounting	509	845
Xinjiang Bayi and its subsidiaries	A subsidiary of China Baowu	Discounting	405	608
Baowu Resources and its subsidiaries	A subsidiary of China Baowu	Discounting	245	566
Zhongnan Iron and Steel and its subsidiaries	A subsidiary of China Baowu	Discounting	91	507
Baosteel Desheng	A subsidiary of China Baowu	Discounting	217	488
Ouyeel Industrial Products and its subsidiaries	A subsidiary of China Baowu	Discounting	7	292

Baosteel Special Steel and its subsidiaries	A subsidiary of China Baowu	Discounting	92	139
Ouyeel Lianjin Renewable Resources and its subsidiaries	A subsidiary of China Baowu	Discounting	18	114
Xinjiang Yicheng Investment	A subsidiary of China Baowu	Discounting	-	47
Baowu Water and its subsidiaries	A subsidiary of China Baowu	Discounting	12	35
Others	A subsidiary of China Baowu	Discounting	48	394
Total			1,644	4,036

XIII. Major Contracts and Their Performance Situation

(I) Matters of trusteeship, contracting and lease

1、 Trusteeship situation

☐ Applicable √Not applicable

2、 Contracting situation

☐ Applicable √Not applicable

3、 Leasing situation

☐ Applicable √Not applicable

(II) Security situation

√Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Foreign guaranty condition of the Company (excluding the guaranty for subsidiaries)

Guarantor	The relationship between the guarantor and the listed company	Secured party	Amount of guarantee	Guarantee occurring date (signing date of the agreement)	Starting date of guarantee	Expiry date of guarantee	Guarantee type	Guaranty (if any)	The guarantee has been fulfilled or not	Guarantee is overdue or not	Guaranteed overdue amount	Whether there is an counter guarantee or not	Whether it is guaranteed by related parties	Associated relation

Total amount of guarantee during the reporting period (excluding guarantees for subsidiaries)	
Total amount of guarantee balance at the end of the reporting period (A) (excluding guarantees for subsidiaries)	
Guarantees for subsidiaries from the Company and its subsidiaries	
Total guaranteed amount for subsidiaries during the reporting period	
Total balance of guarantee for subsidiaries at the end of the reporting period (B)	338.34
Total guarantee amount of the Company (including the guaranty towards subsidiaries)	
Total guaranteed amount (A + B)	338.34
Proportion of total guaranteed amount to net assets (%)	0.16
Wherein:	
Total amount guaranteed for shareholders, actual controllers and related parties (C)	
Amount guaranteed provided for guaranteed objects with a liability rate of assets of over 70% directly or indirectly (D)	
Excess of total guaranteed amount over 50% of net assets (E)	
The aforementioned total amount guaranteed of three items (C + D + E)	
Descriptions for the possible joint liability for satisfaction of the undue guarantee	The Guarantee companies mentioned above bear joint liability. At present, there is no such thing as the actual performance of joint liability by the Company.
Statement of guarantee	As of the end of 2022, the Company provided a performance bond of HKD192,000,000 (RMB172,000,000) with joint and several liability for Baosteel Singapore Company, an affiliate of the Company, and this bond will expire on December 31st, 2023; the Company provided a performance bond of USD24,000,000 (RMB167,000,000) with joint and several liability for Baosteel Middle East Company, an affiliate of the Company. The above performance bonds are free of material risk expansion, and not materially different from general guarantees. There is no tendency to perform these bonds, and risks are controllable.

(III) Situation of entrusting others to carry out cash asset management

1. Entrusted financial management situation

(1) Entrusted financial management situation

√Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Type	Source of fund	Incurred amount	Unexpired balance	Unrecovered overdue amount
Bank finance	Self-owned	53,500	22,370	-
Broker finance	Self-owned	-	206	-
Trust finance	Self-owned	1,400	825	-

Other information

√Applicable ☐ Not applicable

Unit: Million Yuan Currency: RMB

Type	Source of fund	Incurred amount	Unexpired balance	Unrecovered overdue amount
Fund finance	Self-owned	6,787	1,139	-
Other finances	Self-owned	23,056	14,875	-

Note: The incurred amount refers to the principal of the new financial products that year.

(2) Single entrusted finance

☐ Applicable √Not applicable

(3) Depreciation reserve of entrusted finance

☐ Applicable √Not applicable

2. Information of entrusted loan

(1) General information of entrusted loan

☐ Applicable √Not applicable

(2) Single entrusted loan information

☐ Applicable √Not applicable

(3) Depreciation reserve of entrusted loan

☐ Applicable √Not applicable

(IV) Other major contracts

☐ Applicable √Not applicable

XIV. Other important matters that have a significant impact on the value judgement and investment decision-making of investors

☐ Applicable √Not applicable

I. Changes in Share Capital

(I). Table of Changes in Shares

1. Table of changes in shares

Unit: share

	Before the change		Changes in the period (+, -)				After the change	
	Shares	Ratio (%)	Shares newly issued	Bonus share	Share transferred from reserve	Others	Sub-total	Shares	Ratio (%)
I. Shares with trading limited condition	56,058,113	0.252				321,221,052	321,221,052	377,279,165	1.694
1. State-owned shares									
2. State-owned legal person shares									
3. Other domestic shares	56,058,113	0.252				321,221,052	321,221,052	377,279,165	1.694
Among which: Domestic non-state-owned legal person shares									
Domestic natural person shares	56,058,113	0.252				321,221,052	321,221,052	377,279,165	1.694
4. Foreign shares									
Among which: Foreign legal person shares									
Foreign natural person shares									
II. Marketable shares without trading limited condition	22,212,353,437	99.748				-321,442,618	-321,442,618	21,890,910,819	98.306
1.RMB common shares	22,212,353,437	99.748				-321,442,618	-321,442,618	21,890,910,819	98.306
2.Domestic listed international investment shares									
3.Overseas listed international investment shares									
4. Others									
III. Total of shares	22,268,411,550	100.000				-221,566	-221,566	22,268,189,984	100.000

2. Changes of shares

√Applicable ☐ Not applicable

(1) The Company held the 14th meeting of the 8th board of directors on May 27, 2022, and deliberated and passed the Proposal for First Grant for Implementation of the Company's Phase III A-Share Restricted Stock Plan. On June 9, 2022, registration of the 374,271,000 restricted shares granted for the first time under the Company's Phase III A-share Restricted Stock Plan was completed. After the registration of these restricted shares was completed, the total share capital of the Company was 22,268,411,550 shares, including 430,329,113 circulating shares with limited restriction on sales conditions and 21,838,082,437 circulating shares with unlimited restriction on sales conditions.

(2) The Company held the first extraordinary shareholders' meeting in 2022 on August 17, 2022, which deliberated and passed the Proposal on Matters Related to the Release of Restriction on Sales during the Period of Restriction on Sales Released in the Phase II Restricted Stock Plan. On August 29, 2022, 52,828,382 restricted shares of the Company unlocked during the third unlocking period of the restricted shares granted for the first time in Phase II A-share Restricted Stock Plan and during the second unlocking period of the restricted shares reserved for granting were listed and circulated. After these restricted shares were unlocked for listing, the total share capital of the Company was 22,268,411,550 shares, including 377,500,731 circulating shares with limited restriction on sales conditions and 21,890,910,819 circulating shares with unlimited restriction on sales conditions.

(3) The Company held the first extraordinary shareholders' meeting in 2022 on August 17, 2022, which deliberated and passed the Proposal on the Repurchase and Cancellation of Restricted Shares for Some Incentive Grantees of Phase II Restricted Stock Plan. The Company completed the repurchase and cancellation of 221,566 restricted shares for incentive grantees of Phase II A-share Restricted Stock Plan that have not yet reached the unlocking conditions on November 30, 2022. After these restricted shares were cancelled, the total share capital of the Company was 22,268,189,984 shares, including 377,279,165 circulating shares with limited restriction on sales conditions and 21,890,910,819 circulating shares with unlimited restriction on sales conditions.

(4) The Company held the 24th meeting of the 8th board of directors on January 18, 2023, and deliberated and passed the Proposal on Matters Related to the Release of Restriction on Sales during the Third Unlocking Period for Those Reserved for Granting in the Phase II Restricted Stock Plan. On January 31, 2023, 3,008,165 restricted shares of the Company unlocked during the third unlocking period of the restricted shares reserved for granting in the Phase II A-share Restricted Stock Plan were listed and circulated. After these restricted shares were unlocked for listing, the total share capital of the Company was 22,268,189,984 shares, including 374,271,000 circulating shares with limited restriction on sales conditions and 21,893,918,984 circulating shares with unlimited restriction on sales conditions.

(5) The Company held the fourth extraordinary shareholders' meeting in 2022 on December 1, 2022, which deliberated and passed the Proposal on the Repurchase and Cancellation of Restricted Shares for Some Incentive Grantees of Phase III Restricted Stock Plan. The Company completed the repurchase and cancellation of 5,989,750 restricted shares for incentive grantees of Phase III A-share Restricted Stock Plan that have not yet reached the unlocking conditions on February 27, 2023. After these restricted shares were cancelled, the total share capital of the Company was 22,262,200,234 shares, including 368,281,250 circulating shares with limited restriction on sales conditions and 21,893,918,984 circulating shares with unlimited restriction on sales conditions.

3. Impact of share changes on financial indicators such as earnings per share and net assets per share of last year and latest term (if any)

√Applicable ☐ Not applicable

During the reporting period, the Company reduced 221,566 shares due to repurchase and cancellation of restricted shares, which basically had no impact on the current earnings per share, net assets per share and other financial indicators.

4. Other contents deemed necessary by the Company or required by the securities regulator to disclose

☐ Applicable √Not applicable

(II). Change of restricted shares

√Applicable ☐ Not applicable

Unit: share

Name	Shares at the beginning of year	Shares unlocked in the year	Shares added in the year	Shares at the end of the year	Reason	Unlocking date
Stock incentive grantee	56,058,113	-53,049,948	374,271,000	377,279,165	Stock incentive	notes
Total	56,058,113	-53,049,948	374,271,000	377,279,165	/	/

Note: On August 29, 2022, a total of 52,828,382 restricted shares that were granted the third unlocking period for the first time in the Second Phase of the Company's Restricted Stock Plan and reserved to be granted the second unlocking period were unlocked; a total of 221,566 incentive restricted shares were repurchased and cancelled throughout 2022.

II. Issuance of Securities and Listing

(I). Issuance of securities as of the reporting period

☐ Applicable √Not applicable

Issuance of securities as of the reporting period (please specify the bonds with different interest rates during existing period respectively):

☐ Applicable √Not applicable

(II). Total shares of the Company as well as changes in the structure of shareholders and the structure of the Company's assets and liabilities

√Applicable ☐ Not applicable

As of the end of the reporting period, the total share capital of the Company was 22,268,189,984 shares, including 377,279,165 circulating shares with limited restriction on sales conditions and 21,890,910,819 circulating shares with unlimited restriction on sales conditions. At the end of 2022, the total share capital of the Company was 221,566 shares than at the end of 2021, with the number of circulating shares with limited restriction on sales conditions increased by 321,221,052 shares and that of circulating shares with unlimited restriction on sales conditions decreased by 321,442,618 shares, which was mainly due to the fact that a total of 374,271,000 restricted shares granted for the first time under the Company's Phase III A-share Restricted Stock Plan were registered, a total of 52,828,382 restricted shares of the Company unlocked during the third unlocking period of the restricted shares granted for the first time in Phase II A-share Restricted Stock Plan and during the second unlocking period of the restricted shares reserved for granting were listed and circulated, and the Company completed the repurchase and cancellation of 221,566 restricted shares for incentive grantees of Phase II A-share Restricted Stock Plan that have not yet reached the unlocking conditions

At the end of 2022, the Company's asset liability ratio was 45.79%, 1.18 percentage points higher than that at the beginning of the year.

(III). Existing internal employee stocks

☐ Applicable √Not applicable

III. Shareholders and Actual Controllers

(I). Total shareholders

Total number of common shareholders at the end of the reporting period	305,617
Total number of common shareholders at the end of the last month before the disclosure date of the annual report	281,866
Total number of preferred stockholders whose voting rights are recovered at the end of reporting period	
Total number of preferred stockholders whose voting rights are recovered at the end of the last month before the disclosure date of the annual report	

(II). Table for the shares held by top ten shareholders and top ten holders of marketable shares (or shareholders without trading limited condition) by the end of the reporting period

Unit: share

Shares held by top ten shareholders

Name of shareholders (full name)	Increase or decrease during the period	Shares held at the end of the reporting period	Ratio (%)	Number of held shares with trading limited condition	Shares pledged, marked or frozen		Shareholder's nature
					Status	Number	
China Baowu Steel Group Corp., Ltd. (Note 1)	-1,185,512,571	9,627,882,784	43.24	0	Pledged	1,374,520,437	State-owned legal person
Wugang Group Co., Ltd.	0	2,982,172,472	13.39	0	None		State-owned legal person
Hong Kong Securities Clearing Company Ltd.	-201,060,678	1,185,869,942	5.33	0	None		Foreign legal person
Taiyuan Iron & Steel (Group) Co., Ltd.	1,185,512,571	1,185,512,571	5.32	0	None		State-owned legal person
China National Petroleum Corporation	0	710,487,060	3.19	0	None		State-owned legal person
China Securities Finance Corporation Limited	0	666,600,578	2.99	0	None		State-owned legal person
Central Huijin Asset Management Ltd.	0	190,118,580	0.85	0	None		State-owned legal person
Beijing Shouxi Investment Management Co., Ltd.	332,500	151,937,109	0.68	0	None		State-owned legal person
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy CZ Funds (Note 2)	105,286,185	105,286,185	0.47	0	None		Others
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy YZ Funds (Note 2)	82,760,155	82,760,155	0.37	0	None		Others

Shares held by top ten shareholders without trading limited condition

Name of shareholders	Number of marketable shares without trading limited condition	Type and number of shares	
		Type	Number
China Baowu Steel Group Corp., Ltd.	9,627,882,784	RMB common share	9,627,882,784

Wugang Group Co., Ltd.	2,982,172,472	RMB common share	2,982,172,472
Hong Kong Securities Clearing Company Ltd.	1,185,869,942	RMB common share	1,185,869,942
Taiyuan Iron & Steel (Group) Co., Ltd.	1,185,512,571	RMB common share	1,185,512,571
China National Petroleum Corporation	710,487,060	RMB common share	710,487,060
China Securities Finance Corporation Limited	666,600,578	RMB common share	666,600,578
Central Huijin Asset Management Ltd.	190,118,580	RMB common share	190,118,580
Beijing Shouxi Investment Management Co., Ltd.	151,937,109	RMB common share	151,937,109
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy CZ Funds	105,286,185	RMB common share	105,286,185
Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy YZ Funds	82,760,155	RMB common share	82,760,155
Information of special repurchase accounts of top ten shareholders	As of December 31, 2022, the Company's special repurchase security account B883803228 held 111,834,235 shares of Baosteel (600019).		
Explanation of the above-mentioned shareholders' entrusting voting rights, entrusted voting rights and abandoned voting rights			
Association or connected actions of aforesaid shareholders	Wugang Group Co., Ltd. is a wholly-owned subsidiary of China Baowu Steel Group Corp., Ltd., and Taiyuan Iron & Steel (Group) Co., Ltd. is a shareholding subsidiary of China Baowu Steel Group Corp., Ltd. Besides, we don't know whether aforesaid shareholders are affiliated to each other or are persons acting in concert as stipulated in the Measures for the Administration of the Takeover of Listed Companies.		
Explanation of the shareholders of preferred stock with resumed voting rights and their shareholding quantity			

Note 1: China Baowu Steel Group Corp., Ltd. pledged 1,374,520,437 Baosteel shares held by it, with Taiyuan Iron & Steel (Group) Co., Ltd. as the Pledgee. For details, please refer to the "Announcement about the Pledge of Some Shares Held by the Controlling Shareholder" made by the Company on November 23, 2022.

Note 2: As shareholders "Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy CZ Funds" and "Shanghai Chongyang Strategic Investment Co., Ltd. – Chongyang Strategy YZ Funds" were not on the list of top 200 shareholders of the Company as of the end of 2021, the Company was unable to get hold of the number of Baosteel shares held by them as of the end of 2021, therefore the Company considered the number of shares held by these shareholders at the end of 2021 as zero when calculating the increase or decrease of the number of shares held during the reporting period as listed in the table above.

The number of shares held by top ten shareholders with trading limited condition and the trading limited conditions

√Applicable ☐ Not applicable

Unit: share

No.	Name of shareholders with trading limited condition	Number of shares with trading limited condition	Condition for listing and trading of shares with trading limited condition		Trading limited conditions
			Tradable time	Newly-added tradable shares	
1	Sheng Genghong	621,000			See notes
2	Li Youyuan	476,666	January 31, 2023	56,666	See notes
3	Wang Li	465,000			See notes
4	Zhu Renliang	465,000			See notes
5	Li Shanqing	465,000			See notes
6	Li Guobao	465,000			See notes
7	Wu Xiaodi	465,000			See notes
8	Zhang Pijun	465,000			See notes
9	Zhang Zhonghua	465,000			See notes
10	Lu Jiangxin	465,000			See notes
11	Chen Dongsheng	465,000			See notes
12	Zhou Xuedong	465,000			See notes
13	Hu Hong	465,000			See notes
14	Fu Jianguo	465,000			See notes
15	Chu Shuangjie	465,000			See notes
Association or connected actions of aforesaid shareholders	The foresaid shareholders are all the incentive grantees under the Company's restricted stock plan. For further details regarding the trading limited conditions of the foresaid stock, please refer to the website of Shanghai Stock Exchange at http://www.sse.com.cn。				

(III). Strategic investors or general legal persons become top 10 shareholders for new share allotment

☐ Applicable √Not applicable

IV. Controlling Shareholders and Actual Controllers

(I). Controlling shareholders

1. Legal person

√Applicable ☐ Not applicable

Name	China Baowu Steel Group Corp., Ltd.
Person-in-charge or Legal representative	Chen Derong
Date of incorporation	January 1,1992
Principal businesses and operations	China Baowu Steel Group Co., Ltd. is a pilot enterprise of state-owned capital investment company, and was included into the central enterprises to create world-class pilot enterprises in 2020, mainly operating the state-owned assets within the scope authorized by the State Council and engaged in the related investment and operation of state-owned capital. [For the items to be approved according to law, operational activities shall be subject to approval from competent authorities]
The Company's holding of and participation in equity in other listed companies both at home and abroad during the reporting period	As of December 31, 2022, direct or indirect holdings of over 5% equity in listed companies by China Baowu Steel Group Corporation: Bayi Steel: 49.35%; Zhongnan Iron & Steel: 52.95%; Magang: 51.75%; Baosight Software: 50.50%; Baosteel Packing: 60.52%; Xinyu Iron & Steel: 44.81%; China Pacific Insurance: 14.06%; New China Life Insurance: 13.05%; Shougang: 10.15%; Taigang Stainless Steel: 62.92%; Tibet Mineral: 20.86%; Chongqing Iron & Steel: 27.54%; RSM: 14%; Shanxi Securities: 10.23%; Daming International: 16.28%; SRCB: 8.29%.
Others	

Equity and controlling relationship between the Company and its controlling shareholders

√Applicable ☐ Not applicable

2. Natural person

☐ Applicable √Not applicable

3. Special explanation for the Company's absence of actual controllers

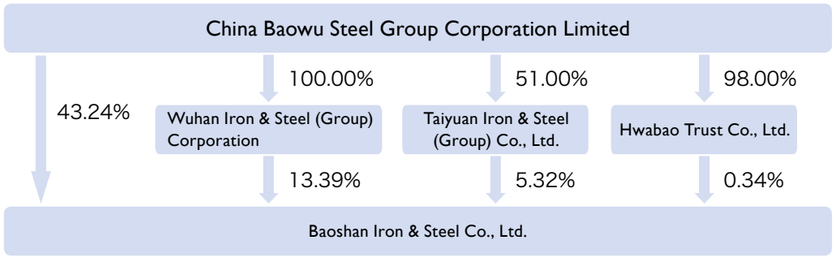
☐ Applicable √Not applicable

4. Changes of actual controllers during the reporting period

☐ Applicable √Not applicable

5. The enterprise property rights and controlling relationship between the Company and its actual controller

√Applicable ☐ Notapplicable



(II). Actual controllers

1. Legal person

☐ Applicable √Not applicable

2. Natural person

☐ Applicable √Not applicable

3. Special explanation for the Company's absence of actual controllers

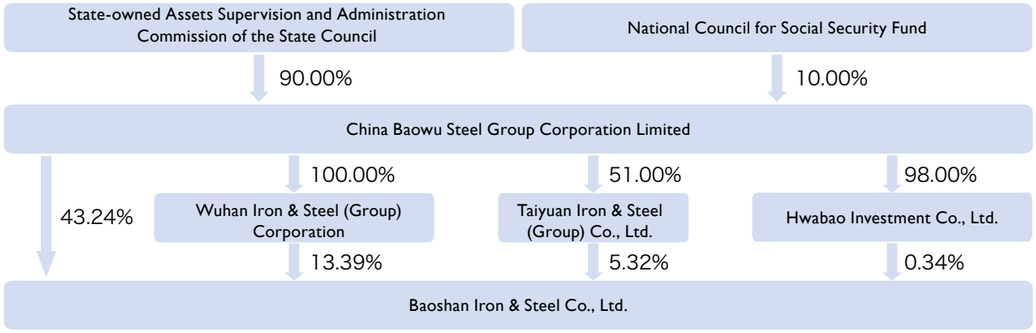
☐ Applicable √Not applicable

4. Changes of actual controllers during the reporting period

☐ Applicable √Not applicable

5. The enterprise property rights and controlling relationship between the Company and its actual controller

√Applicable ☐ Not applicable



6. Actual controller controls the Company through trust or other asset management methods

☐ Applicable √Not applicable

(III). Other information of controlling shareholders and actual controllers

☐ Applicable √Not applicable

V. The total amount of shares pledged by the controlling shareholders or the largest shareholder and persons acting in concert accounts for more than 80% of the Company's shares held by them

☐ Applicable √Not applicable

VI. Other Legal Person Shareholders Holding More Than 10% of the Shares

☐ Applicable √Not applicable

VII. Shareholding Restriction Reduction

☐ Applicable √Not applicable

VIII. Concrete Implementation of Share Repurchase During the Reporting Period

☐ Applicable √Not applicable

Section VIII Preferred Stock

☐ Applicable √Not applicable

Section IX Information of Bonds

I. Enterprise bonds, corporation bonds and non-financial corporate debt financing instruments

√Applicable ☐ Not applicable

(I). Enterprise bonds

☐ Applicable √Not applicable

(II). Corporation bonds

√Applicable ☐ Not applicable

1. Basic information of corporation bonds

Unit: 100 million Currency: RMB

Bond	Abbr.	Code	Issue date	Value date	Maturity date	Balance	Interest rate (%)	Method of principal repayment and interest payment	Trading venue	Investor suitability (if any)	Trading scheme	Risk of delisting
Baoshan Iron & Steel Co., Ltd. issued 2020 corporate bonds publicly (1st phase) (coronavirus bonds)	20 Baosteel 01	163225. SH	Mar. 4, 2020	Mar. 6, 2020	Mar. 6, 2023	30	2.95	Payment of interest once a year, repayment of principal in a lump sum when due	Shanghai Stock Exchange	Qualified investor	Match, click, inquiry, bid, negotiation	No
Baoshan Iron & Steel Co., Ltd. issued 2022 green corporate bonds targeted at professional investors publicly (1st phase) (low carbon transformation)	G22 Baosteel 1	185811. SH	May 20, 2022	May 24, 2022	May 24, 2025	5	2.68	Payment of interest once a year, repayment of principal in a lump sum when due	Shanghai Stock Exchange	Professional investor	Match, click, inquiry, bid, negotiation	No

The Company's countermeasures against the risk of delisting of bonds

☐ Applicable √Not applicable

Matured bonds unredeemed

☐ Applicable √Not applicable

Interest payment and encashment of bonds during the reporting period

√Applicable ☐ Not applicable

Bond	Interest payment and encashment
Baoshan Iron & Steel Co., Ltd. issued 2020 corporate bonds publicly (1st phase) (coronavirus bonds)	During the reporting period, the Company completed the interest payment and encashment on time and in full. The bonds of this phase were delisted upon the completion of interest and principal payment on March 6, 2023.

2. Triggering and implementation of issuer or investor option clauses and investor protection clauses

√Applicable ☐ Not applicable

G22 Baosteel 1 has the investor protection clause of credit maintenance commitment. During the reporting period, the investor protection clause had not been triggered.

3. Intermediaries providing services for bond issuance and business in the period of existence

Intermediary	Office address	Name of signing accountant	Contact	Phone number
CITIC Securities Co., Ltd.	CITIC Securities Tower, No.48 Liangmaqiao Road, Chaoyang District, Beijing		Song Yilan, Qian Wenrui	010-60834900
China Securities Co., Ltd.	2F, Building B and E, Kaiheng Center, 2 Chaoyangmen Inner Street, Dongcheng District, Beijing		Lei Yiming	010-85130843
China International Capital Corporation Ltd.	27F & 28F, Building 2, China World Trade Center, 1 Jianguomen Outer Street, Chaoyang District, Beijing		Guan Wenjing, Shi Jiawen	010-65051166
Hwabao Securities Co., Ltd.	57F, 100 Century Avenue, China (Shanghai) Pilot Free Trade Zone		Luo Jie	021-20515326
Guotai Junan Securities Co., Ltd.	F33, Bohua Square, No. 669, Xinzha Road, Shimen Er Road Neighborhood, Jing' an District, Shanghai		Xia Yiyuan, Pan Jiachen	021-38676666
Shenwan Hongyuan Securities Co., Ltd.	#3901 Century Trading Square, No. 989, Changle Road, Xuhui District, Shanghai		Han Kangpeng, Wang Chaofan	021-33389951
Deloitte Touche Tohmatsu Certified Public Accountants LLP	30F, 222 East Yan' an Road, Huangpu District, Shanghai	Xu Yusun, Dou Chengming	Xu Yusun, Dou Chengming	021-61418888
Ernst & Young Hua Ming LLP	R01-12, Level 17, Ernst & Young Tower, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing	Zhou Youmei, Xu Lele, Jiang Weiming, Wu Tingdong, Zhang Xiangyi	Zhou Youmei	021-22282370
Fangda Partners	24F, HKRI Center Two, HKRI Taikoo Hui, 288 Shi Men Yi Road, Jing' an District, Shanghai		Cong Dalin, Lou Weiliang	021-2208-1166
China Chengxin Green Finance Technology (Beijing) Co. Ltd.	F4, Building 1, No. 2, South Zhugan Hutong, Dongcheng District, Beijing, 50532		Kang Ning	010-57310333

Changes in the aforesaid intermediaries

☐ Applicable √Not applicable

4. Utilization of funds raised as of the end of the reporting period

√Applicable ☐ Not applicable

Unit: 100 million Currency: RMB

Bond	Total amount of funds raised	Amount used	Amount unused	Operation of special account for raised funds (if any)	Rectification of illegal use of raised funds (if any)	Consistent with the intended use, utilization plan and other agreements as undertaken in the prospectus
Baoshan Iron & Steel Co., Ltd. issued 2020 corporate bonds publicly (1st phase) (coronavirus bonds)	30	30	-	The operation of special account for raised funds is good	None	Yes
Baoshan Iron & Steel Co., Ltd. issued 2022 green corporate bonds targeted at professional investors publicly (1st phase) (low carbon transformation)	5	4.2	0.8	The operation of special account for raised funds is good	None	Yes

Progression and operating efficiency of raised funds used for construction projects

√Applicable ☐ Not applicable

The G22 Baosteel 1 is a low-carbon transformation bond, which raised RMB 500 million for the construction of the hydrogen-assisted shaft furnace system (one step) project of Zhanjiang Iron & Steel Co., Ltd. As of the end of the reporting period, RMB 420 million of the raised funds had been used, leaving a balance of RMB 80 million.

The hydrogen-assisted shaft furnace system project, for which the funds were raised this time, uses the hydrogen metallurgy technology that substitutes hydrogen for carbon, hydrogen-assisted shaft furnace low-carbon metallurgy for the conventional blast furnace process, and hydrogen (clean energy) for fossil energy, making full use of the zero-carbon emission hydrogen energy on the basis of resources recycling and thereby significantly reducing the carbon dioxide emissions from the iron and steel production process. In addition, the hydrogen-assisted shaft furnace system project leverages the byproducts from the coking process, realizing recycling of resources and reducing the consumption of fossil energy.

As of the end of the reporting period, the upper structure of the key path of the hydrogen-assisted shaft furnace was progressing as scheduled. The modular assembly of the steel structure above the height of 78.3m of the shaft furnace steel structure reached 96m, and the second and third segments of the furnace shell were being hoisted; the short column above the concrete foundation of the heating furnace was in the stage of care and maintenance; the construction of the main control building progressed to the fourth level; single structures like the finished product warehouse, furnace-feeding warehouse and raw materials warehouse were being roofed; the steel structure purlins and steel ladders were in the process of installation. Equipment installation in other areas was in progress.

After the completion of this project, the Company expects that the effect of carbon emission reduction will be remarkable:

(1) Electric furnace short-process steel-making will be realized under the current operating conditions, reducing the carbon emission from billet production by 65% compared with long-process steel-making;

(2) This project is equipped with carbon dioxide removal device, paving the way for carbon utilization which, once available, will further reduce carbon, and thereby reducing the carbon emission by 72% compared with long-process steel-making;

(3) This project meets the condition for further experimenting with higher proportions of hydrogen, and further carbon emission reduction will be realized once the proportion of hydrogen reaches 90%, reducing the carbon emission by 77% compared with long-process steel-making.

Explanation for changing the use of funds raised by the above-mentioned bonds during the reporting period

☐ Applicable √Not applicable

Other information

☐ Applicable √Not applicable

5. Adjustment of credit rating result

☐ Applicable √Not applicable

6. Implementation and changes of guarantee, debt repayment plan and other supporting measures for debt repayment during the reporting period and their impacts

√Applicable ☐ Not applicable

Status quo	Implementation	Whether there is a change
(1) Debt repayment plan 1. The value date of 20 Baosteel 01 is March 6, 2020, and that of G22 Baosteel 1 is May 24, 2022. 2. The interest on the corporation bonds is paid once a year since the value date, and the last installment of interest is paid together with the principal. The interest payment date of 20 Baosteel 01 is March 6 of each year from 2021 to 2023, and that of G22 Baosteel 1 is May 24 of each year from 2023 to 2025, which shall be extended to the first working day thereafter in case it falls on a statutory holiday or rest day. The interest payment during each extension period shall not bear interest. 3. The principal of corporation bonds shall be paid in a lump sum when due. The principal payment date of 20 Baosteel 01 is March 6, 2023, and that of G22 Baosteel 1 is May 24, 2025, which shall be extended to the first working day thereafter in case it falls on a statutory holiday or rest day. The payment during each extension period shall not bear interest. 4. The principal payment and interest payment of corporation bonds will be handled through securities registration organizations and relevant organizations. The specific matters of principal payment and interest payment will be explained by the issuer in relevant announcements on the media designated by the CSRC in accordance with relevant state regulations.	Normal implementation	No
(2) Capital source of debt repayment The Company will make a fund utilization plan according to the future payment of principal and interest of the bonds when due to allocate funds reasonably and pay the interest and principal on schedule. The Company's repayment of principal and interest of the bonds will mainly come from the cash flow generated by operating activities.	Normal implementation	No
(3) Emergency support plan for debt repayment 1. External financing channels As a super-large iron and steel enterprise, the Company has established good long-term cooperative relationships with commercial banks and other financial institutions, having excellent credit records and high bank loan credit lines. 2. Realization of current assets As of December 31, 2022, the Company's consolidated current assets totaled RMB 174.889 billion. If necessary, the Company can supplement its debt repayment by realizing current assets.	Normal implementation	No

7. Other information of corporation bonds

√Applicable ☐ Not applicable

(1) Funds outstanding and loans at call for non-operating purposes

1) At the beginning of the reporting period, the Company had no balance of funds outstanding and loans at all to other parties directly arising from non-production and non-operating activities ("Funds outstanding and loans at call for non-operating purposes") in its consolidated statements;

2) During the reporting period, there had been no increase or recovery of funds outstanding and loans at call for non-operating purposes;

3) During the reporting period, whether there had been any violation of the relevant agreements or commitments in the prospectus in terms of funds outstanding and loans at call for non-operating purposes: None;

4) At the end of the reporting period, there were no unrecovered funds outstanding and loans at call for non-operating purposes;

5) Implementation of collection arrangements as disclosed in previous reporting period(s): Not applicable.

(2) Interest-bearing debts and changes thereof

As of the end of the reporting period, the Company had a balance of interest-bearing debts of RMB 41 billion in the consolidated statements, down by 6.5% on a year-on-year basis, including RMB 5 billion of medium-term notes, RMB 3.5 billion of corporation bonds, and RMB 32.5 billion of bank loans. As of the end of the reporting period, the balance of overseas bonds issued was zero in the Company's consolidated statements and there were no overseas bonds that would be due during the period from May to December of 2023.

(3) Priority liabilities against third parties

As of the end of the reporting period, there were no priority liabilities against third parties in the Company's consolidated statements.

(4) Source of profits and other gains and losses

1) Basic information

For details about the profit, non-recurring gains and losses and source of profit of the Company, please refer to "Section III Management Discussions and Analysis" and "Section X Financial Report" herein.

2) Analysis of investments

There was no net profit from a single subsidiary or return on investment from a single joint stock company that had an impact of over 10% on the Company's consolidated net profit.

3) Difference between net profit and net cash flow from operating activities

If there was a significant difference between the Company's net cash flow from operating activities during the reporting period and the Company's net profit during the reporting period, please state the reason:

Please refer to the "Further Information on the Cash Flow Statement" in "Section X Financial Report" herein.

(5) Change of the management rules for matters in relation to information disclosure during the reporting period: None.

(III). Non-financial corporate debt financing tools in the interbank bond market

√Applicable ☐ Not applicable

1. Basic information of non-financial corporate debt financing tools

Unit: 100 million Currency: RMB

Bond	Abbr.	Code	Issue date	Value date	Maturity date	Balance	Interest rate (%)	Method of principal repayment and interest payment	Trading venue	Investor suitability (if any)	Trading scheme	Risk of delisting
2021 1st Phase Medium Term Notes of Baoshan Iron & Steel Co., Ltd. (Sustainability-Linked)	21 Baosteel MTN001 (Sustainability-Linked)	102101795.IB	Sept. 6, 2021	Sept. 7, 2021	Sept. 6, 2024	50	2.99	Payment of interest once a year, repayment of principal and interest in a lump sum when due	Interbank bond market	Qualified investor	Inquiry	No

The Company's countermeasures against the risk of delisting of bonds

☐ Applicable √Not applicable

Matured bonds unredeemed

☐ Applicable √Not applicable

Interest payment and encashment of bonds during the reporting period

√Applicable ☐ Not applicable

Bond	Interest payment and encashment
2021 1st Phase Medium Term Notes of Baoshan Iron & Steel Co., Ltd. (Sustainability-Linked)	During the reporting period, the Company completed the interest payment on time and in full.

2. Triggering and implementation of issuer or investor option clauses and investor protection clauses

☐ Applicable √Not applicable

3. Intermediaries providing services for bond issuance and business in the period of existence

Intermediary	Office address	Name of signing accountant	Contact	Phone number
Shanghai Pudong Development Bank	No.12, Zhongshan Dong Yi Road, Shanghai		Zou Xuecheng, Qin Zhaoyang	021-61616251
Bank of China	No.1, Fuxingmen Nei Avenue, Xicheng District, Beijing		Fu Jina	010-66591106
Fangda Partners	24F, HKRI Center Two, HKRI Taikoo Hui, 288 Shi Men Yi Road, Jing' an District, Shanghai		Lou Weiliang, Cong Dalin	021-22081166
Ernst & Young Hua Ming LLP	R01-12, Level 17, Ernst & Young Tower, Oriental Plaza, 1 East Chang An Avenue, Dongcheng District, Beijing	Zhou Youmei, Xu Lele, Jiang Weiming, Zhang Xiangyi	Zhou Youmei	021-22282370
CCXI Credit Rating Co., Ltd.	F7, Building D, China Merchants International Financial Center, 156 Fuxingmen Inner Street, Xicheng District, Beijing		Ge Xing	010-66428877
China Chengxin Green Finance Technology (Beijing) Co. Ltd.	F4, Building 1, No. 2, South Zhugan Hutong, Dongcheng District, Beijing, 50532		Ma Jun	18010038172

Changes in the aforesaid intermediaries

☐ Applicable √Not applicable

4. Utilization of funds raised as of the end of the reporting period

√Applicable ☐ Not applicable

Unit: 100 million Currency: RMB

Bond	Total amount of funds raised	Amount used	Amount unused	Operation of special account for raised funds (if any)	Rectification of illegal use of raised funds (if any)	Consistent with the intended use, utilization plan and other agreements as undertaken in the prospectus
2021 1st Phase Medium Term Notes of Baoshan Iron & Steel Co., Ltd. (Sustainability-Linked)	50	50	-	The operation of special account for raised funds is good	None	Yes

Progression and operating efficiency of raised funds used for construction projects

☐ Applicable √Not applicable

Explanation for changing the use of funds raised by the above-mentioned bonds during the reporting period

☐ Applicable √Not applicable

5. Adjustment of credit rating result

☐ Applicable √Not applicable

6. Implementation and changes of guarantee, debt repayment plan and other supporting measures for debt repayment during the reporting period and their impacts

√Applicable ☐ Not applicable

Status quo	Implementation	Whether there is a change
(1) Capital source of debt repayment The Company will make a fund utilization plan according to the future payment of principal and interest of the bonds to allocate funds reasonably and pay the interest and principal on schedule. The Company's repayment of principal and interest of the bonds will mainly come from the cash flow generated by operating activities.	Normal implementation	No
(2) Emergency support plan for debt repayment 1. External financing channels As a super-large iron and steel enterprise, the Company has established good long-term cooperative relationships with commercial banks and other financial institutions, having excellent credit records and high bank loan credit lines. 2. Realization of current assets: As of December 31, 2022, the Company's consolidated current assets totaled RMB 174.889 billion. If necessary, the Company can supplement its debt repayment by realizing current assets.	Normal implementation	No

7. Other information of non-financial corporate debt financing tools

☐ Applicable √Not applicable

(IV). The losses within the scope of the Company's consolidated statements during the reporting period exceed 10% of the net assets at the end of the previous year

☐ Applicable √Not applicable

(V). Overdue interest-bearing liabilities except bonds at the end of the reporting period

☐ Applicable √Not applicable

(VI). Impact on the rights and interests of bond investors brought by any violation of laws, regulations, the Articles of Association, management rules for matters in relation to information disclosure, and agreements or commitments in the prospectus for bond offering during the reporting period

☐ Applicable √Not applicable

(VII). Accounting data and financial indicators for the latest 2 years as of the end of the reporting period

√Applicable ☐ Not applicable

Unit: Million Currency: RMB

Main indicator	2022	2021	Increase or decrease compared to the same period last year(%)	Reason for change
Net profit after deducting non-recurring gains and losses attributable to shareholders of listed company	10,430	23,525	-55.7	Decreased profit
Liquidity ratio	1.21	1.09	11.74	Normal change
Quick ratio	0.90	0.73	23.15	Normal change
Asset-liability ratio (%)	45.79	44.61	2.66	Normal change
EBITDA-entire liabilities ratio	0.20	0.31	-34.41	Decreased profit
Interest coverage ratio	10.39	17.14	-39.37	Decreased profit
Cash interest coverage ratio	29.93	34.08	-12.17	Decreased profit
EBITDA interest coverage ratio	22.86	27.31	-16.27	Decreased profit
Loan repayment rate (%)	100	100	-	
Interest coverage (%)	100	100	-	

II. Information of Convertible Corporate Bonds

☐ Applicable √Not applicable

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AUDITOR'S REPORT

Ernst & Young Hua Ming (2023) Shen Zi No. 60469248_B01
Baoshan Iron & Steel Co., Ltd.

To the Shareholders of Baoshan Iron & Steel Co., Ltd.

(I) Opinion

We have audited the financial statements of Baoshan Iron & Steel Co., Ltd. (the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2022, and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's statements of changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2022, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises ("ASBEs").

(II) Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III) Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine that the following are key audit matters in need of communication in the auditor's report.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including those related to these key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide a basis for our audit opinion on the accompanying financial statements.

Key audit matters	How our audit addressed the key audit matters
Provision for decline in value of inventories	
As at 31 December 2022, the balance of inventories was RMB48,151,728,214.76, and the balance of provision for decline in value of inventories was RMB2,141,716,547.74, as disclosed in Note V. 10 to the financial statements. At each balance sheet date, inventories of the Company are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made, as disclosed in Note III. 12 to the financial statements. The management of the Company needs to make significant judgments and estimates in calculating the net realizable value of inventories, especially with regard to the future selling prices, estimated costs, selling expenses and related taxes upon completion, and the amount of provision for decline in value of inventories was quite significant for the current year, as disclosed in Note III. 37 to the financial statements. Therefore, we determined that the provision for decline in value of inventories was a key audit matter.	We mainly performed the following audit procedures: (1)Assessing the internal control related to the provision for decline in value of inventories and testing the effectiveness of the internal control; (2)Reviewing management's method of estimating the net realizable value of inventories and the relevant parameters used in estimating the net realizable value of inventories; (3)On a sample basis, reviewing the net realizable value test conducted by management, including obtaining subsequent selling prices to test the reasonableness of the estimated price, and the implementation of reasonable testing for further processing costs, selling expenses and relevant taxes; (4)Checking the accuracy of the computation sheet of the provision for decline in value of inventories made by the Company; and (5)Observing stock taking procedures and implementing spot checking procedures to check whether there were obsolete inventories that were not considered in the price reduction calculation.
Expected termination benefits	
As disclosed in Notes V. 37 and 46, the total amount of termination benefits in the consolidated financial statements was RMB754,690,039.02 as at 31 December 2022, among which the balance of termination benefits due within one year was RMB293,626,118.51. The accounting policies related to termination benefits are disclosed in Note III. 23 to the financial statements. In view of significant judgments and estimations required in the recognition and measurement of termination benefits, as disclosed in Note III. 37 to the financial statements, we determined that the expected termination benefits were a key audit matter.	We mainly performed the following audit procedures: (1)Assessing the internal control related to termination benefits and testing the effectiveness of the internal control; (2)Checking the policy and plan for termination benefits and assessing whether the accounting treatment complied with the relevant accounting standards; and (3)Obtaining the calculation worksheet of the termination from the Company, and with the assistance of our internal valuation experts, examining the assessment method, assessing actuarial assumptions such as the discount rate and the growth rate of benefits, and measuring the overall calculation results of the Company's termination benefit plan.
Revenue recognition	
For the current year, the amount of revenue was RMB367,778,242,419.77, of which sales of goods were RMB355,116,316,703.74, representing 96.6% of the total revenue, as disclosed in Note V. 55 to the financial statements. The accounting policies related to revenue recognition are disclosed in Note III. 27 to the financial statements. The revenue derived from selling goods had a significant impact on the financial statements, and the performance of the iron and steel industry is positively correlated with the economic environment and steel prices which fluctuate significantly. Therefore, we determined that revenue recognition was a key audit matter.	We mainly performed the following audit procedures: (1)Assessing the internal control related to revenue recognition and testing the effectiveness of the internal control; (2)Performing analytical review procedures to analyze the rationality of the changes of revenue and gross profit margin; (3)Testing the income transactions recorded before and after the balance sheet date, and evaluating whether the income was recorded in the correct accounting period; (4)Randomly selecting income transaction records, checking supporting documents such as warehouse lists, receiving notes to check the authenticity and accuracy of sales of goods; (5)Randomly selecting contracts and orders, inspecting key terms such as delivery methods and transfer of goods ownership agreed in contracts and orders, and evaluating whether revenue recognition policies comply with the relevant provisions of accounting standards; and (6)Testing the return on sales after the balance sheet date to check the existence of significant sales returns and to assess the impact on the financial statements.

(IV) Other Information

The management of the Company is responsible for other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

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

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

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

(V) Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

(VI) Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: 蒋伟民

(Engagement partner)

Chinese Certified Public Accountant: 武廷栋

Beijing, the People's Republic of China

26 April 2023

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. Where the English version does not conform to the Chinese version, the Chinese version prevails.

Consolidated Balance Sheet
AT 31 December 2022

ASSETS	Note V	31 December 2022	31 December 2021
Current assets			
Currency funds	1	24,149,748,702.70	20,046,019,497.55
Financial assets held for trading	2	2,775,158,129.79	3,518,833,001.68
Derivative financial assets	3	68,108,068.82	264,599.72
Notes receivable	4	10,434,732,926.54	14,970,083,457.65
Accounts receivable	5	15,684,335,093.38	12,246,391,864.76
Receivables financing	6	10,177,957,750.14	9,780,760,948.38
Prepayments	7	8,357,995,948.25	5,818,873,744.78
Other receivables	8	1,319,067,511.58	2,026,023,305.69
Including: Dividends receivable		15,000,000.00	7,000,000.00
Financial assets purchased under resale agreements	9	1,999,415,108.27	1,145,063,616.43
Inventories	10	46,010,011,667.02	49,490,104,273.93
Contract assets	11	2,471,593,025.59	1,750,324,998.41
Non-current assets due within one year	12	446,624,734.30	253,030,211.25
Other current assets	13	50,994,002,611.66	28,309,251,330.21
Total current assets		174,888,751,278.04	149,355,024,850.44
Non-current assets			
Loans and advances to customers	14	796,158,636.51	678,635,569.70
Debt investments	15	-	325,000,000.00
Other debt investments	16	2,598,220,808.50	7,797,312,850.00
Long-term receivables	17	945,879,199.30	877,014,252.19
Long-term equity investments	18	27,877,250,737.96	25,919,964,224.39
Investments in other equity instruments	19	1,191,387,920.75	1,154,568,034.87
Other non-current financial assets	20	784,998,283.01	9,464,326,048.56
Investment properties	21	573,007,279.78	605,993,167.08
Fixed assets	22	148,258,748,736.19	146,161,411,884.34
Construction in progress	23	13,751,308,302.68	13,780,666,523.72
Right-of-use assets	24	5,464,169,963.34	5,116,453,007.93
Intangible assets	25	12,079,669,150.77	12,082,145,820.66
Goodwill	26	529,991,695.78	516,422,468.22
Long-term prepaid expenses	27	2,267,823,710.68	2,026,693,371.06
Deferred tax assets	28	3,858,707,258.21	3,336,503,621.52
Other non-current assets	29	2,382,782,158.63	1,199,425,693.10
Total non-current assets		223,360,103,842.09	231,042,536,537.34
Total assets		398,248,855,120.13	380,397,561,387.78

Consolidated Balance Sheet - continued

AT 31 December 2022

LIABILITIES AND EQUITY	Note V	31 December 2022	31 December 2021
Current liabilities			
Short-term borrowings	30	4,600,479,316.91	10,933,476,710.70
Customer deposits and deposits from banks and other financial institutions	31	31,746,437,643.99	21,643,864,179.05
Derivative financial liabilities	32	52,384,172.16	32,108,544.16
Notes payable	33	10,212,593,765.24	11,252,296,406.63
Accounts payable	34	51,833,732,670.08	47,465,247,821.99
Contract liabilities	35	25,123,792,058.62	23,578,300,200.59
Financial assets sold under repurchase agreements	36	829,441,381.21	933,512,885.88
Employee benefits payable	37	1,664,415,001.44	1,747,779,825.81
Taxes payable	38	2,066,793,026.70	2,747,374,824.89
Other payables	39	2,975,576,639.33	2,946,617,959.33
Including: Dividends payable		2,472,022.21	106,003,947.79
Non-current liabilities due within one year	40	9,979,013,625.00	11,331,377,983.86
Other current liabilities	41	2,903,042,018.58	2,791,804,074.74
Total current liabilities		143,987,701,319.26	137,403,761,417.63
Non-current liabilities			
Long-term borrowings	42	21,572,996,767.32	14,772,576,054.99
Bonds payable	43	5,500,000,000.00	8,000,000,000.00
Lease liabilities	44	5,247,634,399.25	4,554,076,372.80
Long-term payables	45	1,981,289,973.16	647,893,031.01
Long-term employee benefits payable	46	1,248,191,438.20	1,660,336,994.40
Deferred income	47	1,396,222,987.30	1,265,611,935.25
Deferred tax liabilities	28	1,438,463,856.81	1,372,732,123.12
Total non-current liabilities		38,384,799,422.04	32,273,226,511.57
Total liabilities		182,372,500,741.30	169,676,987,929.20
Shareholders' equity			
Share capital	48	22,268,189,984.00	22,268,411,550.00
Capital reserve	49	50,194,450,295.15	51,028,459,039.27
Less: Treasury shares	50	2,445,428,328.85	3,821,850,432.49
Other comprehensive income	51	(487,579,884.93)	(972,300,214.84)
Special reserve	52	23,709,614.12	20,859,908.70
Surplus reserve	53	41,064,043,384.80	38,240,335,566.62
Retained earnings	54	84,005,524,724.21	84,169,710,095.42
Total shareholders' equity attributable to equity holders of the Company		194,622,909,788.50	190,933,625,512.68
Minority interests		21,253,444,590.33	19,786,947,945.90
Total shareholders' equity		215,876,354,378.83	210,720,573,458.58
Total liabilities and shareholders' equity		398,248,855,120.13	380,397,561,387.78

The financial statements were signed by:

Legal representative: **Zou Jixin** Person in charge of the accounting body: **Wang Juan** Accounting supervisor: **Ran Ruiwen**

Company Balance Sheet

AT 31 December 2022

ASSETS	Note XV	31 December 2022	31 December 2021
Current assets			
Currency funds		19,289,359,069.37	15,256,321,985.02
Including: Funds deposits to finance companies		12,169,525,033.55	9,865,241,685.69
Derivative financial assets		26,546,198.93	-
Notes receivable		4,422,409,278.88	7,121,696,143.47
Accounts receivable	1	18,339,574,166.04	20,054,721,784.53
Receivables financing		1,802,059,741.68	2,709,036,461.74
Prepayments		2,873,994,371.78	3,011,420,344.07
Other receivables	2	16,984,891,717.67	18,470,782,041.12
Inventories		11,955,830,356.16	14,452,114,917.53
Other current assets		22,837,076,732.93	14,346,995,788.88
Total current assets		98,531,741,633.44	95,423,089,466.36
Non-current assets			
Long-term receivables		57,211,944.31	75,542,924.27
Long-term equity investments	3	87,165,245,561.94	86,158,126,968.86
Investments in other equity instruments		185,230,720.51	188,853,154.33
Other non-current financial assets		107,262,213.00	8,751,163,000.20
Fixed assets		42,254,222,967.16	40,937,007,593.32
Construction in progress		5,428,971,247.44	4,269,983,157.87
Right-of-use assets		3,139,326,983.28	3,323,743,853.06
Intangible assets		3,159,087,544.75	3,159,678,288.41
Long-term prepaid expenses		775,488,801.41	414,220,133.76
Deferred tax assets		790,430,450.13	857,121,947.40
Other non-current assets		238,712,829.73	344,436,898.98
Total non-current assets		143,301,191,263.66	148,479,877,920.46
Total assets		241,832,932,897.10	243,902,967,386.82

Company Balance Sheet - continued

AT 31 December 2022

LIABILITIES AND EQUITY	Note XV	31 December 2022	31 December 2021
Current liabilities			
Short-term borrowings		-	8,206,307,542.04
Derivative financial liabilities		-	3,462,369.46
Notes payable		3,353,144,906.05	3,606,519,078.16
Accounts payable		21,519,789,546.15	22,423,320,525.58
Contract liabilities		4,520,462,332.82	5,439,213,681.95
Employee benefits payable		513,822,643.84	613,460,568.76
Taxes payable		701,995,976.18	790,113,177.81
Other payables		18,792,567,782.49	15,653,145,623.71
Non-current liabilities due within one year		9,384,030,612.16	9,864,767,264.11
Other current liabilities		587,660,103.27	4,252,781,184.62
Total current liabilities		59,373,473,902.96	70,853,091,016.20
Non-current liabilities			
Long-term borrowings		18,707,885,000.00	13,396,000,000.00
Bonds payable		5,500,000,000.00	8,000,000,000.00
Lease liabilities		3,013,899,181.63	2,920,757,862.54
Long-term payables		1,860,205,168.35	466,251,870.87
Long-term employee benefits payable		420,649,161.56	529,452,586.81
Deferred income		360,722,366.90	243,775,387.72
Deferred tax liabilities		614,768,637.62	666,263,046.94
Total non-current liabilities		30,478,129,516.06	26,222,500,754.88
Total liabilities		89,851,603,419.02	97,075,591,771.08
Shareholders' equity			
Share capital		22,268,189,984.00	22,268,411,550.00
Capital reserve		55,703,374,960.97	56,653,437,917.57
Less: Treasury shares		2,445,428,328.85	3,821,850,432.49
Other comprehensive income		116,865,009.31	(19,740,426.50)
Surplus reserve		41,064,043,384.80	38,240,335,566.62
Retained earnings		35,274,284,467.85	33,506,781,440.54
Total shareholders' equity		151,981,329,478.08	146,827,375,615.74
Total liabilities and shareholders' equity		241,832,932,897.10	243,902,967,386.82

Consolidated Income Statement

AT 31 December 2022

	Note V	2022	2021 (Restated)
Total operating income		369,057,887,767.24	365,342,216,708.55
Including: Operating income	55	367,778,242,419.77	364,349,298,085.03
Interest income		1,268,328,560.13	979,633,354.44
Fee and commission income		11,316,787.34	13,285,269.08
Less: Total operating costs		359,079,030,987.99	337,163,259,498.30
Including: Operating costs	55	346,292,763,685.36	324,476,452,147.78
Interest expenses		551,280,095.48	398,994,673.19
Fee and commission expenses		8,319,016.88	8,999,398.07
Taxes and levies	56	1,372,210,946.97	1,432,295,100.08
Selling expenses	57	1,789,366,404.68	1,720,237,936.27
Administrative expenses	58	4,350,863,109.93	4,396,030,157.56
Research and development expenses	59	3,168,178,420.67	2,942,353,367.88
Financial expenses	60	1,546,049,308.02	1,787,896,717.47
Including: Interest expenses		1,601,858,970.04	1,902,718,718.71
Interest income		249,141,081.85	160,390,452.83
Add: Other income	61	802,341,350.71	624,033,906.46
Investment income	62	5,111,773,412.17	3,975,349,505.19
Including: Income from investments in associates and joint ventures		2,548,349,589.25	2,383,101,833.39
Profit or loss arising from changes in fair value	63	43,498,582.09	(176,689,826.13)
Credit impairment loss (loss is expressed with negative value)	64	(131,744,270.68)	(339,461,007.28)
Asset impairment loss (loss is expressed with negative value)	65	(952,691,898.09)	(1,108,243,637.21)
Gain on disposal of assets	66	752,326,070.66	1,408,752,100.63
Operating profit		15,604,360,026.11	32,562,698,251.91
Add: Non-operating income	67	270,577,951.96	190,376,321.53
Less: Non-operating expenses	68	830,890,234.86	2,044,818,218.01
Total profit		15,044,047,743.21	30,708,256,355.43
Less: Income tax expenses	69	1,015,131,806.45	4,253,235,609.05
Net profit		14,028,915,936.76	26,455,020,746.38
Including: The net profit of the combined party before combination		-	35,321,488.17
Categorized by operation continuity:			
Net profit from continuing operations		14,028,915,936.76	26,455,020,746.38
Net profit from discontinued operations		-	-
Categorized by ownership:			
Net profit attributable to owners of the Company		12,186,850,692.42	23,631,996,672.59
Profit or loss attributable to minority interests		1,842,065,244.34	2,823,024,073.79

Consolidated Income Statement - continued

AT 31 December 2022

	Note V	2022	2021 (Restated)
Net other comprehensive income after tax		477,459,661.98	(7,063,650.45)
Net other comprehensive income attributable to shareholders of the parent company after tax	51	484,720,329.91	13,250,765.92
Other comprehensive income not to be reclassified to profit or loss		37,878,881.82	359,381,098.66
Changes arising from re-measurement of defined benefit plan		59,053,200.13	(3,728,029.27)
Other comprehensive income that will not be reclassified to profit or loss using the equity method		4,474,907.90	-
Changes in fair value of investment in other equity instruments		(25,649,226.21)	363,109,127.93
Other comprehensive income to be reclassified to profit or loss		446,841,448.09	(346,130,332.74)
Other comprehensive income that will be reclassified to profit or loss using the equity method		187,730,340.48	87,813,279.51
Provision for credit impairment of other debt investments		2,187,058.68	1,962,250.67
Changes in fair value of other debt investments		(12,189,203.94)	506,262.58
Exchange differences on translation of foreign currency financial statements		269,113,252.87	(436,412,125.50)
Net other comprehensive income attributable to minority interests after tax	51	(7,260,667.93)	(20,314,416.37)
Total comprehensive income:		14,506,375,598.74	26,447,957,095.93
Including:			
Total comprehensive income attributable to owners of the Company		12,671,571,022.33	23,645,247,438.51
Total comprehensive income attributable to minority interests		1,834,804,576.41	2,802,709,657.42
Earnings per share:	70		
Basic earnings per share (RMB/share)		0.55	1.07
Diluted earnings per share (RMB/share)		0.56	1.07

Company Income Statement

2022

	Note V	2022	2021 (Restated)
Operating income	4	134,386,367,593.41	170,230,091,510.98
Less: Operating costs	4	128,221,987,408.92	160,426,949,881.94
Taxes and levies		187,768,932.67	277,985,544.51
Selling expenses		487,542,378.49	457,853,273.90
Administrative expenses		1,198,773,190.79	1,112,980,457.08
Research and development expenses	5	1,045,923,796.46	998,474,070.15
Financial expenses		729,441,779.80	908,963,342.64
Including: Interest expenses		1,572,682,426.01	1,805,941,566.15
Interest income		784,779,305.27	892,924,176.72
Add: Other income		228,884,030.83	165,401,674.53
Investment income	6	12,078,435,303.47	5,043,585,239.16
Including: Income from investments in associates and joint ventures		1,159,369,683.00	1,227,664,653.54
Profit or loss arising from changes in fair value		24,838,634.15	(59,529,561.24)
Credit impairment loss (loss is expressed with negative value)		(3,401,188.72)	(3,074,053.19)
Asset impairment loss (loss is expressed with negative value)		(306,899,658.35)	(215,993,056.84)
Gain on disposal of assets		18,296,876.60	88,113,716.46
Operating profit		14,555,084,104.26	11,065,388,899.64
Add: Non-operating income		18,034,462.15	10,650,848.96
Less: Non-operating expenses		364,151,322.59	913,123,666.81
Total profit		14,208,967,243.82	10,162,916,081.79
Less: Income tax expenses		90,428,152.88	637,741,494.91
Net profit		14,118,539,090.94	9,525,174,586.88
Net profit from continuing operations		14,118,539,090.94	9,525,174,586.88
Net other comprehensive income after tax		136,605,435.81	819,591.56
Other comprehensive income not to be reclassified to profit or loss		(2,716,825.36)	(32,277,507.34)
Changes in fair value of investment in other equity instruments		(2,716,825.36)	(32,277,507.34)
Other comprehensive income to be reclassified to profit or loss		139,322,261.17	33,097,098.90
Other comprehensive income that will be reclassified to profit or loss using the equity method		139,322,261.17	33,097,098.90
Total comprehensive income		14,255,144,526.75	9,525,994,178.44

Consolidated Cash Flow Statement
2022

		Note V	2022	2021
1.	CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash received from the sale of goods and the rendering of services		410,365,283,480.37	410,821,483,534.41
	Net increase in customer deposits and due from banks and other financial institutions		10,035,527,883.29	8,627,940,047.00
	Net decrease in deposits with the central bank and other financial institutions		166,528,092.59	-
	Cash received from interest, fees and commissions		1,321,821,540.82	995,733,617.29
	Refund of tax and levies		1,775,810,023.37	287,240,201.47
	Other cash received relating to operating activities	71	1,902,411,278.13	9,018,428,912.89
	Sub-total of cash inflows from operating activities		425,567,382,298.57	429,750,826,313.06
	Cash paid for goods purchased and services received		350,188,243,459.92	336,624,771,043.13
	Net increase in loans and advances to customers		1,618,777,397.90	2,045,708,783.00
	Net increase in deposits with the central bank and other financial institutions		-	661,442,114.19
	Cash paid for interest, fees and commissions		531,838,038.29	347,098,063.77
	Cash paid to and on behalf of employees		16,121,817,568.95	16,715,716,393.82
	Payments of all types of taxes		9,402,338,709.89	9,585,262,895.19
	Net decrease in financial assets sold under repurchase agreements		101,523,714.48	88,877,969.17
	Other cash paid relating to operating activities	71	2,883,880,636.96	3,813,077,865.78
	Sub-total of cash outflows from operating activities		380,848,419,526.39	369,881,955,128.05
	Net cash flows from operating activities	72	44,718,962,772.18	59,868,871,185.01
2.	CASH FLOWS FROM INVESTING ACTIVITIES			
	Cash received from recovery of investments		64,951,603,160.20	43,449,609,241.86
	Cash received from return on investments		2,417,094,114.12	2,212,143,971.35
	Net cash received from disposals of fixed assets, intangible assets and other long-term assets		984,980,990.46	2,434,738,758.84
	Net cash received from disposal of subsidiaries and other business units		-	64,191,741.98
	Other cash received relating to investing activities	71	339,161,445.59	204,658,722.81
	Sub-total of cash inflows from investing activities		68,692,839,710.37	48,365,342,436.84
	Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		22,422,951,623.81	23,922,283,906.76
	Cash paid to acquire investments		72,360,452,522.65	51,369,283,933.95
	Net cash paid for acquisition of subsidiaries and other business units		51,100,000.00	46,874,364.97
	Other cash paid relating to investing activities	71	49,320,816.66	60,824,062.94
	Sub-total of cash outflows from investing activities		94,883,824,963.12	75,399,266,268.62
	Net cash flows used in investing activities		(26,190,985,252.75)	(27,033,923,831.78)
3.	CASH FLOWS FROM FINANCING ACTIVITIES			
	Cash received from capital contributions		2,683,426,040.35	2,042,094,540.00
	Including: Cash received by subsidiaries from capital contributions of minority shareholders		1,077,803,450.35	2,042,094,540.00
	Cash received from borrowings		40,057,158,721.59	45,192,667,433.50
	Cash received from issue of bonds		21,500,000,000.00	69,500,000,000.00
	Other cash received relating to financing activities	71	162,324,252.77	300,000,000.00
	Sub-total of cash inflows from financing activities		64,402,909,014.71	117,034,761,973.50
	Cash repayments of borrowings		64,620,629,602.53	126,235,599,971.56
	Cash paid for distribution of dividends or profits and for interest expenses		12,715,703,459.57	17,606,292,580.95
	Including: Cash paid to minority shareholders for distribution of dividends or profits by subsidiaries		1,628,482,648.56	870,150,953.29
	Other cash paid relating to financing activities	71	806,232,274.29	4,537,245,125.73
	Sub-total of cash outflows from financing activities		78,142,565,336.39	148,379,137,678.24
	Net cash flows used in financing activities		(13,739,656,321.68)	(31,344,375,704.74)
4.	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(72,075,016.29)	(22,143,997.63)
5.	NET INCREASE IN CASH AND CASH EQUIVALENTS		4,716,246,181.46	1,468,427,650.86
	Add: Cash and cash equivalents at beginning of year		17,067,640,008.39	15,599,212,357.53
6.	CASH AND CASH EQUIVALENTS AT END OF YEAR	72	21,783,886,189.85	17,067,640,008.39

Consolidated Cash Flow Statement
2022

		Note XV	2022	2021
1.	CASH FLOWS FROM OPERATING ACTIVITIES			
	Cash received from the sale of goods and the rendering of services		153,433,471,037.63	198,354,123,508.45
	Refund of tax and levies		-	1,243,654.32
	Other cash received relating to operating activities		949,556,721.46	986,704,610.98
	Sub-total of cash inflows from operating activities		154,383,027,759.09	199,342,071,773.75
	Cash paid for goods purchased and services received		136,066,056,786.85	167,679,773,663.56
	Cash paid to and on behalf of employees		5,983,895,206.38	6,339,322,430.16
	Payments of all types of taxes		417,597,124.77	921,135,095.78
	Other cash paid relating to operating activities		801,464,538.96	789,065,439.36
	Sub-total of cash outflows from operating activities		143,269,013,656.96	175,729,296,628.86
	Net cash flows from operating activities	8	11,114,014,102.13	23,612,775,144.89
2.	CASH FLOWS FROM INVESTING ACTIVITIES			
	Cash received from recovery of investments		53,133,589,933.54	40,537,451,222.63
	Cash received from return on investments		10,648,306,412.03	4,560,582,069.67
	Net cash received from disposals of fixed assets, intangible assets and other long-term assets		31,346,875.64	168,129,309.63
	Other cash received relating to investing activities		278,257,134.09	266,072,109.56
	Sub-total of cash inflows from investing activities		64,091,500,355.30	45,532,234,711.49
	Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		7,332,195,915.32	7,036,646,292.79
	Cash paid to acquire investments		53,500,000,000.00	42,990,703,378.20
	Other cash paid relating to investing activities		19,169,616.39	35,899,733.39
	Sub-total of cash outflows from investing activities		60,851,365,531.71	50,063,249,404.38
	Net cash flows (used in)/from investing activities		3,240,134,823.59	(4,531,014,692.89)
3.	CASH FLOWS FROM FINANCING ACTIVITIES			
	Cash receipts from capital contributions		1,605,622,590.00	-
	Cash received from borrowings		27,900,000,500.00	37,013,534,240.60
	Cash received from issue of bonds		21,500,000,000.00	69,500,000,000.00
	Other cash received relating to financing activities		4,704,185,602.61	5,140,810,433.42
	Sub-total of cash inflows from financing activities		55,709,808,692.61	111,654,344,674.02
	Cash repayments of borrowings		54,788,115,500.00	116,417,534,240.60
	Cash paid for distribution of dividends or profits and for interest expenses		10,869,153,650.83	16,554,676,915.04
	Other cash paid relating to financing activities		246,457,443.53	3,847,143,832.17
	Sub-total of cash outflows from financing activities		65,903,726,594.36	136,819,354,987.81
	Net cash flows used in financing activities		(10,193,917,901.75)	(25,165,010,313.79)
4.	EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		(127,193,939.62)	120,469,597.97
5.	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,033,037,084.35	(5,962,780,263.82)
	Add: Cash and cash equivalents at beginning of year		15,256,321,985.02	21,219,102,248.84
6.	CASH AND CASH EQUIVALENTS AT END OF YEAR	8	19,289,359,069.37	15,256,321,985.02

Consolidated Statement of Changes in Shareholders' Equity
2022

Consolidated Statement of Changes in Shareholders' Equity
2022

2022

		Attributable to shareholders of the Company									
		Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	Total shareholders' equity
I.	Balance at 1 January 2022	22,268,411,550.00	51,028,459,039.27	3,821,850,432.49	(972,300,214.84)	20,859,908.70	38,240,335,566.62	84,169,710,095.42	190,933,625,512.68	19,786,947,945.90	210,720,573,458.58
II.	Changes for the year	(221,566.00)	(834,008,744.12)	(1,376,422,103.64)	484,720,329.91	2,849,705.42	2,823,707,818.18	(164,185,371.21)	3,689,284,275.82	1,466,496,644.43	5,155,780,920.25
(I)	Total comprehensive income	-	-	-	484,720,329.91	-	-	12,186,850,692.42	12,671,571,022.33	1,834,804,576.41	14,506,375,598.74
(II)	Shareholders' contributions and reduction in capital	(221,566.00)	(783,370,356.14)	(1,376,422,103.64)	-	-	-	-	592,830,181.50	1,191,492,879.17	1,784,323,060.67
1.	Capital contributed by shareholders	-	(1,110,541,479.33)	(1,164,752,811.12)	-	-	-	-	54,211,331.79	1,023,592,118.56	1,077,803,450.35
2.	Amounts of share-based payments recognized in owners' equity	-	216,922,548.36	-	-	-	-	-	216,922,548.36	56,405,581.76	273,328,130.12
3.	Purchase of minority interests in subsidiaries	-	38,475,562.30	-	-	-	-	-	38,475,562.30	(38,475,562.30)	-
4.	Share repurchase	(221,566.00)	(662,482.34)	(884,048.34)	-	-	-	-	-	-	-
5.	Disposal of subsidiaries	-	(2,132,620.58)	-	-	-	-	-	(2,132,620.58)	-	(2,132,620.58)
6.	Minority interests arising from acquisitions	-	-	-	-	-	-	-	-	74,057,803.84	74,057,803.84
7.	Unlocked restricted shares	-	74,568,115.45	(210,785,244.18)	-	-	-	-	285,353,359.63	75,912,937.31	361,266,296.94
(III)	Profit distribution	-	-	-	-	-	2,823,707,818.18	(12,351,036,063.63)	(9,527,328,245.45)	(1,558,950,722.98)	(11,086,278,968.43)
1.	Appropriation to surplus reserve	-	-	-	-	-	2,823,707,818.18	(2,823,707,818.18)	-	-	-
2.	Distribution to shareholders	-	-	-	-	-	-	(9,527,328,245.45)	(9,527,328,245.45)	(1,558,950,722.98)	(11,086,278,968.43)
(IV)	Special reserve	-	-	-	-	2,849,705.42	-	-	2,849,705.42	888,830.69	3,738,536.11
1.	Appropriation in the year	-	-	-	-	474,371,323.72	-	-	474,371,323.72	23,952,995.85	498,324,319.57
2.	Amount utilized in the year	-	-	-	-	(471,521,618.30)	-	-	(471,521,618.30)	(23,064,165.16)	(494,585,783.46)
(V)	Other equity movements in joint ventures and associates and others	-	(50,638,387.98)	-	-	-	-	-	(50,638,387.98)	(1,738,918.86)	(52,377,306.84)
III.	Closing balance for the current year	22,268,189,984.00	50,194,450,295.15	2,445,428,328.85	(487,579,884.93)	23,709,614.12	41,064,043,384.80	84,005,524,724.21	194,622,909,788.50	21,253,444,590.33	215,876,354,378.83

2021

		Attributable to shareholders of the Company									
		Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Subtotal	Minority interests	Total shareholders' equity
I.	Closing balance for the prior year	22,269,447,650.00	50,466,150,013.35	452,725,449.75	(985,550,980.76)	35,414,042.48	36,335,300,649.24	76,703,248,849.03	184,371,284,773.59	15,371,377,504.00	199,742,662,277.59
Add:	Business combination involving enterprises under common control	-	280,076,586.19	-	-	-	-	24,890,550.43	304,967,136.62	790,592,247.56	1,095,559,384.18
	Changes in accounting policies	-	-	-	-	-	-	(10,159,972.30)	(10,159,972.30)	(8,392,816.86)	(18,552,789.16)
II.	Balance at 1 January 2021	22,269,447,650.00	50,746,226,599.54	452,725,449.75	(985,550,980.76)	35,414,042.48	36,335,300,649.24	76,717,979,427.16	184,666,091,937.91	16,153,576,934.70	200,819,668,872.61
III.	Changes for the year	(1,036,100.00)	282,232,439.73	3,369,124,982.74	13,250,765.92	(14,554,133.78)	1,905,034,917.38	7,451,730,668.26	6,267,533,574.77	3,633,371,011.20	9,900,904,585.97
(I)	Total comprehensive income	-	-	-	13,250,765.92	-	-	23,631,996,672.59	23,645,247,438.51	2,802,709,657.42	26,447,957,095.93
(II)	Shareholders' contributions and reduction in capital	(1,036,100.00)	399,193,025.37	3,369,124,982.74	-	-	-	-	(2,970,968,057.37)	1,710,800,802.03	(1,260,167,255.34)
1.	Capital contributed by shareholders	-	264,365,296.50	-	-	-	-	-	264,365,296.50	1,807,285,198.15	2,071,650,494.65
2.	Amounts of share-based payments recognized in owners' equity	-	80,063,412.91	-	-	-	-	-	80,063,412.91	87,556,034.85	167,619,447.76
3.	Purchase of minority interests in subsidiaries	-	60,028,089.87	-	-	-	-	-	60,028,089.87	(226,613,553.23)	(166,585,463.36)
4.	Share repurchase	(1,036,100.00)	(3,097,939.00)	3,594,044,522.62	-	-	-	-	(3,598,178,561.62)	-	(3,598,178,561.62)
5.	Disposal of subsidiaries	-	(2,165,834.91)	-	-	-	-	-	(2,165,834.91)	(49,243,707.41)	(51,409,542.32)
6.	Minority interests arising from acquisitions	-	-	-	-	-	-	-	-	91,816,829.67	91,816,829.67
7.	Unlocked restricted shares	-	-	(224,919,539.88)	-	-	-	-	224,919,539.88	-	224,919,539.88
(III)	Profit distribution	-	-	-	-	-	1,905,034,917.38	(16,180,266,004.33)	(14,275,231,086.95)	(881,754,628.42)	(15,156,985,715.37)
1.	Appropriation to surplus reserve	-	-	-	-	-	1,905,034,917.38	(1,905,034,917.38)	-	-	-
2.	Distribution to shareholders	-	-	-	-	-	-	(14,275,231,086.95)	(14,275,231,086.95)	(881,754,628.42)	(15,156,985,715.37)
(IV)	Special reserve	-	-	-	-	(14,554,133.78)	-	-	(14,554,133.78)	3,531,702.30	(11,022,431.48)
1.	Appropriation in the year	-	-	-	-	472,869,536.91	-	-	472,869,536.91	41,079,801.56	513,949,338.47
2.	Amount utilized in the year	-	-	-	-	(487,423,670.69)	-	-	(487,423,670.69)	(37,548,099.26)	(524,971,769.95)
(V)	Other equity movements in joint ventures and associates and others	-	(116,960,585.64)	-	-	-	-	-	(116,960,585.64)	(1,916,522.13)	(118,877,107.77)
IV.	Closing balance for the current year	22,268,411,550.00	51,028,459,039.27	3,821,850,432.49	(972,300,214.84)	20,859,908.70	38,240,335,566.62	84,169,710,095.42	190,933,625,512.68	19,786,947,945.90	210,720,573,458.58

Company Statement of Changes in Shareholders' Equity
2022

Company Statement of Changes in Shareholders' Equity
2022

2022

		Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I.	Balance at 1 January 2022	22,268,411,550.00	56,653,437,917.57	3,821,850,432.49	(19,740,426.50)	-	38,240,335,566.62	33,506,781,440.54	146,827,375,615.74
II.	Changes for the year	(221,566.00)	(950,062,956.60)	(1,376,422,103.64)	136,605,435.81	-	2,823,707,818.18	1,767,503,027.31	5,153,953,862.34
(I)	Total comprehensive income	-	-	-	136,605,435.81	-	-	14,118,539,090.94	14,255,144,526.75
(II)	Shareholders' contributions and reduction in capital	(221,566.00)	(1,002,514,980.34)	(1,376,422,103.64)	-	-	-	-	373,685,557.30
1.	Common stock contributed by shareholders	-	(1,164,752,811.12)	(1,164,752,811.12)	-	-	-	-	-
2.	Amounts of share-based payments recognized in owners' equity	-	162,900,313.12	-	-	-	-	-	162,900,313.12
3.	Share repurchase	(221,566.00)	(662,482.34)	(884,048.34)	-	-	-	-	-
4.	Unlocked restricted shares	-	-	(210,785,244.18)	-	-	-	-	210,785,244.18
5.	Others	-	-	-	-	-	-	-	-
(III)	Profit distribution	-	-	-	-	-	2,823,707,818.18	(12,351,036,063.63)	(9,527,328,245.45)
1.	Appropriation to surplus reserve	-	-	-	-	-	2,823,707,818.18	(2,823,707,818.18)	-
2.	Distribution to shareholders	-	-	-	-	-	-	(9,527,328,245.45)	(9,527,328,245.45)
(IV)	Special reserve	-	-	-	-	-	-	-	-
1.	Appropriation in the year	-	-	-	-	182,598,246.70	-	-	182,598,246.70
2.	Amount utilized in the year	-	-	-	-	(182,598,246.70)	-	-	(182,598,246.70)
(V)	Other equity movements in joint ventures and associates and others	-	52,452,023.74	-	-	-	-	-	52,452,023.74
III.	Closing balance for the current year	22,268,189,984.00	55,703,374,960.97	2,445,428,328.85	116,865,009.31	-	41,064,043,384.80	35,274,284,467.85	151,981,329,478.08

2021

		Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
I.	Closing balance for the prior year	22,269,447,650.00	56,769,707,183.73	452,725,449.75	(20,560,018.06)	-	36,335,300,649.24	40,163,589,775.18	155,064,759,790.34
Add:	Changes in accounting policies	-	-	-	-	-	-	(1,716,917.19)	(1,716,917.19)
II.	Balance at 1 January 2021	22,269,447,650.00	56,769,707,183.73	452,725,449.75	(20,560,018.06)	-	36,335,300,649.24	40,161,872,857.99	155,063,042,873.15
III.	Changes for the year	(1,036,100.00)	(116,269,266.16)	3,369,124,982.74	819,591.56	-	1,905,034,917.38	(6,655,091,417.45)	(8,235,667,257.41)
(I)	Total comprehensive income	-	-	-	819,591.56	-	-	9,525,174,586.88	9,525,994,178.44
(II)	Shareholders' contributions and reduction in capital	(1,036,100.00)	(5,833,989.46)	3,369,124,982.74	-	-	-	-	(3,375,995,072.20)
1.	Amounts of share-based payments recognized in owners' equity	-	(2,736,050.46)	-	-	-	-	-	(2,736,050.46)
2.	Share repurchase	(1,036,100.00)	(3,097,939.00)	3,594,044,522.62	-	-	-	-	(3,598,178,561.62)
3.	Unlocked restricted shares	-	-	(224,919,539.88)	-	-	-	-	224,919,539.88
(III)	Profit distribution	-	-	-	-	-	1,905,034,917.38	(16,180,266,004.33)	(14,275,231,086.95)
1.	Appropriation to surplus reserve	-	-	-	-	-	1,905,034,917.38	(1,905,034,917.38)	-
2.	Distribution to shareholders	-	-	-	-	-	-	(14,275,231,086.95)	(14,275,231,086.95)
(IV)	Special reserve	-	-	-	-	-	-	-	-
1.	Appropriation in the year	-	-	-	-	235,260,897.97	-	-	235,260,897.97
2.	Amount utilized in the year	-	-	-	-	(235,260,897.97)	-	-	(235,260,897.97)
(V)	Other equity movements in joint ventures and associates and others	-	(110,435,276.70)	-	-	-	-	-	(110,435,276.70)
IV.	Closing balance for the current year	22,268,411,550.00	56,653,437,917.57	3,821,850,432.49	(19,740,426.50)	-	38,240,335,566.62	33,506,781,440.54	146,827,375,615.74

I. General information

Baoshan Iron & Steel Company Limited (the "Company") was incorporated and registered on 3 February 2000 in Shanghai, the People's Republic of China ("PRC"), as a limited company, with the registration number of 9131000063169638 2C, under the law of the PRC. The Company was established by China Baowu Steel Group Corporation Limited (hereinafter "China Baowu") as the sole investor, under the official approval document No. [1999] 1266, as issued by the State Economic and Trade Commission of China.

The Company took over related businesses, assets and liabilities from China Baowu by the issuance of 10,635,000,000 ordinary shares to China Baowu with a par value of RMB1.00 each on the date of establishment.

The Company issued 1,877,000,000 ordinary shares (A shares) to the general public with a par value of RMB1.00 each and an offer price of RMB4.18 per share by means of online stock exchange listing coupled with offline rationed subscription, from 6 to 24 November 2000, in compliance with the approval document No. [2000]140, issued by the China Securities Regulatory Commission (the "CSRC").

Following the approval by the CSRC, as provided in the approval document No. [2005]15, from 21 to 26 April 2005, the Company issued five billion of shares with a par value of RMB1.00 each and an offer price of RMB5.12 per share, including three billion of state-owned shares to Shanghai Baosteel Group Corporation and two billion of those shares to the general public, on a combinatory basis of preferential placement, pro-rata placement and online and offline bidding inquiry.

Approved by the CSRC (No. 739 document in 2008), the Company issued RMB10 billion equity warrant bonds with a tenure of six years on 20 June 2008. In this issuance, the original circulating shareholders of unlimited sale (of shares) conditions were given the priority for placing, and the rest of the notes were sold to institutional investors through price inquiry and to online applicants. The notes were issued based on the face value, which was RMB100.00 per stock. The interest was paid once a year and the principal was paid in full at maturity. The annual contract interest rate was 0.8%. Each purchaser of the notes was able to obtain 16 warrants issued by the issuer, the duration of which was 24 months from the day when they were listed, and the exercise period was the last 5 trading days of the duration period. The exercise proportion was 2:1 and the initial exercise price was RMB12.50 per stock. The warrants and bonds were listed and traded on the Shanghai Stock Exchange on 4 July 2008. The exercise price of the warrants was then adjusted to RMB11.80 per stock due to dividend. The exercise period was from 28 June to 3 July 2010. A total of 113,785 warrants were successfully exercised before the stock market was closed on 2 July 2010, the last effective exercise date for "Baosteel CWB1", resulting in an increase of 48,088 shares of the Company.

According to "The Board's Resolution of Repurchase Shares of the Company by Centralized Bidding", "The Creditors' Notice about Repurchase Shares of Baoshan Iron & Steel Co., Ltd.", "The Resolution of the second extraordinary shareholders' meeting of Baoshan Iron & Steel Co., Ltd in 2012", and the Company's revised articles of association, the Company repurchased its A shares on the Shanghai Stock Exchange by centralized bidding with a price of not more than RMB5.00 per share and an amount of not more than RMB5 billion in total. The first repurchase began on 21 September 2012, and the Company repurchased 414,055,508 shares by the end of 2012. According to the resolution and the Company's revised articles of association, the Company applied for the reduction of share capital of RMB0.39 billion and finished all the procedures with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited ("CSDC") on 20 December 2012. The Company renewed the commercial registration in December 2012, and the updated registered share capital was RMB17,122,048,088.00 as at 31 December 2012.

The Company repurchased 626,267,656 shares in 2013 and completed the implementation of the repurchase scheme. In accordance with the resolution of the general shareholders' meeting of the Company and the regulations of the revised articles of association, the Company applied for the reduction of share capital of RMB650,323,164.00 and completed the cancellation of 650,323,164 shares with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited ("CSDC") on 23 May 2013. The Company completed the procedures on industrial and commercial registration on 24 June 2013, and the updated registered share capital was RMB16,471,724,924.00.

The Company reduced the share capital by 23,154,700 shares in 2014, 2015, 2016, 2017 and 2018 due to the repurchase of restricted shares which had not yet reached the unlock conditions, i.e., 698,900 shares for the year 2014, 3,508,500 shares for the year 2015, 17,123,900 shares for the year 2016, 1,626,650 shares for the year 2017 and 196,750 shares for the year 2018.

According to the "Merger Agreement for Equity Exchange of Baoshan Iron & Steel Co., Ltd. and Wuhan Iron & Steel Co., Ltd." ("Wuhan Iron & Steel") (hereinafter referred to as "Merger Agreement for Equity Exchange") entered into between the Company and Wuhan Iron & Steel, the Company merged with Wuhan Iron & Steel for equity exchange. The Company issued 5,652,516,701 A shares for this combination. The combination date was 1 March 2017.

On 23 May 2017, the Company held the 18th meeting of the 6th Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock Plan during the Second Unlocking Period". Accordingly, 12,930,700 restricted shares of the Company were unlocked during the second unlocking period and were listed and circulated on 19 June 2017.

On 22 December 2017, the Company held the 25th meeting of the 6th Board of Directors to discuss and approve the "Proposal on the Implementation of the Second Phase of A-share Restricted Stock Plan". Accordingly, 166,828,200 restricted shares of the Company were

registered on the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 16 January 2018.

On 8 June 2018, the Company held the 1st meeting of the 7th Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock Plan during the Third Unlocking Period". Accordingly, 11,360,700 restricted shares of the Company were unlocked during the third unlocking period and were listed and circulated on 19 June 2018.

On 18 December 2018, the Company held the 5th meeting of the 7th Board of Directors to discuss and approve the "Proposal on the Implementation of the Second Phase of A-share Reserved Restricted Stock Plan", and granted 9,566,700 reserved restricted shares to 76 eligible incentive objects. Those shares had been registered on the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 17 January 2019.

The Company reduced the share capital by 1,347,750 shares in January 2019, 1,673,700 shares in August 2019, 3,172,250 shares in March 2020, 1,840,475 shares in November 2020, 85,000 shares in March 2021, 773,200 shares in April 2021 and 177,900 shares in November 2021 respectively, due to the repurchase of restricted shares which had not yet reached the unlocking conditions.

On 3 January 2020, the Company held the 13th meeting of the 7th Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock during the First Unlocking Period of the Second Phase of A-share Reserved Restricted Stock Plan". Accordingly, 54,895,700 restricted shares of the Company were unlocked during the first unlocking period and were listed and circulated on 16 January 2020.

On 7 January 2021, the Company held the 29th meeting of the 7th Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock of the Second Phase of Reserved Restricted Stock Plan". Accordingly, a total of 56,370,812 restricted shares of the Company were unlocked during the second unlocking period and the first unlocking period of the reserved restricted shares on 18 January 2021.

Huabao Investment Co. Ltd. ("Huabao Investment"), a wholly-owned subsidiary of China Baowu, the controlling shareholder of the Company, increased its holdings of 71,711,403 shares and 5,000,000 shares by centralized bidding on 4 February 2020 and 17 March 2020 respectively. The Company implemented the first repurchase by centralized bidding on 4 February 2021 and completed the implementation of the repurchase scheme on 18 January 2022 with 486,105,235 shares repurchased aggregately.

On 27 May 2022, the Company held the 14th meeting of the 8th Board of Directors to discuss and approve the "Proposal on the Implementation of the Third Phase of A-share Restricted Stock Plan". Accordingly, 374,271,000 restricted shares of the Company have been granted and registered on the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 9 June 2022.

On 1 August 2022, the Company held the 16th meeting of the 8th Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock of the Second Phase of Restricted Stock Plan". A total of 52,828,382 restricted shares of the Company was listed and circulated during the third unlocking period and the second unlocking period of the reserved restricted shares on 29 August 2022.

As at the end of the reporting period, the Company's registered share capital was RMB22,268,189,984.00. Among the 21,890,910,819 ordinary shares of the Company without sales restriction, China Baowu held 9,627,882,784 shares, Wuhan Iron and Steel Group ("Wugang Group") held 2,982,271,472 shares, Huabao Investment held 76,711,403 shares, and Taiyuan Iron & Steel (Group) Co., Ltd. ("Taiyuan Iron & Steel") held 1,185,512,571 shares. China Baowu held 13,872,378,230 shares of the Company directly and indirectly with an equity interest of 62.30%.

The business scope of the Company covers iron and steel production and the related processing, power generation, coal, industrial-gas generation, operation of port terminals, warehouse storage and transport. The Company is also engaged in technology development and transfer, technology services and consulting, automobile maintenance, import and export of products and technology, [smelting and calendering of non-ferrous metals, production and sale of industrial furnaces and kilns, chemical raw materials and products, handling of metallic ore, coal, steel, non-metallic minerals, port area services, waterway freight forwarding, waterway cargo handling intermodal transport, ship agency, foreign contracted engineering labor service cooperation, international bidding, project bidding agency, domestic trade, counter-sales, re-export trade, scrap, coal, fuel oil and chemical dangerous goods (limited to wholesale)] (limited to branch operations), security inspection of vehicles, production and sale of chemical raw materials and products.

The controlling shareholder of the Company is China Baowu Steel Group Co., Ltd.

The Company and its subsidiaries are hereinafter referred to as "the Group".

The Company's financial statements and the Group's consolidated financial statements were approved by the Board of Directors on 26 April 2023.

The scope of consolidation in the consolidated financial statements is determined on the basis of control. The change in the scope of consolidated financial statements is detailed in Note VI. The detailed scope of consolidated financial statements is included in Note VII.

II. Basis of preparation of the financial statements

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") issued by the Ministry of Finance ("MoF"). In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for the Companies Offering Securities to the Public No. 15 "General Provisions on Financial Reporting" (Revised in 2014).

The Group assessed its ability to continue as a going concern for the 12 months from 31 December 2022 and did not notice any events or circumstances that may cast significant doubt upon its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

According to Accounting Standard for Business Enterprises Interpretation No.15 (Cai Kuai [2021] No.35), the comparative data were restated retrospectively. Please refer to Note III. 38 and Note XIV. 4 for details. Unless otherwise specified, the relevant financial data of the year 2021 in this report have been adjusted.

III. Significant accounting policies and estimates

Accounting policies and accounting estimates are formulated based on the actual characteristics of production and operation. These are reflected in the provision for bad debts in respect of receivables, provisions for contract assets, valuation method of inventories, estimation of depreciation of fixed assets, estimation of amortization of intangible assets, impairment of long-term assets, recognition and measurement of revenue, termination benefits, share-based payments, etc.

1. Statement of compliance with the ASBEs

The financial statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises, and present truly and completely, the Company's and the Group's financial position as at 31 December 2022, and the Company's and the Group's results of operations and cash flows for the year then ended.

2. Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group has adopted the historical cost as the principle of measurement of the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation techniques. Fair value measurements and/or disclosures in the financial statements are determined according to the above basis. Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in their entirety, which are described as follows:

(1) Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(2) Level 2 inputs are inputs, other than inputs within Level 1, which are observable for the asset or liability;

(3) Level 3 inputs are unobservable inputs for the asset or liability.

3. Accounting year

The Group adopts the calendar year as its accounting year, i.e. from 1 January to 31 December.

4. Operating cycle

An operating cycle refers to the period from the time when an enterprise purchases assets for processing purposes to the realization of those assets in cash or cash equivalents. The Group's operating cycle is twelve months.

5. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries choose their functional currencies on the basis of the primary economic environment in which they operate. The Group adopts RMB as its presentation currency for the financial statements.

6. Business combinations

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

Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) is adjusted to the capital premium in the capital reserve. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of services such as auditing, legal services and valuation and consultancy services and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination that meet the recognition criteria, shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill as an asset and measured at cost. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is accounted for as follows: firstly, the acquirer reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination; then, if after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses and is presented separately in the consolidated financial statements.

7. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will

undertake reassessment.

The combination of subsidiaries begins with obtaining control of the subsidiary by the Group and ends with the Group's losing control of the subsidiary. For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

Whenever the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the parties being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period are included in the consolidated income statement and consolidated cash flow statement, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The effect of all intra-group transactions between the Company and its subsidiaries and among subsidiaries on the consolidated financial statements is eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "Profit or loss attributable to minority interests" in the consolidated income statement below the "net profit" line item. When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as an equity transaction. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or receipts is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

For stepwise acquisition of equity interest by acquiring control through a few transactions and leading to a business combination not under common control, this should be dealt with according to whether this belongs to a "package deal": if it belongs to a "package deal", transactions will be dealt with as transactions to acquire control. If it does not belong to a "package deal", transactions to acquire control on the acquisition date will be under the accounting treatment, the fair value of acquirees' shares held before the acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of the current period; if acquirees' shares held before the acquisition date involve changes of other comprehensive income and other equity of owners under the equity method, the changes will be transferred to income on the acquisition date.

When the Group loses control over a subsidiary due to disposal of certain equity interests or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and goodwill is offset at the same time. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

When the Group loses control of a subsidiary in two or more arrangements (transactions), the terms and conditions of the arrangements (transactions) and their economic effects are considered. Meeting one or more of the following conditions indicates that the Group shall account for the multiple arrangements as a single transaction: (i) they are entered into at the same time or in contemplation of each other; (ii) they form a single transaction designed to achieve an overall commercial effect; (iii) the occurrence of one arrangement is dependent on the occurrence of at least one other arrangement; and (iv) one arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements. If the transactions of disposal of equity interests of a subsidiary are assessed as a single transaction, these transactions are accounted for as one transaction of disposal of a subsidiary. Before losing control, the difference between the consideration received on disposal and the share of net assets of the subsidiary continuously calculated from the acquisition date is recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period in which control is lost. If the transactions of disposal of equity investments of a subsidiary are not assessed to be a single transaction, these transactions are accounted for as unrelated transactions.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

8. Classification of joint venture arrangements and accounting treatment for joint operations

A joint arrangement is classified into a joint operation and a joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group accounts for investments in joint ventures using the equity method. Refer to Note V. 18 for details.

9. Recognition criteria for cash and cash equivalents

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

10. Translation of transactions and financial statements denominated in foreign currencies

Translation of transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in a foreign currency that qualifies for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; and (3) exchange differences arising from monetary foreign currency items measured at fair value through other comprehensive income (except for those measured at amortized cost) are recognized as other comprehensive income.

When the consolidated financial statements include foreign operations, if there is a foreign currency monetary item constituting a net investment in a foreign operation, exchange differences arising from changes in exchange rates are recognized as "exchange differences on translation of foreign currency financial statements" in owner's equity and in profit or loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated into the functional currency at the spot exchange rates on the dates of the transactions and the amounts in the functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. The difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit or loss or as other comprehensive income included in the capital reserve.

Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arise; all items in the income statement as well as items reflecting the distribution of profits are translated at the average exchange rate of the transaction period. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange differences on translation of foreign currency financial statements under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the average exchange rate for the period during which the cash flows occur. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of the previous year are presented at the translated amounts in the previous year's financial statements.

11. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

(1) the rights to receive cash flows from the financial asset have expired;

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

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

Regular way purchases or sales of financial assets are recognized and derecognized using the trade date for accounting. Regular way purchase or sale of financial assets refers to that the financial assets are delivered to or by the Group under the terms of a contract within a period as specified by law or general practice. The trade date is the date on which the Group undertakes to buy or sell a financial asset.

Classification and measurement of financial assets

The financial assets of the Group are classified in the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets at fair value through profit or loss, financial assets measured at amortized cost, or financial assets at fair value through other comprehensive income. Financial assets are measured at fair value on initial recognition. Only if the Group changes its business model for managing financial assets, all affected financial assets can be reclassified.

However, if the initial recognition of accounts receivable or notes receivable arising from the sale of merchandises or provision of services etc. does not include significant financing components or the financing components not exceeding one year does not been considered, it shall be recognized as the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss for the current period. Transaction costs related to other types of financial assets are included in their initial recognition amounts.

The subsequent measurement of a financial asset is determined according to its category:

Debt instrument investments measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: the Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash flows generated on a specific date are only for the payment of the principal and the interest based on the outstanding principal amount. The effective interest method is adopted to recognize interest income for this type of financial assets. The gain or loss from its derecognition, revision or impairment is taken to profit or loss for the current period. This type of financial assets primarily include cash, notes receivable, accounts receivable, other receivables, financial assets purchased under resale agreements, loans and advances to customers, investments in debt obligations and long-term receivables. Those debt investments and long-term receivables due within one year from the balance sheet date are presented as non-current assets due within one year. Those debt investments with original maturity within one year are presented as other current assets.

Investments in debt instruments at fair value through other comprehensive income

Financial assets which satisfy all of the following criteria are classified as financial assets at fair value through other comprehensive income: the business model upon which the Group manages the financial asset targets at both obtaining the contracted cash flows and also disposing of the financial asset; the financial asset contract provides that the cash flows generated on certain dates are only for paying the principal and interest which is based on the outstanding principal amount. The effective interest method is adopted to recognize interest income for this type of financial assets. Other than interest income, impairment losses and exchange differences which are recognized as profit or loss for the current period, other fair value changes are taken to other comprehensive income. When a financial asset is derecognized, the cumulative gains or losses previously taken to other comprehensive income are transferred from other comprehensive income to profit or loss for the current period. This type of financial assets is presented as receivables financing, other debt investments, discounting notes receivable of loans and advances to customers, and notes receivable. Other debt investments due within one year from the balance sheet date are presented as non-current assets due within one year. Other debt investments with original maturity within one year are presented as other current assets.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Investments in equity instruments at fair value through other comprehensive income

The Group irrevocably opts to designate some of the investments in non-trading equity instruments as financial assets at fair value through other comprehensive income, and only recognizes relevant dividend income (other than dividend income expressed to be partial recovery of investment cost) in profit or loss for the current period, while subsequent change in fair value is taken to other comprehensive income, and no impairment provision is needed. When the financial asset is derecognized, the accumulated gain or loss previously taken to other comprehensive income is transferred from other comprehensive income to retained earnings. This type of financial assets is presented as investments in other equity instruments.

Financial assets measured at fair value through profit or loss

The financial assets other than those measured at amortized cost and financial assets measured at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss for the current period. For such financial assets, fair value is used for subsequent measurement, except for hedge accounting, all changes in fair value are recognized in profit or loss for the current period. This type of financial assets is presented as financial assets held for trading and derivative financial assets respectively. Those to be due after one year as of the balance sheet date and expected to be held for more than one year are presented as other non-current financial assets.

Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss, other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the amounts at initial recognition.

The subsequent measurement of financial liabilities is determined according to their category:

Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading (including derivatives that are financial liabilities) and financial liabilities designated upon initial recognition as measured at fair value through profit or loss. Financial liabilities held for trading (including derivatives that are financial liabilities) are subsequently measured at fair value, except for hedge accounting, all changes in fair value are recognized in profit or loss. Financial liabilities designated as at fair value through profit or loss are subsequently measured at fair value. Other than fair value through other comprehensive income arising from the change in the credit risks of the Group, fair value changes are taken to profit or loss. All fair value changes, including the influence of the change in credit risks, are taken to profit or loss for the current period, except where taking the fair value changes arising from the change in the Group's credit risks would result in or increase the accounting mismatch in profit or loss.

Financial liabilities measured at amortized cost

This kind of financial liabilities is measured at amortized cost using the effective interest rate method. This type of financial assets is presented as short-term borrowings, customer deposits and deposits from banks and other financial institutions, borrowings from banks and other financial institutions, notes payable, accounts payable, financial assets sold under repurchase agreements, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings, bonds payable, long-term payables (other than special payables) and other non-current liabilities.

Impairment of financial instruments

On the basis of expected credit losses, the Group performs the impairment assessment on financial assets carried at amortized cost, investments in debt instruments at fair value through other comprehensive income, and contract assets, and recognizes the loss provision.

For receivables and contract assets that do not contain significant financing components, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses for the entire duration of the life of the asset.

For financial assets other than those measured by the aforesaid simplified measurement method, the Group assesses whether the credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has not increased significantly since the initial recognition and the asset is still at stage one, the Group measures the loss provision based on the amount of expected credit losses over the next 12 months, and calculates interest income based on the carrying amount and effective interest rate. If the credit risk has increased significantly since the initial recognition but no credit loss has been incurred, the asset is at stage two and the Group measures the loss provision based on the

amount of expected credit losses for the entire duration of the life of the asset, and calculates interest income based on the carrying amount and effective interest rate. If there has been credit losses since initial recognition, the asset is at stage three and the Group measures the loss provision based on the amount of expected credit losses for the entire duration of the life of the asset, and calculates interest income based on amortized costs and the effective interest rate. For those financial instruments of low credit risk as of the balance sheet date, the Group assumes that its credit risk has not increased significantly since the initial recognition.

Expected credit losses on financial instruments are assessed on an individual basis and a group basis. Expected credit losses on accounts receivable are assessed by taking into account the credit risk characteristics of different customers, on the basis of groupings by age.

For disclosures of the criteria adopted by the Group in judging the significant increase in credit risk, the definition of assets with incurred credit losses and assumptions underlying the measurement of expected credit losses, please refer to Note VIII, credit risks.

The factors that the Group consider for measuring the expected credit loss include unbiased probabilistic weighted average amounts determined by evaluating a range of possible outcomes, the time value of money, reasonable and evidence-based information about past events, current conditions and projections of future economic conditions that can be obtained at the balance sheet date without additional cost or effort.

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

Offsetting of financial instruments

The net amount after offsetting financial assets and financial liabilities is presented in the balance sheet if the following conditions are satisfied: A lawful right exists for offsetting recognized amounts, and such lawful right is currently enforceable; it is planned that the financial assets and financial liabilities are to be netted off against each other, or that they are to be realized and settled simultaneously.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make payments of specified amounts to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are measured, on initial recognition, at fair value. Other than financial guarantee contracts designated as financial liabilities at fair value through profit or loss for the current period, financial guarantee contracts are, after initial recognition, subsequently measured at the higher of: the amount of provision for expected credit losses recognized as at the balance sheet date; and the amount initially recognized less the accumulated amortization determined according to the principles of revenue recognition.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, commodity futures contracts and swaps to hedge its risks associated with foreign currency fluctuations and the prices of raw materials and commodities. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss for the current period, except where it relates to hedge accounting.

Transfer of financial assets

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

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

For ongoing involvement by providing financial guarantees in respect of the transferred financial assets, the assets arising from such involvement is recognized as the lower of the carrying amount of the financial assets and the amount of the financial guarantees. The amount of financial guarantees refers to the maximum amount to be repayable on demand among the considerations received.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

12. Inventories

The Group's inventories mainly include raw materials, work in progress, finished goods, spare parts and others. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition. The actual cost of inventories upon delivery is calculated using the weighted average method. Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-off method.

The perpetual inventory system is maintained for the stock system.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made and recognized in profit or loss. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provision for decline in value of other inventories is made based on the excess of cost of inventories over their net realizable value on an item-by-item basis.

13. Long-term equity investments

Determination criteria of joint control and significant influence

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

Determination of initial investment cost

For a long-term equity investment acquired through business combination involving enterprises under common control, shares of the book value of owners' equity of the combined party in the financial statements of the ultimate controlling party are recognized as an initial investment cost of the long-term equity investment at the combination date. The difference between the initial investment cost of the long-term equity investment and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in the capital reserve. If the balance of the capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the share of the book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to the capital reserve. If the balance of the capital reserve is not sufficient, any excess is adjusted to retained earnings. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination involving entities under common control, the acquirer shall determine whether these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If not, the initial investment cost of the long-term equity investment is the share of the book value of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The difference between the initial investment cost and the sum of the carrying amount of equity investments previously held in the acquiree and the new investment cost is adjusted to the capital reserve. If the balance of the capital reserve is not sufficient, any excess is adjusted to retained earnings. Other comprehensive income recognized for the previously held equity investments by the accounting treatment of the equity method or financial assets is not subject to the accounting treatment temporarily.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine whether these transactions are considered to be "a bundled transaction". If yes, these transactions are accounted for as a single transaction where control is obtained. If not, the sum of the carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that were changed to be accounted for using the cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to the accounting treatment temporarily. Cumulative changes in fair value of the equity instruments held as financial instruments before the purchase date previously

recognized in other comprehensive income are transferred from other comprehensive income to retained earnings, when the equity investments were changed to be accounted for using the cost method.

The expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

A long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously held equity investments determined in accordance with Accounting Standard for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments (CAS 22) and the additional investment cost.

Subsequent measurement and recognition of profit or loss

Long-term equity investments accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

Long-term equity investments accounted for using the equity method

The Group accounts for investments in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture is an entity over which the Group exercises joint control along with other investors.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, the carrying amount of the long-term equity investment is adjusted: the carrying amount of the long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends. Other changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profit allocation are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investors' accounting policies and accounting period are inconsistent with those of the Company, the Company recognizes investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period. However, unrealized gains or losses resulting from the Group's transactions with its associates and joint ventures, which do not constitute a business, are eliminated based on the proportion attributable to the Group and then investment gains or losses are recognized. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

Disposal of long-term equity investments

On disposal of the long-term equity investments, the difference between the book value and the market price is recognized in profit or loss for the current period. For long-term equity investments under the equity method, if the equity method remains in use, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee, and recognized in proportion to current profit or loss for the current period. Shareholders' equity recognized as a result of changes in shareholders' equity other than the net-off of profit or loss, other comprehensive income and profit allocation of the investee shall be transferred in proportion to current profit or loss.

Notes To The Financial Statements – continued
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(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

For long-term equity investments under the cost method, if the cost method remains in use, other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee, and recognized in proportion in profit or loss for the current period. Shareholders' equity recognized as a result of changes in shareholders' equity other than the net-off of profit or loss, other comprehensive income and profit allocation of the investee shall be transferred in proportion to current profit or loss.

If the Group loses control of an investee due to disposal of part of the shares, when preparing separate financial statements, for the investee still under the joint control or significant influence after the disposal, the remaining shares shall be accounted under the equity method and adjusted as they are accounted under the equity method from the acquisition date; for the investee no longer under the joint control or significant influence after the disposal, the remaining shares shall be accounted for according to the recognition and measurement of financial instruments, and the difference between the fair value at the date of losing control and the book value is recognized in profit or loss of the current period. Before the Group controls the investee, other comprehensive income previously accounted for under the equity method or recognition and measurement of financial instruments shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee when the Group loses control of the investee; shareholders' equity recognized under the equity method as a result of changes in shareholders' equity other than the net-off of profit or loss, other comprehensive income and profit allocation of the investee shall be transferred to current profit or loss when the Group loses control of the investee. The remaining shares after disposal are accounted for under the equity method, other comprehensive income and other owners' equity are carried forward in proportion; the remaining shares after disposal are accounted for according to the recognition and measurement of financial instruments, other comprehensive income and other owners' equity are all carried forward.

If the Group loses joint control or significant influence on an investee after partial disposal of shares, the remaining shares after disposal are accounted for according to the recognition and measurement of financial instruments, the difference between the fair value at the date of losing joint control or significant influence and the book value is recognized in profit or loss of the current period. Other comprehensive income previously accounted for under the equity method shall be dealt with on the same basis as if the relevant assets or liabilities were disposed of directly by the investee, and recognized in proportion to current profit or loss for the current period. Shareholders' equity recognized as a result of changes in shareholders' equity other than the net-off of profit or loss, other comprehensive income and profit allocation of the investee shall be transferred in proportion to current profit or loss.

If the Group loses control of subsidiaries through step by step transactions of disposal, when transactions are a package deal, all transactions are seemed as one transaction of disposal investment on subsidiaries, and the difference between the amount of disposal and the book value of long-term equity investment is recognized as other comprehensive income before losing control and recognized in profit or loss when losing control. For transactions that are not part of the package deal, each transaction shall be accounted for separately.

14. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a land use right that is leased out and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with the investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of an investment property, and adopts a depreciation or amortization policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

15. Fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost.

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile, the carrying amount of the replaced part is derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method starting from the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Useful life (years)	Estimated residual value rate (%)	Annual depreciation rate (%)
Houses and buildings	15 - 45	4 - 5	2.1 - 6.4
Machinery and equipment	4 - 18	4 - 5	5.3 - 24.0
Transportation vehicles	5 - 18	4 - 5	5.3 - 19.2
Office and other equipment	3 - 9	4 - 5	10.6 - 32.0

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, if the asset was of the age and in the condition expected at the end of its useful life.

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and the net estimated residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

16. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before construction in progress is ready for its intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset or an intangible asset when it is ready for intended use.

17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during the periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

18. Right-of-use assets

The Group's right-of-use assets include land use rights, houses and buildings, machinery and equipment, transportation vehicles and other equipment.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

At the commencement date, the Group recognizes the right of using leased assets within the lease term as right-of-use assets. Right-of-use assets are initially measured at cost and the cost of the right-of-use asset includes: (1) the amount of the initial measurement of the lease liability; (2) any lease payments made at or before the commencement date, less any lease incentives received (if applicable); (3) any initial direct costs incurred; (4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Group remeasures the lease liability for the revision to the lease payments and adjusts the carrying amount of the right-of-use assets accordingly. The Group depreciates right-of-use assets using straight-line method. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the lessee shall depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the lessee shall depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term.

19. Intangible assets

Intangible assets

Intangible assets include land use rights, software and other assets.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized. The amortization method, useful life and net estimated residual value are set out as follows:

Category	Amortization method	Useful life (years)	Residual value rate (%)
Land use rights	Straight-line method	38 - 70	0
Software	Straight-line method	5 - 10	0
Ore mining rights	Straight-line method	10	0
Others	Straight-line method	3 - 50	0

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

Research and development expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as an intangible asset. Expenditure during the development phase that does not meet the following conditions is recognized in profit or loss for the period:

(1)it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(2)the Group has the intention to complete the intangible asset and use or sell it;

(3)the Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(4)the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and

(5)the expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period.

20. Impairment of long-term assets

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, investment properties, fixed assets and construction in progress, which are measured by the cost method, and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful

life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on an individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

If the recoverable amount of an asset or an asset group is less than its carrying amount, the deficit is accounted for as an impairment loss and is recognized in profit or loss for the period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related asset group(s), i.e., goodwill is reasonably allocated to the related asset group(s) or each of asset group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the asset group or sets of asset groups (including goodwill) is less than its carrying amount. The impairment loss is first allocated to reduce the carrying amount of any goodwill allocated to such asset group or sets of asset groups, and then to the other assets of the Group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the Group.

Once the impairment loss on such assets is recognized, it is not to be reversed in any subsequent period.

21. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods of more than one year. Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

22. Assets transferred under repurchase agreements

Financial assets purchased under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the balance sheet. The cost of purchasing such assets is presented under "financial assets purchased under resale agreements" in the balance sheet. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the balance sheet. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the balance sheet. The difference between the selling price and repurchasing price is recognized as an interest expense during the term of the agreement using the effective interest method.

23. Employee benefits

Short-term employee benefits

The short-term employee benefits actually occurred are recognized as liabilities, and are recorded into the current profit or loss or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in the current profit or loss or the costs of relevant assets based on the actually occurred amounts. Non-monetary staff welfare expenses are measured at fair value.

Payments of social security contributions made by the Group for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, and payments of housing funds, as well as trade union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, and are recorded into the current profit or loss or in the costs of relevant assets in the accounting period in which employees provide services.

Post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

In the accounting period in which employees render services to the Group, the amount which should be paid according to defined contribution plans including employees' endowment insurance managed by the local government and annuity plan established by the Group is recognized as liabilities, and recognized in profit or loss or related costs of assets.

The Company discounts all defined benefit plan obligations based on the market rate of return of the treasury bonds or high-quality corporate bonds in an active market with the same maturity period and currency as the defined benefit plan, including the expected obligations to be paid within twelve months after the accounting period that the employee renders services to the Group.

If the defined benefit plan involves an asset, the deficit or surplus from the present value of obligation of defined benefit plans less fair value of planned asset of defined benefit plans is recognized as a net liability or a net asset of a defined benefit plan. When the defined benefit plan has a surplus, the net asset of the defined benefit plan is measured at the lower of the surplus and the limit of the asset. The asset limit refers to the present value of the economic benefits that the enterprise can obtain from the defined benefit plan refunds or reduce the future payment for the defined benefit plan.

At the end of the reporting period, the service costs of the employee benefits and net interest of net liabilities or net assets of the defined benefit plan are included in profit or loss or the cost of assets. The changes arising from the remeasurement of net liabilities or net assets are included in other comprehensive income and are not allowed to be reversed to profit or loss during the subsequent accounting period, but can be transferred within the range of equity.

Under the defined benefit plan, previous service costs are recognized as an expense at the earlier of the modification of the defined benefit plan and the recognition of the related restructuring expenses or termination benefits.

The Group recognizes the gain or loss when settling the defined benefit plan. The gain or loss is the difference between the present value of the defined benefit plan obligation and the settlement price determined on the settlement date.

Termination benefits

When the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recorded with a corresponding charge in profit or loss for the period.

The Group provides internal retirement benefits to employees who accept internal retirement arrangements. Internal retirement benefits refer to wages and social security contributions paid to employees who have not reached the retirement age stipulated by the state and voluntarily quit their jobs in accordance with the management system of the Group. An internal retirement plan is accounted for using the same principles of termination benefits as described above. Salaries and social insurance contributions to be paid to the internally retired employees by the Group during the period from the date when the employee ceases to provide services to the normal retirement date are recognized in profit or loss for the period when the recognition criteria for termination benefits are met with.

Other long-term employee benefits

For other long-term employee benefits, where the definition of defined contribution plans is met, it is accounted for according to related requirements of defined contribution plans. Otherwise, net liabilities or net assets of such other long-term employee benefits are recognized and measured according to related requirements of defined benefit plans. At the end of the reporting period, the service costs of other long-term employee benefits, net interest of net liabilities or net assets and changes arising from remeasurement of net liabilities or net assets are recognized in profit or loss or cost of related assets.

24. Lease liabilities

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease.

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

After the commencement date of the lease, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. A lessee shall remeasure the lease liability by discounting the revised lease payments, if (a) there is a change in the actual fixed lease payments; (b) there is a change in the amounts expected to be payable under a residual value guarantee; (c) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; and (d) there is a change in the assessment of an option to purchase the underlying asset or to renew the lease or a change in the actual exercise of the option.

25. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency. It is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

26. Share-based payments and equity instruments

A share-based payment is a transaction which the Group grants equity instruments, or incurs liabilities for amounts that are determined based on the price of equity instruments, in return for services rendered by employees. The Group's share-based payments are equity-settled share-based payments.

Equity-settled share-based payments

Equity-settled share-based payments in exchange for services rendered by employees are measured at the fair value of the equity instruments granted to employees at the grant date. Such amount is recognized as related costs or expenses on a straight-line basis over the vesting period, based on the best estimate of the number of equity instruments expected to vest at the grant date, if the equity instruments vest immediately, with a corresponding increase in the capital reserve. At each balance sheet date during the vesting period, the Group makes the best estimate according to the subsequent latest information such as change in the number of employees who are granted with options that may vest, and revises the number of equity instruments expected to vest. The effect of the above estimate is recognized as related costs or expenses, with a corresponding adjustment to the capital reserve.

Implementation, modification and termination of share-based payment arrangements

In case the Group modifies a share-based payment arrangement, if the modification increases the fair value of the equity instruments granted, the Group will include the incremental fair value of the equity instruments granted in accordance with the amount recognized for services received. If the modification increases the number of the equity instruments granted, the Group will include the fair value of additional equity instruments granted in accordance with the amount recognized for services received. The increase in the fair value of the equity instruments granted is the difference between the fair value of the equity instruments before and after the modification on the date of the modification. If the Group modifies the terms or conditions of the share-based payment arrangement in a manner that reduces the total fair value of the share-based payment arrangement, or is not otherwise beneficial to the employee, the Group will continue to account for the services received as if that modification had not occurred (other than a cancellation of some or all the equity instruments granted).

Others

The consideration received from employees will be returned due to the cancellation of the equity instruments when the terms or conditions of the share-based payment arrangement are not met. For share-based payments by issuing shares, the Group increases its paid-in capital and capital reserve by the amount of considerations acquired and recognizes as a liability for the repurchase obligation and treasury shares. For share-based payments by repurchasing shares, the Group adjusts its capital reserve by the amount of considerations received offsetting the amount of treasury shares paid and the accumulated amount of the capital reserve recognized as related costs or expenses during the vesting period and recognizes as a liability for the repurchase obligation and treasury shares.

27. Revenue from contracts with customers

Revenue is recognized when the Group has satisfied its performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services. To obtain control of the relevant goods and services is to have the ability to direct the use of, and obtain substantially all of the remaining benefits from of the relevant goods and services.

Contracts for the sale of goods

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Contracts for the sale of goods between the Group and its customers usually only involve the performance obligations of the transferring of the goods, such as steel. The Group generally recognizes revenue at a point in time based on the following considerations: the current collection rights of the goods, the transfer of the main risks and rewards of the ownership of the goods, the transfer of the legal ownership of the goods, the transfer of the physical assets of the goods, and the acceptance of the goods by the customer.

Contracts for the rendering of services

The service contract between the Group and its customers usually includes performance obligations for software development, engineering services, technical consulting. It is a performance obligation satisfied over a period of time if one of the following conditions is met: (1) the customer obtains and consumes economic benefits provided by the Group's performance as the Group performs; (2) the customer is able to control goods in progress during the Group's performance; (3) goods generated during the Group's performance have no alternative use, and the Group is entitled to payments for performance completed to date. The Group adopts the input method to determine performance schedules, namely according to the Group's input to the performance of contractual obligations. When the performance progress cannot be determined, the Group is expected to be reimbursed for the costs already incurred and recognize the revenue based on the costs already incurred until the performance progress can be reasonably determined. Otherwise, the Group will recognize revenue at the point in time when the customer obtains control of the relevant goods or services.

Variable consideration

The contracts between the Group and its certain customers containing sales rebate arrangements (future price reductions based on cumulative sales volumes), which forms a variable consideration. The Group determines the best estimate of the variable consideration based on the expected value or the most probable value. However, the sales price including variable considerations should not exceed the amount accumulatively recognized which is not likely to be significantly reversed when the uncertainty disappears.

Principal versus agent

The Group has the right to determine the price of the goods transferred, that is, the Group has control over the products before transferring the steel and other products to the customers, and thus the Group is considered as the principal and recognizes revenue based on the total amount received or receivable. Otherwise, the Group is considered to be acting as an agent. As an agent, revenue shall be recognized at the amount of the commission or brokerage that is expected to be collected. The amount is determined based on the net amount of received or receivable deducting any amount payable to the third party, or based on a specific commission amount or proportion.

Interest income

Interest income is recognized based on the time horizon of the use of the Group's cash by others and the effective interest rate.

Fee and commission income

Fee and commission income is recognized when the Group has satisfied its performance obligations in the contract. The fee and commission income is recognized within the period according to the performance progress as relevant services provided during a period of time. Otherwise, the Group recognizes other fee and commission income at the point in time when its performance obligations of providing services are satisfied.

28. Contract assets and contract liabilities

Contracts with customers are presented in the Group's balance sheet as a contract liability or a contract asset, depending on the relationship between the Group's performance and the customer's payment. The Group offsets the contract assets and contract liabilities under the same contract and presents them on the balance sheet as a net amount.

Contract assets

Contract assets refer to the Group's right to receive consideration for the transfer of goods to its customers, which depends on factors other than the passage of time.

The Group's methods for determining and accounting for expected credit losses which are related to contract assets are detailed in Note III.11.

Contract liabilities

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

29. Contract cost assets

The Group's contract cost assets include the costs to obtain and fulfil a contract and are classified as inventories, other current assets and other non-current assets by liquidity.

The Group recognizes as an asset the incremental costs of obtaining a contract with a customer if the Group expects to recover those costs, unless the amortization period of the asset is one year or less.

Other than the costs which are capitalized as inventories, fixed assets and intangible assets, etc., costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

(1)the costs relate directly to a contract or to an anticipated contract, including direct labour, direct materials, overheads (or similar expenses), costs that are explicitly chargeable to the customer and other costs that are incurred only because an entity entered into the contract;

(2)the costs are utilized to resources of the Group that will be used in satisfying performance obligations in the future; and

(3)The costs are expected to be recovered.

The contract cost asset is amortized and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized.

The Group accrues provisions for impairment and recognizes impairment losses to the extent that the carrying amount of a contract cost asset exceeds the following:

(1)the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less

(2) the costs that are expected to be incurred to transfer those related goods or services.

30. Government grants

Government grants are transfers of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Government grants are classified into government grants related to assets and government grants related to income.

Government grants related to assets

For details of the Group's asset-related government grants, as the related subsidies are directly related to the investment in the construction of fixed assets, these government grants are government grants related to assets. A government grant related to an asset is recognized as deferred income, and amortized systematically and reasonably to profit or loss over the useful life of the related asset (but a government grant measured at the nominal amount shall be recognized immediately in profit or loss).

Judgment basis and accounting treatments for government grants related to income

A government grant related to income included in the Group's government grants is a government grant related to income for compensation of related costs and losses. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income and recognized in profit or loss over the periods in which the related costs or losses are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; while a government grant not related to the Group's daily activities is recognized in non-operating income and expenses.

Accounting treatments for a policy preference loan discount

Notes To The Financial Statements – continued
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(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

The policy preference loan discount received by the Group includes the discount fund allocated by the MOF to banks and the discount fund allocated to the enterprise directly.

When the discount fund is allocated by the MOF to banks for loan purposes, and the lending bank provides loans to the Group at a policy preferential interest rate, one of the following accounting treatments is used: The amount of loans actually received is recorded at the book amount of the borrowing, and the borrowing cost is calculated based on the principal and the policy preferential interest rate. The borrowing is recorded at the fair value and the borrowing cost is calculated using the effective interest rate, the difference between the amount actually received and the fair value of the borrowing is recognized as deferred income. Deferred income is amortized based on the effective interest rate to write off the related borrowing costs. The discount fund allocated directly to the enterprise is used to charge against the related borrowing costs. The capitalized borrowing costs that can be directly attributable to the acquisition and construction of the assets that qualify for capitalization shall be accounted for in the deferred income and be included in profit or loss over the useful life of the related asset by average allocation.

For the repayment of a government grant already recognized, if the carrying value of related assets is written off upon initial recognition, the carrying value of the assets is adjusted; if there is any related deferred income, the repayment is offset against the carrying amount of the deferred income, and any excess is recognized in profit or loss for the period. For other situations, it is recognized immediately in profit or loss for the period.

31. Income tax

The income tax expenses include current income tax and deferred income tax.

Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the carrying amounts of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which the benefits of the temporary differences can be used and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in the amount is reversed when it becomes probable that sufficient taxable profits will be available.

Offsetting of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

32. Leases

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

As a lessee

The Group recognizes lease liabilities and right-of-use assets, except for short-term leases and leases of low-value assets. Please refer to Note III. 18 and Note III. 24 for the accounting treatment of the Group as a lessee.

For a contract that contains a lease component and a non-lease component, the Group elects to separate the lease component and the non-lease component for accounting treatment.

Short-term leases and leases of low value

At the commencement date, the Group recognizes leases that are due no more than 12 months and without a purchase option as short-term leases and recognizes leases for which the single leased new asset values lower than RMB 40,000 as leases of low value. The sublet or expecting sublet of assets would not recognize a lease of low value for the original leases. The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low value and recognizes the lease payments associated with those leases as cost or in profit or loss on a straight-line basis.

As a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date. The Group, as an intermediate lessor, classifies the sublease by reference to the right-of-use asset arising from the head lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

As an operating lease lessor

Rental income under an operating lease is recognized on a straight-line basis over the lease term, through profit or loss. Variable lease payments that are not included in the measurement of lease receivables are charged to profit or loss as incurred. Initial direct costs are capitalized and recognized over the lease term on the same basis as rental income, through profit or loss.

Sale and leaseback

The Group assesses and decides whether the asset transfer in a sale and leaseback transaction is a sale according to Note III. 27.

As a lessee

If the asset transfer in a sale and leaseback transaction is a sale, the Group will measure the right-of-use assets formed by the sale and leaseback based on the portion of the original asset's carrying value that is related to the use right acquired by the leaseback, and recognize related gains or losses only for the right transferred to the lessor. If the asset transfer in a sale and leaseback transaction is not a sale, the Group will continue to recognize the transferred asset and at the same time recognize a financial liability equivalent to the transfer income. The financial liability will be accounted for using the same principles as described in Note III. 11.

As a lessor

If the asset transfer in a sale and leaseback transaction is a sale, the Group will conduct corresponding accounting treatment for asset purchase as a lessor and apply the aforementioned standards to the accounting treatment for the leased asset. If the asset transfer in a sale and leaseback transaction is not a sale, the Company will recognize a financial asset equivalent to the transfer income and treat it in accordance with Note III. 11 instead of recognizing the transferred asset.

Notes To The Financial Statements – continued
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(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

33. Discontinued operations

A discontinued operation is a component of an entity that can be clearly distinguished and satisfies one of the following conditions, and such component has been disposed of or is classified as held for sale:

(1)Such component represents a separate major line of business or geographical area of operations;

(2)Such component is a part of the separate major line of business or geographical area of operations to be disposed of based on the associated plan;

(3)Such component is a subsidiary acquired exclusively for the purpose of resale.

34. Repurchase of shares

Consideration and transaction costs paid for the repurchase of the Company's own equity instruments are charged against shareholders' equity. Other than share-based payments, issuance (including refinancing), repurchase, sale or cancellation of its own equity instruments is treated as a change in equity.

35. Profit appropriation

Interim and final cash dividends are recognized as liabilities upon approval by shareholders in a general meeting.

36. Safety funds

Safety funds provided for as required were included in cost of products or the current profit or loss, and credited in the special reserve. The funds are treated separately depending on whether fixed assets are resulted when being used: funds related to expenditure is offset against the special reserve directly while those forming fixed assets will be consolidated as expenditure incurred and recognized as fixed assets when such assets are ready for their intended use, at the same time offsetting equivalent amounts in the special reserve and recognizing equivalent amounts of accumulated depreciation.

37. Significant accounting judgements and estimates

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgements, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgements, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognized in the period of the change, if the change affects that period only; or is recognized in the period of the change and future periods, if the change affects both.

Judgements

Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. In judging the business model, the Group considers corporate appraisal, methods of reporting the results of financial assets to key management members, risks affecting the results of financial assets and its management, as well as the methods of remunerating relevant business managers and so forth. In assessing whether the objective is to collect contractual cash flows, the Group needs to analyze and judge the reasons for disposing of the financial assets before maturity, time, frequency and value of the financial assets and so forth.

Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, including the assessment of the correction of the time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with advanced payment characteristics, it is necessary to judge whether the fair value of the advanced payment characteristics is minimal.

Estimation uncertainty

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

Impairment of financial instruments and contract assets

The Group uses the expected credit loss model to assess the impairment of financial instruments and contract assets. The application of the expected credit loss model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. Different estimates may affect the provision of impairment provisions and the provision of impairment provisions may not be equal to the actual amount of impairment losses in the future.

Provision for decline in value of inventories

Note III. 12 describes that inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales.

Operational procedures have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to inventories. Physical counts on all inventories are carried out by management on a periodical basis in order to determine whether they are impaired. This involves a comparison of the carrying amount of the inventories with the respective net realizable value to ascertain whether provision is required to be made in the financial statements for the items that have risks in the decline in value. Appropriate accounting estimates should be made for the selling price used for the net realizable value, the cost to be incurred at the time of completion, the selling expenses, and the amount of related taxes and fees. Management has considered the historical experience and current production costs and selling expenses based on the best estimate to ensure the reasonableness of its accounting estimates. In this regard, management is satisfied that adequate inventory provision has been made for inventories.

Deferred tax assets

The recognition of deferred tax assets is primarily subject to actual profit and actual tax rate employed by deductible temporary differences in the future. The recognized deferred tax assets will be reversed and recognized in profit or loss when the actual profit is less than the expectation or the actual tax rate is lower than the expectation. Furthermore, due to the uncertainty of whether there is enough taxable profit in the future for some subsidiaries, carried forward losses of future years and deductible temporary differences are not fully recognized as deferred tax assets in these subsidiaries.

Provision for fixed assets

The Group reviews whether there is any indication of impairment for the fixed assets at the balance sheet date. Impairment tests will be carried out when there are any indications that the book value may not be recoverable. If the book value of assets or the asset group is higher than the recoverable amount, there is impairment. An asset's fair value less costs to sell, is based on the price in a binding sale agreement in an arm's length transaction, adjusted for incremental costs that would be directly attributable to the disposal of the asset. When predicting the current value of the expected future cash flow, management estimates the expected future cash flows of the asset or asset group, and selects the appropriate discount rate to determine the present value of future cash flows. Based on procedures mentioned above, the management of the Group considered that the provision has been sufficiently recognized.

Goodwill impairment

Goodwill is tested for impairment at least annually. The present value of future cash flows of goodwill with related asset group(s) needs to be predicted. When predicting the present value of future cash flows, the Group needs to predict the future cash flows generated by asset group(s), and chooses the appropriate discount rate to determine the present value of future cash flows.

Fair value of unlisted equity investments

The valuation of unlisted equity investments is the predicted future cash flows discounted according to the current discount rate of other financial instruments with similar contract terms and risk characteristics. This requires the Group to estimate the expected future cash flows, credit risk, volatility and discount rate, which gives rise to uncertainty.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(III) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - continued

Limitations on the estimation of variable consideration

In estimating variable consideration, the Group considers all such information as shall be reasonably obtained, including historical data, current data and projected data, thereby estimating the amount of possible consideration and the probability to the extent of such quantities as shall be reasonable. Variable consideration is included in the transaction price to the extent it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognized when the uncertainty is resolved. In assessing whether it is highly probable that there will not be a significant reversal in the amount of cumulative revenue recognized when the uncertainty relevant to the variable consideration is resolved, the Group also considers the possibility of reversal of income and the ratio of the reversed amount. On each balance sheet date, the Group re-assesses the amount of variable consideration, including re-assessing whether the estimation of variable consideration is limited, to reflect the circumstance as at the end of the reporting period as well as changes during the reporting period.

Lessee's incremental borrowing rate

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

Termination benefits

In estimating termination benefits, the Group considers all such assumptions and parameters that are able to be reasonably obtained as the discount rate, wages, social security contributions and the annual growth rate of other benefits, and recognizes the present value discounted as the best estimates of termination benefits. Such assumptions and parameters need to be estimated and adjusted according to the economic environment and local policies on employee benefits, and its rationality should be re-assessed at each balance sheet date.

38. Change in accounting policies

Accounting for trial sales

According to the Accounting Standards for Business Enterprises Interpretation No.15, starting from 1 January 2022, the Group recognizes the proceeds from sales of any products or by-products produced while bringing fixed assets to working condition for intended use or during the research and development process (hereinafter referred to as the "trial sales") and the costs of such products or by-products, respectively, in profit or loss. For items produced that are output of the Group's ordinary activities, they are presented in "the operating income" and "the operating costs", or "asset disposal income" if otherwise. The Group recognizes, before sales, products or by-products produced in a trial operation that meet the conditions for asset recognition in inventories or other relevant assets. For trial sales in 2021, the Group has adjusted comparative amounts retrospectively in accordance with the Accounting Standards for Business Enterprises Interpretation No.15.

The effects of retrospective adjustments caused by the above changes in accounting policies on the financial statements are stated as follows:

The Group

2022

	Before changes Amount for the year	Changes in accounting policies	After changes Amount for the year
Operating costs	336,916,393,892.70	9,376,369,792.66	346,292,763,685.36
Research and development expenses	12,544,548,213.33	(9,376,369,792.66)	3,168,178,420.67

2021

	Before changes Amount for the year	Changes in accounting policies	After changes Amount for the year
Operating costs	316,048,093,525.51	8,428,358,622.27	324,476,452,147.78
Research and development expenses	11,370,711,990.15	(8,428,358,622.27)	2,942,353,367.88

The Company

2022

	Before changes Amount for the year	Changes in accounting policies	After changes Amount for the year
Operating costs	124,410,746,765.44	3,811,240,643.48	128,221,987,408.92
Research and development expenses	4,857,164,439.94	(3,811,240,643.48)	1,045,923,796.46

2021

	Before changes Amount for the year	Changes in accounting policies	After changes Amount for the year
Operating costs	157,285,651,513.80	3,141,298,368.14	160,426,949,881.94
Research and development expenses	4,139,772,438.29	(3,141,298,368.14)	998,474,070.15

IV. Taxes

1. Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	Taxable revenue of goods and services sales	6%, 9%, or 13%
City maintenance and construction tax	Actual turnover tax	1%~7%
Educational surtax and surcharge	Actual turnover tax	1%~5%
Enterprise income tax	Taxable income	Note 1
Overhead charges of riverway	Actual turnover tax	Applicable rates set by the government
Property tax	Residual value of the taxable buildings for rental income	Applicable rates set by the government
Individual income tax	Taxable individual income	Applicable rates set by the government

Note 1: The income tax rate of the Company is 25%. Subsidiaries of the Group are subject to respective applicable income tax rates on taxable income. The overseas subsidiaries of the Group pay enterprise income tax according to the local tax laws.

Shanghai Meishan Iron and Steel Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise in 2018 and passed the review of qualification as a high-tech enterprise in 2021. The certificate number is GR202132003200, and the date of issuance is 30 November 2021. According to the Measures for the Administration of the Recognition of Hi-tech Enterprises and the Law of the People's Republic of China on Enterprise Income Tax, the preferential income tax rate of 15% is applicable from 2021 to 2023.

Wuhan Iron and Steel Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise in 2019 and passed the review of qualification as a high-tech enterprise in 2022. The certificate number is GR202242002983, and the date of issuance is 9 November 2022. According to the Measures for the Administration of the Recognition of Hi-tech Enterprises and the Law of the People's Republic of China on Enterprise Income Tax, the preferential income tax rate of 15% was applicable from 2022 to 2024.

Shanghai Baosight Software Co., Ltd., a subsidiary of the Company, which is recognized as a key software enterprises and integrated circuit design enterprises in the State planning, enjoyed corporate income tax rate of 10% in 2022.

V. Notes to items of consolidated financial statements

1. Currency funds

Item	31 December 2022			31 December 2021		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash			227,001.20			327,063.67
Bank deposits						
RMB	16,301,997,927.42	1.0000	16,301,997,927.42	12,897,336,286.67	1.0000	12,897,336,286.67
USD	516,824,309.40	6.9646	3,599,474,585.27	521,523,679.30	6.3757	3,325,078,522.13
AUD	174,668,176.23	4.7138	823,350,849.11	7,374,935.74	4.6220	34,086,952.99
EUR	64,098,607.19	7.4229	475,797,551.34	66,936,328.01	7.2197	483,260,207.33
JPY	4,500,272,934.03	0.0524	235,625,290.28	1,865,781,055.78	0.0554	103,364,270.49
IDR	536,119,091,674.44	0.0005	241,350,092.69	187,598,528,990.20	0.0004	82,404,921.72
HKD	17,464,185.32	0.8933	15,600,756.75	32,215,258.93	0.8176	26,339,195.70
Other currencies			88,863,665.38			69,597,564.61
Other currency funds:						
RMB			429,934,182.30			920,633,363.34
Statutory reserve deposit with PBOC by Finance Co.			1,937,526,800.96			2,103,591,148.90
Total			24,149,748,702.70			20,046,019,497.55
Including: Subtotal of deposits with overseas banks			2,577,004,864.95			3,202,521,417.02

As at 31 December 2022, apart from the statutory reserves from the central bank, other currency funds of the Group consist of settlement reserve of Finance Co. of RMB29,545,454.55 (As at 31 December 2021: RMB385,454,545.45), guarantee deposits of bank acceptance bills of RMB319,473,903.14 (As at 31 December 2021: RMB402,619,158.06), letter of guarantee deposits of RMB18,256,602.43 (As at 31 December 2021: RMB18,188,194.55), frozen deposits of RMB7,596,650.85 (As at 31 December 2021:Nil), and deposited investment funds, L/C guarantee deposits, and other types of guarantee deposits totaled RMB55,061,571.33 (As at 31 December 2021: RMB114,371,465.28).

Interest income earned on bank current deposits is calculated by using the current deposit interest rate of the bank. The deposit periods for fixed deposits vary from seven days to twelve months depending on the cash requirements of the Group, and the deposits earn interest income at the respective deposit interest rates of the bank.

2. Financial assets held for trading

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss		
Investments in debt instruments	1,296,295,180.00	1,125,295,640.00
Investments in equity instruments	1,478,862,949.79	2,393,537,361.68
Total	2,775,158,129.79	3,518,833,001.68

The Group believes that there are no significant restrictions on realizing the financial assets held for trading.

3. Derivative financial assets

	31 December 2022	31 December 2021
Derivative financial assets	68,108,068.82	264,599.72

The Group believes that there are no significant restrictions on realizing the derivative financial assets.

4. Notes receivable

	31 December 2022		
	Gross carrying amount	Provision for bad debt	Carrying value
Bank acceptance	1,142,817,434.63	-	1,142,817,434.63
Commercial acceptance	9,297,007,968.74	5,092,476.83	9,291,915,491.91
Total	10,439,825,403.37	5,092,476.83	10,434,732,926.54

	31 December 2021		
	Gross carrying amount	Provision for bad debt	Carrying value
Bank acceptance	6,051,885,100.81	-	6,051,885,100.81
Commercial acceptance	8,925,321,882.74	7,123,525.90	8,918,198,356.84
Total	14,977,206,983.55	7,123,525.90	14,970,083,457.65

The changes in provision for decline in value are as follows:

	Opening balance	Charge during the year	Reversal	Closing balance
2022	7,123,525.90	1,157,014.84	(3,188,063.91)	5,092,476.83
2021	8,456,924.08	-	(1,333,398.18)	7,123,525.90

The Group discounted and endorsed some bank acceptances according to the needs of its daily fund management. However, because the conditions for derecognition were not met, the Group classified these bank acceptances as financial assets measured at amortized cost and listed them as notes receivable.

As at 31 December 2022, the Group had no bank acceptance bills (31 December 2021: RMB358,607,718.26) and no commercial acceptance bills (31 December 2021: RMB22,944,121.61) which had been endorsed but not yet expire. The major risks and rewards associated with these notes receivable have been transferred. As a result, the Group has derecognized these endorsed undue notes receivable.

As at 31 December 2022, the Group had no bank acceptance bills (31 December 2021: RMB63,767,217.64) which had already discounted but not yet expire. The major risks and rewards associated with these notes receivable have been transferred. As a result, the Group has derecognized these discounted undue notes receivable.

As at 31 December 2022, the Group had bank acceptance bills with a carrying amount of RMB654,472,575.79 (31 December 2021: RMB630,087,841.38) and commercial acceptance bills of RMB234,577,644.31 (31 December 2021: Nil) which had been endorsed but not yet expire. Due to these notes receivable with the right of recourse, the major risks and rewards associated with these notes receivable have not been transferred. As a result, the Group has not derecognized these endorsed undue notes receivable.

As at 31 December 2022, the Group had bank acceptance bills with a carrying amount of RMB58,097,987.55 (31 December 2021:

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

RMB81,680,320.00) and commercial acceptance bills of RMB266,110,115.62 (31 December 2021: Nil) which had already discounted but not yet expire. Due to these notes receivable with the right of recourse, the major risks and rewards associated with these notes receivable have not been transferred. As a result, the Group has not derecognized these discounted undue notes receivable.

As at 31 December 2022, the Group pledged the commercial acceptance bills of RMB7,415,190.54 (As at 31 December 2021: Nil) as guarantees for notes.

As at 31 December 2022, the Group had commercial acceptance bills of RMB76,080.00 (As at 31 December 2021: Nil) which were transferred to accounts receivable due to drawers' failure in performance.

5. Accounts receivable

An aging analysis of accounts receivable based on the invoice dates is presented as follows:

	31 December 2022	31 December 2021
Within 1 year	15,410,837,030.42	12,052,711,810.17
1 to 2 years	631,565,451.13	541,344,119.26
2 to 3 years	258,564,206.99	135,425,508.18
Over 3 years	1,506,031,883.81	1,470,524,051.72
Subtotal	17,806,998,572.35	14,200,005,489.33
Less: Provision for bad debt in respect of accounts receivable	2,122,663,478.97	1,953,613,624.57
Total	15,684,335,093.38	12,246,391,864.76

An analysis of accounts receivable based on bad debt provision is presented as follows:

	31 December 2022				
	Gross carrying amount		Provision for bad debt		Carrying value
	Amount	Proportion(%)	Amount	Proportion(%)	
Items for which provision for bad debts is recognized separately	-	-	-	-	-
Items for which provision for bad debts is recognized as a group with distinctive credit risk characteristics	17,806,998,572.35	100	2,122,663,478.97	12	15,684,335,093.38
Total	17,806,998,572.35	100	2,122,663,478.97	12	15,684,335,093.38

	31 December 2021				
	Gross carrying amount		Provision for bad debt		Carrying value
	Amount	Proportion (%)	Amount	Proportion (%)	
Items for which provision for bad debts is recognized separately	-	-	-	-	-
Items for which provision for bad debts is recognized as a group with distinctive credit risk characteristics	14,200,005,489.33	100	1,953,613,624.57	14	12,246,391,864.76
Total	14,200,005,489.33	100	1,953,613,624.57	14	12,246,391,864.76

The Group's accounts receivable for which the grouping of expected credit losses is determined using an aging analysis are presented as follows:

	31 December 2022		
	Carrying amount estimated to be in default	Expected credit loss rate (%)	Provision for bad debts
Within 1 year	15,410,837,030.42	3	448,207,840.34
1 to 2 years	631,565,451.13	20	127,669,426.21
2 to 3 years	258,564,206.99	37	96,164,574.35
Over 3 years	1,506,031,883.81	96	1,450,621,638.07
Total	17,806,998,572.35	12	2,122,663,478.97

	31 December 2021		
	Carrying amount estimated to be in default	Expected credit loss rate (%)	Provision for bad debts
Within 1 year	12,052,711,810.17	3	329,995,628.69
1 to 2 years	541,344,119.26	22	119,013,227.58
2 to 3 years	135,425,508.18	52	70,402,327.51
Over 3 years	1,470,524,051.72	98	1,434,202,440.79
Total	14,200,005,489.33	14	1,953,613,624.57

Changes in provision for bad debts of accounts receivable are presented as follows:

	2022	2021
Opening balance	1,953,613,624.57	2,054,309,826.03
Provision	251,747,818.11	166,740,497.97
Reversal	(83,632,278.32)	(112,044,210.15)
Written off	(15,573,326.01)	(167,546,138.57)
Decrease upon disposal of subsidiaries	-	(4,745,116.28)
Adjustments for exchange differences	16,507,640.62	16,898,765.57
Closing balance	2,122,663,478.97	1,953,613,624.57

In 2022, accounts receivable of RMB15,573,326.01 were written off (2021: RMB167,546,138.57).

As at 31 December 2022, the five largest balances in respect of accounts receivable totaled RMB2,309,078,838.27 (31 December 2021: RMB1,650,146,378.76), accounting for 13% (31 December 2021: 12%) of the total of the closing balance of accounts receivable. The closing balance in respect of bad debt provision for the five largest balances of accounts receivable amounted to RMB71,752,339.86 (31 December 2021: RMB55,613,803.64).

As at 31 December 2022, accounts receivable of RMB49,816,709.00 were mortgaged for the short-term borrowings due to the factoring business (31 December 2021: Nil).

As at 31 December 2022, accounts receivable of RMB361,161,553.57 were derecognized due to the factoring business (31 December 2021: RMB1,207,184,478.18).

As at 31 December 2022, accounts receivable of RMB14,427,856.00 (31 December 2021: RMB122,569,875.05) were mortgaged for a short-term

borrowing amounting to RMB6,500,000.00 (31 December 2021: RMB84,500,000.00).

6. Receivables financing

	31 December 2022	31 December 2021
Bank acceptance	10,177,957,750.14	9,780,760,948.38

As at 31 December 2022, the Group had bank acceptance bills with a carrying amount of RMB28,596,285,497.41 (31 December 2021: RMB35,234,374,878.22) which had been endorsed but not yet expire. The major risks and rewards associated with these notes receivable have been transferred. As a result, the Group has derecognized these endorsed undue notes receivable.

As at 31 December 2022, the Group had bank acceptance bills with a carrying amount of RMB1,542,650,197.93 (31 December 2021: RMB5,107,320,040.64) which had already discounted but not yet expire. The major risks and rewards associated with these notes receivable have been transferred. As a result, the Group has derecognized these discounted undue notes receivable.

As at 31 December 2022, the Group pledged the bank acceptance bills of RMB20,839,875.00 (As at 31 December 2021: Nil) as guarantees for notes.

As at 31 December 2022, the Group has transferred no receivables financing (31 December 2021: Nil) to accounts receivable due to issuers' failure in performance.

7. Prepayments

Aging analysis of prepayments is presented as follows:

	31 December 2022		31 December 2021	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	8,166,315,783.42	98	5,668,870,172.52	97
1 to 2 years	172,209,000.38	2	98,634,132.74	2
2 to 3 years	7,030,386.19	-	30,699,496.06	1
Over 3 years	16,275,116.50	-	22,283,761.38	-
Subtotal	8,361,830,286.49	100	5,820,487,562.70	100
Less: Provision for bad debt in respect of prepayments	3,834,338.24		1,613,817.92	
Total	8,357,995,948.25		5,818,873,744.78	

The changes in provision for decline in value are as follows:

	Opening balance	Charge/ Reversal during the year	Other increase	Closing balance
2022	1,613,817.92	2,220,520.32	-	3,834,338.24
2021	2,300,775.69	-	(686,957.77)	1,613,817.92

As at 31 December 2022 and at 31 December 2021, prepayments with aging of more than one year were caused by contracts with long construction period, which would be partially unperformed at the end of the year.

As at 31 December 2022, the five largest balances of prepayments totaled RMB2,883,608,041.69 (As at 31 December 2021: RMB1,398,670,484.55), representing 34% of the total closing balances of all prepayments (As at 31 December 2021: 24%).

8. Other receivables

	31 December 2022	31 December 2021
Dividends receivable	15,000,000.00	7,000,000.00
Other receivables	1,304,067,511.58	2,019,023,305.69
Total	1,319,067,511.58	2,026,023,305.69

Dividends receivable

	31 December 2022	31 December 2021
Beijing Qingke Chuang Tong Information Technology Co., Ltd.	7,000,000.00	7,000,000.00
Suzhou Chuanglian Electric Drive Co., Ltd.	8,000,000.00	-
Total	15,000,000.00	7,000,000.00

Other receivables

Aging analysis of other receivables is presented as follows:

	31 December 2022	31 December 2021
Within 1 year	1,024,462,613.89	1,683,682,965.83
1 to 2 years	33,543,913.64	216,439,392.03
2 to 3 years	137,023,016.66	35,965,543.02
Over 3 years	259,533,117.26	237,979,023.94
Subtotal	1,454,562,661.45	2,174,066,924.82
Less: Provision for bad debt in respect of other receivables	150,495,149.87	155,043,619.13
Total	1,304,067,511.58	2,019,023,305.69

Other receivables are classified by nature as follows:

	31 December 2022	31 December 2021
Deposit	369,553,853.50	586,801,818.27
Asset disposal payment	362,094,258.13	380,104,945.19
Substitute advance	271,972,812.54	137,023,339.78
Receivables of agent letter of credit	28,504,791.70	354,000,309.15
Taxes for pending certification and provisional valuation	8,058,741.72	118,830,733.28
Others	414,378,203.86	597,305,779.15
Subtotal	1,454,562,661.45	2,174,066,924.82
Less: Provision for bad debts in respect of other receivables	150,495,149.87	155,043,619.13
Total	1,304,067,511.58	2,019,023,305.69

Changes in the provision for bad debts in respect of other receivables based on 12-month expected credit losses and lifetime expected credit losses are as follows:

2022

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total
Opening balance	-	81,268,528.81	73,775,090.32	155,043,619.13
Transfer of opening balance among stages	-	(74,034.93)	74,034.93	-
Provision	-	1,207,901.31	209,724.88	1,417,626.19
Reversal	-	(5,107,943.39)	(883,265.63)	(5,991,209.02)
Write-off	-	-	(292,806.10)	(292,806.10)
Adjustments for exchange differences	-	317,919.67	-	317,919.67
Closing balance	-	77,612,371.47	72,882,778.40	150,495,149.87

2021

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses (Lifetime)	Total
Opening balance	-	82,493,203.97	37,759,195.12	120,252,399.09
Transfer of opening balance among stages				
-Transferred to Stage 3	-	(2,674,765.58)	2,674,765.58	-
Provision	-	6,442,299.66	34,899,336.20	41,341,635.86
Reversal	-	(4,970,009.24)	(869,153.56)	(5,839,162.80)
Decrease upon disposal of subsidiaries	-	-	(647,718.25)	(647,718.25)
Adjustments for exchange differences	-	(22,200.00)	(41,334.77)	(63,534.77)
Closing balance	-	81,268,528.81	73,775,090.32	155,043,619.13

Changes in provision for bad debts of other receivables are presented as follows:

	2022	2021
Opening balance	155,043,619.13	120,252,399.09
Provision	1,417,626.19	41,341,635.86
Reversal	(5,991,209.02)	(5,839,162.80)
Write-off	(292,806.10)	-
Decrease upon disposal of subsidiaries	-	(647,718.25)
Adjustments for exchange differences	317,919.67	(63,534.77)
Closing balance	150,495,149.87	155,043,619.13

In 2022, other receivables of RMB292,806.10 were written off (2021: Nil).

As at 31 December 2022, other receivables from the five largest customers amounted to RMB629,753,868.96 (As at 31 December 2021: RMB1,087,088,734.63), accounting for 43% of other receivables (As at 31 December 2021: 50%).

At the end of the reporting period, no other receivables were related to government grants, no other receivables were derecognized due to

the transfer of financial assets, and no assets or liabilities have been formed due to the transfer of other receivables and the related continuous involvement (2021: Nil).

9. Financial assets purchased under resale agreements

	31 December 2022	31 December 2021
Financial assets purchased under resale agreements	2,000,615,477.56	1,145,063,616.43
Subtotal	2,000,615,477.56	1,145,063,616.43
Less: Provision for impairment	1,200,369.29	-
Total	1,999,415,108.27	1,145,063,616.43

Changes in the provision for bad debts in respect of financial assets purchased under resale agreements based on 12-month expected credit losses and lifetime expected credit losses are as follows:

2022

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total
Opening balance	-	-	-	-
Provision	1,200,369.29	-	-	1,200,369.29
Closing balance	1,200,369.29	-	-	1,200,369.29

In 2021, there was no provision for bad debts in respect of financial assets purchased under resale agreements.

10. Inventories

	31 December 2022			31 December 2021		
	Gross carrying amount	Provision for decline in value of inventories	Carrying amount	Gross carrying amount	Provision for decline in value of inventories	Carrying amount
Raw materials	11,270,210,949.01	(483,493,048.72)	10,786,717,900.29	13,454,047,101.60	(194,728,573.96)	13,259,318,527.64
Work in progress	16,401,362,096.87	(783,864,159.60)	15,617,497,937.27	17,170,983,055.06	(522,611,431.23)	16,648,371,623.83
Finished goods	17,397,034,622.88	(604,494,579.69)	16,792,540,043.19	17,180,693,789.97	(413,878,328.61)	16,766,815,461.36
Spare parts and others	3,083,120,546.00	(269,864,759.73)	2,813,255,786.27	3,080,959,774.09	(265,361,112.99)	2,815,598,661.10
Total	48,151,728,214.76	(2,141,716,547.74)	46,010,011,667.02	50,886,683,720.72	(1,396,579,446.79)	49,490,104,273.93

Provision for decline in value of inventories

2022

	Opening balance	Provision	Reversal	Write-off	Exchange differences arising from translation of financial statements	Closing balance
Raw materials	194,728,573.96	303,699,657.69	(7,208,268.49)	(7,726,914.44)	-	483,493,048.72

Work in progress	522,611,431.23	262,658,107.98	(10,691,863.08)	(11,078,194.08)	20,364,677.55	783,864,159.60
Finished goods	413,878,328.61	200,724,302.75	(35,007,172.46)	(5,872,249.73)	30,771,370.52	604,494,579.69
Spare parts and others	265,361,112.99	45,488,866.17	(34,084,862.31)	(6,900,357.12)	-	269,864,759.73
Total	1,396,579,446.79	812,570,934.59	(86,992,166.34)	(31,577,715.37)	51,136,048.07	2,141,716,547.74

2021

	Opening balance	Provision	Reversals	Write-off	Exchange differences arising from translation of financial statements	Closing balance
Raw materials	27,421,080.61	173,202,999.92	(4,779,249.72)	(1,116,256.85)	-	27,421,080.61
Work in progress	291,447,634.08	419,592,158.24	(190,875,200.81)	(10,466.14)	(2,433,738.79)	291,447,634.08
Finished goods	403,382,434.11	322,812,701.29	(305,227,584.38)	(8,483,491.53)	(1,535,248.65)	403,382,434.11
Spare parts and others	374,006,345.15	32,284,324.66	(69,374,010.88)	(71,074,025.62)	-	-
Total	1,096,257,493.95	947,892,184.11	(570,256,045.79)	(80,684,240.14)	(3,968,987.44)	1,096,257,493.95

Provision for decline in value of inventories

Item	Basis of making provision for decline in value of inventories	Reasons for reversal of decline in value of inventories for the year	Proportion of amount of reversal for the year to the closing balance of the relevant category of inventories
Raw materials	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	0%
Work in progress	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	0%
Finished goods	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	0%
Spare parts and others	Carrying amount higher than net realizable value	Market price rebound or product cost reduction	1%

No inventory was used as a guarantee as at 31 December 2022 (As at 31 December 2021: Nil), and no interest expense was capitalized in the closing balance of inventories as at 31 December 2022 (As at 31 December 2021: Nil).

11. Contract assets

	31 December 2022			31 December 2021		
	Gross carrying amount	Provision for decline in value	Carrying amount	Gross carrying amount	Provision for decline in value	Carrying amount
Items of related parties	1,128,518,238.31	72,463,617.23	1,056,054,621.08	583,687,821.52	32,504,039.24	551,183,782.28
Items of non-related parties	1,562,907,028.26	147,368,623.75	1,415,538,404.51	1,314,557,669.61	115,416,453.48	1,199,141,216.13
	2,691,425,266.57	219,832,240.98	2,471,593,025.59	1,898,245,491.13	147,920,492.72	1,750,324,998.41

Changes in provision for bad debts of contract assets are presented as follows:

2022

	Opening balance	Provision	Reversal	Closing balance
Provision for bad debts for related parties	32,504,039.24	39,959,577.99	-	72,463,617.23
Provision for bad debts for non-related parties	115,416,453.48	38,195,394.21	(6,243,223.94)	147,368,623.75
	147,920,492.72	78,154,972.20	(6,243,223.94)	219,832,240.98

Including: Items for which provision for bad debts is recognized separately

	Gross carrying amount	Provision for bad debt	Proportion (%)	Reasons
Others (Not individually significant)	15,996,844.96	15,996,844.96	100	Little possibility of recovery due to litigation and arbitration

Contract assets for which bad debt provision is collectively assessed on a portfolio basis

Aging portfolio	Gross carrying amount	Provision for bad debt	Proportion (%)
Including: Related party portfolio	1,128,518,238.31	72,463,617.23	6
Non-related party portfolio	1,546,910,183.30	131,371,778.79	8
	2,675,428,421.61	203,835,396.02	8

2021

	Opening balance	Provision	Reversal	Closing balance
Provision for bad debts for related parties	13,211,132.33	19,292,906.91	-	32,504,039.24
Provision for bad debts for non-related parties	67,202,158.78	50,331,628.61	(2,117,333.91)	115,416,453.48
	80,413,291.11	69,624,535.52	(2,117,333.91)	147,920,492.72

Including: Items for which provision for bad debts is recognized separately

	Gross carrying amount	Provision for bad debt	Proportion (%)	Reasons
Others (Not individually significant)	22,240,068.90	22,240,068.90	100	Little possibility of recovery due to litigation and arbitration

Contract assets for which bad debt provision is collectively assessed on a portfolio basis

Aging portfolio	Gross carrying amount	Provision for bad debt	Proportion (%)
Including: Related party portfolio	583,687,821.52	32,504,039.24	6
Non-related party portfolio	1,292,317,600.71	93,176,384.58	7
	1,876,005,422.23	125,680,423.82	7

As at 31 December 2022, no contract assets of the Group were pledged for a short-term borrowing (31 December 2021:RMB52,904,652.18).

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12. Non-current assets due within one year

	31 December 2022	31 December 2021
Debt investment	325,000,000.00	253,000,000.00
Other debt investments	49,965,300.00	-
Long-term receivables from disposal of assets	71,629,223.05	-
Accounts receivable from employee borrowings for down payments of first-time homebuyers	30,211.25	30,211.25
	446,624,734.30	253,030,211.25

As at 31 December 2022, the Group reported debt investments due within one year in the amount of RMB325,000,000.00 (As at 31 December 2021: RMB253,000,000.00), details of which have been included in Note V. 15.

As at 31 December 2022, the Group reported other debt investments due within one year in the amount of RMB49,965,300.00 (As at 31 December 2021: Nil), details of which have been included in Note V. 16.

As at 31 December 2022, the Group reported long-term receivables from disposal of assets due within one year in the amount of RMB71,629,223.05 (As at 31 December 2021: Nil), details of which have been included in Note V. 17.

13. Other current assets

	31 December 2022	31 December 2021
Financial products (Note)	22,640,961,523.19	13,005,216,732.66
Other debt investments (within one year)	12,547,023,361.00	-
Loans and advances to customers (within one year)	7,039,220,593.76	10,484,075,325.04
Notes receivable discounting of Finance Co.	6,904,089,407.62	1,858,033,355.45
Deductible VAT input	924,789,689.91	2,391,045,349.01
Prepaid enterprise income tax	1,236,470,894.78	840,200,564.03
Others	39,445,988.09	89,634,915.19
Subtotal	51,332,001,458.35	28,668,206,241.38
Less: Impairment loss for loans	337,998,846.69	358,954,911.17
Total	50,994,002,611.66	28,309,251,330.21

Note: Financial products are financial instruments mainly invested in the monetary market with non-guaranteed floating income and no active market quotation, high credit grade bonds and trust plans (beneficiary rights), etc. The Group recognized the above financial products as other current assets due to the maturity of such products of less than one year.

An analysis of loans and advances to customers based on means of guarantee is presented as follows:

	31 December 2022	31 December 2021
Credit loans	7,028,620,593.76	10,484,075,325.04
Mortgaged loans	10,600,000.00	-
Total	7,039,220,593.76	10,484,075,325.04

The loans to customers were mainly provided to members of China Baowu. The Group used the expected credit loss model to assess the credit losses on loans and advances. As at 31 December 2022, there were no non-performing loans in the Group's loans and advances (As at 31 December 2021: Nil).

Changes in the provision for bad debts in respect of loans and advances to customers based on 12-month expected credit losses and lifetime expected credit losses are as follows:

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2022

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total Expected credit losses for the next 12 months
Opening balance	358,954,911.17	-	-	358,954,911.17
Provision	(228,168,164.09)	-	-	(228,168,164.09)
Reclassification from loans and advances to customers	207,212,099.61	-	-	207,212,099.61
Closing balance	337,998,846.69	-	-	337,998,846.69

2021

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total Expected credit losses for the next 12 months
Opening balance	306,371,382.87	-	-	306,371,382.87
Provision	15,563,013.12	-	-	15,563,013.12
Reclassification from loans and advances to customers	37,020,515.18	-	-	37,020,515.18
Closing balance	358,954,911.17	-	-	358,954,911.17

14. Loans and advances to customers

	31 December 2022	31 December 2021
Loans	980,735,370.94	885,847,669.31
Less: Impairment loss on loans	184,576,734.43	207,212,099.61
Total	796,158,636.51	678,635,569.70

An analysis of loans and advances to customers based on means of guarantee is presented as follows:

	31 December 2022	31 December 2021
Credit loans	980,735,370.94	885,847,669.31

The loans to customers were mainly provided to members of Baowu Group. The Group used the expected credit loss model to assess the credit losses on loans and advances. At 31 December 2022, there were no non-performing loans in the Group's loans and advances (As at 31 December 2021: Nil).

Changes in the provision for bad debts in respect of loans and advances to customers based on 12-month expected credit losses and lifetime expected credit losses are as follows:

2022

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total
Opening balance	207,212,099.61	-	-	207,212,099.61
Provision	184,576,734.43	-	-	184,576,734.43
Reclassification to other current assets	(207,212,099.61)	-	-	(207,212,099.61)
Closing balance	184,576,734.43	-	-	184,576,734.43

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

2021

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses (Lifetime)	Total
Opening balance	37,020,515.18	-	-	37,020,515.18
Provision	207,212,099.61	-	-	207,212,099.61
Reclassification to other current assets	(37,020,515.18)	-	-	(37,020,515.18)
Closing balance	207,212,099.61	-	-	207,212,099.61

15. Debt investments

	31 December 2022			31 December 2021		
	Gross carrying amount	Provision for bad debt	Carrying value	Gross carrying amount	Provision for bad debt	Carrying value
Trust and finance fund	-	-	-	325,000,000.00	-	325,000,000.00

As at 31 December 2022, in the opinion of the Group, there was no need to provide for credit losses in respect of debt investments.

	31 December 2022			31 December 2021		
	Par value	Coupon rate/ annual rate	Due date	Par value	Coupon rate/ annual rate	Due date
No.1	275,000,000.00	3.55%	2023/12/20	275,000,000.00	3.70%	2023/12/20
No.2	-	/	/	60,000,000.00	3.70%	2022/10/17
No.3	-	/	/	65,000,000.00	3.70%	2022/10/17
No.4	-	/	/	28,000,000.00	3.70%	2022/10/17
No.5	-	/	/	100,000,000.00	3.70%	2022/10/17
No.6	50,000,000.00	3.55%	2023/12/20	50,000,000.00	3.70%	2023/12/20
Less: Non-current assets due within one year	325,000,000.00	/	/	253,000,000.00	/	/
Total	-	/	/	325,000,000.00	/	/

16. Other debt investments

	Opening balance	Interest payable	Interest adjustment	Changes in fair value in the current year	Closing balance	Investment cost	Cumulative changes in fair value	Cumulative provision for impairment recognized in other comprehensive income
2022	7,797,312,850.00	1,513,965.55	(12,846,596.04)	(8,081,072.41)	2,648,186,108.50	2,715,362,078.76	(55,843,339.77)	49,220,975.22

Less: Non-current assets due within one year	-	215,293.15	-(249,993.15)	49,965,300.00	50,000,000.00	(249,993.15)	23,362.00
	7,797,312,850.00	1,298,672.40	(12,846,596.04)	(7,831,079.26)	2,598,220,808.50	2,665,362,078.76	(55,593,346.62)	49,197,613.22
2021	172,642,723.10	-	(177,421,956.34)	4,142,876.93	7,797,312,850.00	8,018,440,011.70	(43,705,205.36)	51,550,013.25

Changes in the provision for bad debts in respect of other debt investments based on 12-month expected credit losses and lifetime expected credit losses are as follows:

2022

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total
Opening balance	3,110,001.55	-	48,440,011.70	51,550,013.25
Provision	780,963.52	-	-	780,963.52
Reversal	(3,110,001.55)	-	-	(3,110,001.55)
Closing balance	780,963.52	-	48,440,011.70	49,220,975.22

2021

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total
Opening balance	-	-	48,440,011.70	48,440,011.70
Provision	3,110,001.55	-	-	3,110,001.55
Reversal	-	-	-	-
Closing balance	3,110,001.55	-	48,440,011.70	51,550,013.25

17. Long-term receivables

	31 December 2022			31 December 2021		
	Carrying balance	Impairment provision	Book value	Carrying balance	Impairment provision	Book value
Accounts receivable from employee borrowings for down payments of first-time homebuyers (Note 1)	135,871,079.76	-	135,871,079.76	174,327,546.77	-	174,327,546.77
Accounts receivable from sale and leaseback (Note 2)	654,541,750.30	26,791,748.52	627,750,001.78	719,498,916.67	24,282,000.00	695,216,916.67
Accounts receivable from disposal of assets (Note 3)	253,917,552.06	-	253,917,552.06	-	-	-
Others (Note 4)	-	-	-	7,500,000.00	-	7,500,000.00
Less: Non-current assets due within one year	71,659,434.30	-	71,659,434.30	30,211.25	-	30,211.25
	972,670,947.82	26,791,748.52	945,879,199.30	901,296,252.19	24,282,000.00	877,014,252.19

Note 1: Employee borrowings for down payments of first-time homebuyers are provided to some employees with different loan limits at the interest rate of 50% of that of the Housing Provident Fund. The tenure is within 10 years. Advance repayment or monthly repayment shall be made starting from the third year after the borrowing. Employees shall make full repayment within 8 years.

Note 2: Consideration from assets transferred in sale and leaseback is not included in accounts receivable from leasing out under the sales circumstances, interest rates in RMB ranged from 4.65% to 4.8% per annum.

Note 3: Accounts receivables from disposal of assets are receivables involved in roller grinding business transferred by Wuhan Iron and Steel Co., Ltd. to a third party. The payments are receivable in equal installments over five years at an interest rate of 4.3%.

Note 4: Other long-term receivables are guarantee deposits with a carrying amount of RMB7,500,000.00 paid by Zhejiang Baojing, a subsidiary of Baowu Carbon Material (Baowu Carbon Material is a subsidiary of the Company), as the lessee. Those guarantee deposits had been refunded in 2022.

As at 31 December 2022, no long-term receivables were derecognized due to the transfer of financial assets (2021: Nil). No asset and liability were formed due to continuing involvement of the transferred long-term receivables (2021: Nil).

Changes in the provision for bad debts in respect of long-term receivables based on 12-month expected credit losses and lifetime expected credit losses are as follows:

2022

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total
Opening balance	-	24,282,000.00	-	24,282,000.00
Provision	-	2,509,748.52	-	2,509,748.52
Closing balance	-	26,791,748.52	-	26,791,748.52

2021

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total
Opening balance	-	-	-	-
Provision	-	24,282,000.00	-	24,282,000.00
Closing balance	-	24,282,000.00	-	24,282,000.00

Changes in provision for bad debts of long-term receivables are presented as follows:

	2022	2021
Opening balance	24,282,000.00	-
Provision	2,509,748.52	24,282,000.00
Closing balance	26,791,748.52	24,282,000.00

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

18. Long-term equity investments

	31 December 2021	Movements in the current year				Movements in the current year				31 December 2022	Including:
	Book value	Increase	Decrease	Profit or loss recognized under equity method	Other comprehensive adjustments	Other equity movements	Cash dividend and profits announced	Exchange differences arising from translation of financial statements	Impairment provision	Book value	Closing balance of impairment
I. Joint ventures											
JFE Steel Sheet	2,375,153,688.33	-	-	163,764,089.48	-	(1,876,236.53)	(154,794,772.00)	-	-	2,382,246,769.28	35,000,000.00
Bao Steel Ri Iron Auto Sheet Co., Ltd. (BNA)	1,967,928,090.96	-	-	118,388,532.62	-	-	-	-	-	2,086,316,623.58	-
Bao-Island Enterprise	675,189,817.85	-	-	66,546,753.00	62,026,554.45	-	(28,216,610.00)	-	-	775,546,515.30	-
Baowei Auto Part	165,950,308.69	-	-	923,806.70	-	-	(5,000,000.00)	-	-	161,874,115.39	-
Wuhan Pingmei Wugang Joint Coking Co., Ltd.	154,003,054.11	-	-	1,277,518.72	-	-	-	-	-	155,280,572.83	-
Shandong Baohua	96,060,095.21	-	-	(681,710.78)	-	(35,055.80)	-	-	-	95,343,328.63	-
General Electric Wuhan Automation Co., Ltd.	36,020,932.37	-	-	2,792,956.09	-	-	(2,109,969.56)	-	-	36,703,918.90	-
Wuhan Baozhang Auto Steel Part Co. Ltd.	30,460,648.99	-	-	1,352,938.11	-	-	(400,694.25)	-	-	31,412,892.85	-
Shanghai Metro Electronic Technology Co., Ltd.	22,707,160.97	-	-	7,307,988.84	-	-	(1,667,850.00)	-	-	28,347,299.81	-
Changshu Weishike Daheng Metal Material Technology Co., Ltd.	19,461,178.60	-	-	2,360,177.27	-	-	-	-	-	21,821,355.87	-
Sub-total	5,542,934,976.08	-	-	364,033,050.05	62,026,554.45	(1,911,292.33)	(192,189,895.81)	-	-	5,774,893,392.44	35,000,000.00
II. Associates											
Shanghai Rural Commercial Bank Co., Ltd.	7,139,844,699.97	-	-	910,500,802.33	76,264,092.21	(1,406,986.18)	(240,000,000.00)	-	-	7,885,202,608.33	-
Ouyeel Cloud Commerce Corporation Limited	2,063,236,492.38	-	-	70,437,212.98	8,171,938.76	(40,271,806.06)	-	-	-	2,101,573,838.06	-
Baowu Water Technology Co., Ltd.	1,696,903,834.30	-	-	45,872,772.61	-	8,447,626.09	(38,130,905.54)	-	-	1,713,093,327.46	-
Ouyeel Industrial Products Co., Ltd.	1,594,572,923.36	-	-	12,742,465.81	(141,184.36)	(1,683,565.43)	-	-	-	1,605,490,639.38	-
China Pingmei Shenma Energy and Chemical Group Co., Ltd.	1,216,193,368.17	-	-	414,770,249.98	-	-	-	-	-	1,630,963,618.15	-
Henan Pingbao	1,272,410,775.05	-	-	400,711,547.05	-	11,448,637.92	(120,000,000.00)	-	-	1,564,570,960.02	-
Baowu Clean Energy	1,183,626,771.69	-	-	65,417,446.89	4,759,087.33	(83,204,623.31)	-	-	-	1,170,598,682.60	-
TWB Company L.L.C.	757,043,955.62	-	-	78,620,622.35	45,986,324.18	-	(39,858,792.15)	22,335,488.65	-	864,127,598.65	-
Wuhan Steel Group Oxygen Co., Ltd.	601,943,852.66	-	-	50,370,929.20	-	-	(16,558,773.52)	-	-	635,756,008.34	-
Baowu Group Environmental Resources Technology Co., Ltd. (Note 1)	-	602,210,000.00	-	(11,581,087.46)	-	-	(23,754,336.14)	-	-	566,874,576.40	-
Baowu Qingneng (Guangdong) Gas Co., Ltd.	535,185,326.29	-	-	6,998,996.52	-	173,225.55	(10,534,503.80)	-	-	531,823,044.56	-
Taicang Wugang Dock Co., Ltd.	341,561,033.18	-	-	47,537,284.58	-	-	(39,703,381.70)	-	-	349,394,936.06	-
Ouyeel Finance Co., Ltd.	293,414,128.36	-	-	5,376,670.10	(241,569.88)	43,559,974.94	(479,750.64)	-	-	341,629,452.88	-
Baowu raw material supply Co., Ltd.	271,087,234.94	-	-	17,008,695.96	-	-	(14,228,891.03)	-	-	273,867,039.87	-
Shanghai Baosteel & Arcelor Tailor Metal	145,894,750.92	-	-	32,955,974.76	-	-	(27,687,647.41)	-	-	151,163,078.27	-
Vietnam Can Making	118,362,943.00	-	-	17,010,539.83	(4,355,842.27)	-	-	10,932,750.41	-	141,950,390.97	-
Shanghai Ouye Logistics Co., Ltd.	112,960,972.92	-	-	6,935,676.11	20,027.40	(5,198,749.02)	-	-	-	114,717,927.41	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

	31 December 2021	Movements in the current year			Movements in the current year					31 December 2022	Including:
	Book value	Increase	Decrease	Profit or loss recognized under equity method	Other comprehensive adjustments	Other equity movements	Cash dividend and profits announced	Exchange differences arising from translation of financial statements	Impairment provision	Book value	Closing balance of impairment
II. Associates (continued)											
Guangzhou Automobile Bao-Business Steel Processing Co., Ltd.	98,189,742.52	-	-	11,275,616.94	-	-	(1,568,768.30)	-	-	107,896,591.16	-
Wuhan WISCO Big Data Industrial Park Co., Ltd.	54,456,190.82	-	-	(4,307,347.92)	-	-	-	-	-	50,148,842.90	-
Sichuan Daxing	31,996,105.57	-	-	6,795,904.20	-	1,071,502.37	(2,250,000.00)	-	-	37,613,512.14	-
Dalian Jiaxiang Technology Co., Ltd.	34,070,010.18	-	-	(2,057,321.03)	-	-	-	-	-	32,012,689.15	-
Guangdong Zhanjiang Port Longteng Shipping Co., Ltd.	30,749,250.51	-	-	3,240,717.55	-	-	(2,714,552.18)	-	-	31,275,415.88	-
MIBao Metal Processing Zhengzhou CO., Ltd.	33,015,388.89	-	-	662,397.14	-	-	(4,520,154.06)	-	-	29,157,631.97	-
Taicang Wuhan Steel Distribution Co., Ltd.	28,497,642.80	-	-	519,115.38	-	-	-	-	-	29,016,758.18	-
Zhongji Baochuang (Wuxi) Steel Processing Co., Ltd.	24,028,607.23	-	-	2,225,749.63	-	-	(866,090.96)	-	-	25,388,265.90	8,832,249.13
Shanghai Hgb Digital Technology Co., Ltd.	17,580,542.01	-	-	1,845,564.27	-	1,259,051.74	-	-	-	20,685,158.02	-
Shanghai Baoneng Information Technology Co., Ltd.	17,773,808.90	-	-	4,612,223.33	-	-	(2,200,000.00)	-	-	20,186,032.23	-
Renwei Software	11,260,623.78	-	-	5,162,630.20	-	-	(2,236,000.00)	-	-	14,187,253.98	-
Suzhou Chuanglian Electric Drive Co., Ltd.	21,483,398.87	-	-	(851,032.01)	-	-	(8,000,000.00)	-	-	12,632,366.86	-
Masteel Hongfei Power Energy Co., Ltd.	9,528,577.58	-	-	104,237.86	-	-	(162,614.42)	-	-	9,470,201.02	-
Beijing Qingke Chuang Tong Information Technology Co., Ltd.	9,027,530.24	-	-	(1,357,664.81)	-	-	-	-	-	7,669,865.43	-
Shanghai Baosteel Xinyue Talent Technology Co., Ltd.	5,573,043.85	-	-	511,938.40	-	-	(620,363.33)	-	-	5,464,618.92	-
Shanghai Steel Trading Center Co., Ltd.	4,469,666.72	-	-	1,060,448.05	-	(535,303.12)	-	-	-	4,994,811.65	-
Alpha United (Shanghai) Software Technology Co., Ltd.	2,830,050.00	-	-	212,089.11	-	1,718,200.00	-	-	-	4,760,339.11	-
Wuhan Hanwei Refining Installation Engineering Co., Ltd.	5,932,097.83	-	-	(2,148,650.29)	-	-	-	-	-	3,783,447.54	-
Shanghai JinShang Network Technology Co., Ltd.	2,835,821.81	-	-	209,368.90	-	-	(75,778.42)	-	-	2,969,412.29	6,191,416.99
Wuhai Yellow River Yiteng Pigment Carbon Black Co., Ltd.	2,087,101.48	-	-	550,334.42	-	-	(340,521.30)	-	-	2,296,914.60	-
Wuhan Iron and Steel Group Metal Resource Co., Ltd. (Note 1)	524,826,081.27	-	(507,539,854.55)	(17,286,226.72)	-	-	-	-	-	-	-
Wuxi Bao-Mit Steel Distribution Co., Ltd. (Note 2)	54,625,413.46	-	(56,275,060.46)	1,649,647.00	-	-	-	-	-	-	-
Equity transferred from old system trade right due to non-tradable share reform	7,949,489.18	-	-	-	-	-	-	-	-	7,949,489.18	-
Sub-total	20,377,029,248.31	602,210,000.00	(563,814,915.01)	2,184,316,539.20	130,462,873.37	(64,622,814.51)	(596,491,824.90)	33,268,239.06	-	22,102,357,345.52	15,023,666.12
Total	25,919,964,224.39	602,210,000.00	(563,814,915.01)	2,548,349,589.25	192,489,427.82	(66,534,106.84)	(788,681,720.71)	33,268,239.06	-	27,877,250,737.96	50,023,666.12

Note 1: In March 2022, based on Dongzhou Review No. [2021] 1466 issued by Shanghai Dongzhou Asset Appraisal Co., LTD., the Company invested in Baowu Group Environmental Resources Technology Co., Ltd. ("Baowu Environmental Technology") by the investment of 49% equity of Wuhan Iron and Steel Group Metal Resource Co., Ltd. at a consideration of RMB602 million. After the investment, the Group holds 7.79% equity of Baowu Environmental Technology, and appointed a director to join Baowu Environmental Technology's operation and management. The Group holds less than 20% equity of Baowu Environmental Technology, but it has a significant impact on Baowu Environmental Technology. Therefore the equity method was adopted in accounting for the investment.

Note 2: Please refer to Note VI. 1.
Liquidity of long-term investments and investment income does not have material limitation.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Provision for impairment of long-term equity investments is presented as follows:

2022

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Guangzhou JFE Steel Sheet Company Ltd.	35,000,000.00	-	-	35,000,000.00
Zhongji Baochuang (Wuxi) Steel Processing Co., Ltd.	8,832,249.13	-	-	8,832,249.13
Shanghai JinShang Network Technology Co., Ltd.	6,191,416.99	-	-	6,191,416.99
	50,023,666.12	-	-	50,023,666.12

2021

	Opening balance	Increase during the year	Decrease during the year	Closing balance
Guangzhou JFE Steel Sheet Company Ltd.	35,000,000.00	-	-	35,000,000.00
Zhongji Baochuang (Wuxi) Steel Processing Co., Ltd.	8,832,249.13	-	-	8,832,249.13
Shanghai JinShang Network Technology Co., Ltd.	-	6,191,416.99	-	6,191,416.99
	43,832,249.13	6,191,416.99	-	50,023,666.12

19. Investments in other equity instruments

	31 December 2022	31 December 2021
Shanxi Xishan Coal and Electricity Power Co., Ltd.	646,060,046.70	458,619,449.46
China Datang Corporation Renewable Power Co., Limited	339,588,242.00	486,147,986.87
Others	205,739,632.05	209,800,598.54
Total	1,191,387,920.75	1,154,568,034.87

2022

	Dividend income for the year	Accumulated profits	Accumulated losses	Amount transferred from other comprehensive income to retained earnings	Reasons
Shanxi Xishan Coal and Electricity Power Co., Ltd.	44,364,638.40	-	(295,599,956.99)	-	/
China Datang Corporation Renewable Power Co., Limited	4,592,557.67	141,119,644.62	-	-	/
Others	-	-	(94,260,367.95)	-	/
Total	48,957,196.07	141,119,644.62	(389,860,324.94)	-	/

2021

	Dividend income for the year	Accumulated profits	Accumulated losses	Amount transferred from other comprehensive income to retained earnings	Reasons
Shanxi Xishan Coal and Electricity Power Co., Ltd.	5,545,579.80	-	(483,040,554.23)	-	/
China Datang Corporation Renewable Power Co., Limited	4,368,572.83	304,461,136.75	-	-	/
Others	3,836,400.00	-	(90,199,401.46)	-	/
Total	13,750,552.63	304,461,136.75	(573,239,955.69)	-	/

The Group designated its investments in other equity instruments as financial assets at fair value through other comprehensive income.

20. Other non-current financial assets

	31 December 2022	31 December 2021
Financial assets at fair value through profit or loss	784,998,283.01	9,464,326,048.56

	31 December 2022	31 December 2021
China National Petroleum Pipeline Co. Ltd.	-	8,643,900,787.20
Others	784,998,283.01	820,425,261.36
Total	784,998,283.01	9,464,326,048.56

21. Investment properties

Subsequent measurement under the cost model:

	Houses and buildings	Land use rights	Total
Total original carrying amount			
Opening balance	1,250,688,007.67	96,854,700.26	1,347,542,707.93
Increase in the current year	25,141,280.10	-	25,141,280.10
Transfer from fixed assets	14,077,144.15	-	14,077,144.15
Translation differences on financial statements denominated in foreign currencies	11,064,135.95	-	11,064,135.95
Decrease in the current year	(10,622,276.20)	-	(10,622,276.20)
Disposals	-	-	-
Transfer to fixed assets	(10,622,276.20)	-	(10,622,276.20)
Closing balance	1,265,207,011.57	96,854,700.26	1,362,061,711.83
Accumulated depreciation and accumulated amortization:			
Opening balance	703,803,760.95	37,745,779.90	741,549,540.85
Increase in the current year	47,888,544.60	1,777,305.08	49,665,849.68
Provision	45,530,778.68	1,777,305.08	47,308,083.76
Transfer to fixed assets	1,863,365.97	-	1,863,365.97
Translation differences on financial statements denominated in foreign currencies	494,399.95	-	494,399.95
Decrease in the current year	(2,160,958.48)	-	(2,160,958.48)
Disposals	-	-	-

Transfer to fixed assets	(2,160,958.48)	-	(2,160,958.48)
Closing balance	749,531,347.07	39,523,084.98	789,054,432.05
Provision for impairment			
Opening and closing balance	-	-	-
Carrying amount			
Closing balance	515,675,664.50	57,331,615.28	573,007,279.78
Opening balance	546,884,246.72	59,108,920.36	605,993,167.08

As at 31 December 2022, buildings and land use rights with a net value of RMB39,024,586.18 have not yet obtained the certificates of title (As at 31 December 2021: RMB34,474,199.52).

As at 31 December 2022, no investment properties were mortgaged for a short-term borrowing (31 December 2021: RMB 20,862,128.71).

22. Fixed assets

	31 December 2022	31 December 2021
Fixed assets	148,258,748,736.19	146,161,411,884.34
Liquidation of fixed assets	-	-
Total	148,258,748,736.19	146,161,411,884.34

	Houses and buildings	Machinery and equipment	Transportation vehicles	Office and other equipment	Total
Original carrying amount					
Opening balance	93,270,232,298.41	274,144,106,590.04	29,018,965,685.68	34,337,610,733.13	430,770,915,307.26
Increase in the current year	4,530,822,235.36	13,461,796,734.10	1,509,174,010.77	2,371,491,877.01	21,873,284,857.24
Acquisition	15,712,750.23	233,477,556.34	72,769,774.57	259,681,257.50	581,641,338.64
Transfer from construction in progress	4,455,040,279.84	12,980,007,136.99	1,435,936,779.76	2,108,051,911.14	20,979,036,107.73
Investment properties transferred to self-use properties	10,622,276.20	-	-	-	10,622,276.20
Transfer from right-of-use assets	-	167,369,657.86	-	-	167,369,657.86
Increase in business combination not involving entities under common control	9,340,970.45	4,240,668.62	467,456.44	386,137.77	14,435,233.28
Translation differences on financial statements denominated in foreign currencies	40,105,958.64	76,701,714.29	-	3,372,570.60	120,180,243.53
Decrease in the current year	(485,041,456.50)	(4,051,283,432.81)	(707,873,500.33)	(365,681,914.05)	(5,609,880,303.69)
Disposal or retirement	(470,964,312.35)	(4,051,283,432.81)	(684,909,724.05)	(365,681,914.05)	(5,572,839,383.26)
Transfer to investment property	(14,077,144.15)	-	-	-	(14,077,144.15)
Translation differences on financial statements denominated in foreign currencies	-	-	(22,963,776.28)	-	(22,963,776.28)
Closing balance	97,316,013,077.27	283,554,619,891.33	29,820,266,196.12	36,343,420,696.09	447,034,319,860.81

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

	Houses and buildings	Machinery and equipment	Transportation vehicles	Office and other equipment	Total
Accumulated depreciation					
Opening balance	51,767,924,449.11	183,232,608,494.66	23,430,354,382.46	24,127,909,928.18	282,558,797,254.41
Increase in the current year	3,476,303,424.02	11,709,020,498.87	1,519,310,419.71	2,186,380,425.16	18,891,014,767.76
Addition	3,463,024,990.70	11,648,850,395.96	1,519,310,419.71	2,183,846,898.63	18,815,032,705.00
Investment properties transferred to self-use properties	2,160,958.48	-	-	-	2,160,958.48
Transfer from right-of-use assets	-	22,277,726.68	-	-	22,277,726.68
Translation differences on financial statements denominated in foreign currencies	11,117,474.84	37,892,376.23	-	2,533,526.53	51,543,377.60
Decrease in the current year	(321,624,435.67)	(3,317,163,394.51)	(620,975,677.66)	(452,981,813.44)	(4,712,745,321.28)
Disposal or retirement	(319,761,069.70)	(3,317,163,394.51)	(614,183,117.23)	(452,981,813.44)	(4,704,089,394.88)
Transfer to investment property	(1,863,365.97)	-	-	-	(1,863,365.97)
Translation differences on financial statements denominated in foreign currencies	-	-	(6,792,560.43)	-	(6,792,560.43)
Closing balance	54,922,603,437.46	191,624,465,599.02	24,328,689,124.51	25,861,308,539.90	296,737,066,700.89
Provision for impairment					
Opening balance	224,595,811.37	1,733,584,875.29	34,637,417.95	57,888,063.90	2,050,706,168.51
Increase in the current year	25,375,660.45	52,634,224.82	2,907,835.51	4,504,853.89	85,422,574.67
Addition	23,722,693.49	48,730,345.21	2,907,835.51	4,504,853.89	79,865,728.10
Translation differences on financial statements denominated in foreign currencies	1,652,966.96	3,903,879.61	-	-	5,556,846.57
Decrease in the current year	(5,323,587.13)	(86,198,969.54)	(2,797,535.99)	(3,304,226.79)	(97,624,319.45)
Disposal or retirement	(5,323,587.13)	(86,198,969.54)	(2,797,535.99)	(3,304,226.79)	(97,624,319.45)
Translation differences on financial statements denominated in foreign currencies	-	-	-	-	-
Closing balance	244,647,884.69	1,700,020,130.57	34,747,717.47	59,088,691.00	2,038,504,423.73
Carrying amount					
Closing balance	42,148,761,755.12	90,230,134,161.74	5,456,829,354.14	10,423,023,465.19	148,258,748,736.19
Opening balance	41,277,712,037.93	89,177,913,220.09	5,553,973,885.27	10,151,812,741.05	146,161,411,884.34

(1) Temporarily idle fixed assets

As at 31 December 2022 and 31 December 2021, the Group had no temporarily idle fixed assets.

(2) Carrying amounts of fixed assets leased under operating leases:

	Houses and buildings	Machinery and equipment	Transportation vehicles	Other equipment	Total
31 December 2022	685,479,612.19	376,192,897.98	9,400,906.22	17,710,108.80	1,088,783,525.19
31 December 2021	803,633,119.08	441,171,959.69	11,609,422.98	21,017,106.43	1,277,431,608.18

(3) Fixed assets of which certificates of title have not been obtained:

As at 31 December 2022, the property right of the buildings, amounting to RMB2,882,559,258.05 (31 December 2021: RMB1,899,052,117.07), was still in the process of being transferred to the Group.

(4) Fixed assets used as collateral:

As at 31 December 2022, fixed assets with a carrying amount of RMB346,137,461.17 (31 December 2021: RMB500,955,447.71) were mortgaged for a long-term borrowing of RMB102,740,408.66 (31 December 2021: RMB 154,423,545.25), a short-term borrowing of RMB 221,589,094.35 (31 December 2021: RMB 321,865,543.94) and a long-term borrowing due within one year of RMB65,198,300.69 (31 December 2021: RMB57,161,833.26). As at 31 December 2022, the Group mortgaged the fixed assets of RMB44,401,197.06 (As at 31 December 2021: Nil) as guarantees for notes.

23. Construction in progress

	31 December 2022	31 December 2021
Materials for construction of fixed assets	29,763,138.28	20,162,561.06
Construction in progress	13,721,545,164.40	13,760,503,962.66
Total	13,751,308,302.68	13,780,666,523.72

Materials for construction of fixed assets

	31 December 2022			31 December 2021		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Special materials	4,122,315.97	-	4,122,315.97	4,047,070.10	-	4,047,070.10
Special equipment	8,240,772.84	-	8,240,772.84	8,240,772.84	-	8,240,772.84
Construction material and others	17,400,049.47	-	17,400,049.47	7,874,718.12	-	7,874,718.12
Total	29,763,138.28	-	29,763,138.28	20,162,561.06	-	20,162,561.06

Construction in progress

	31 December 2022			31 December 2021		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Technical upgrade and infrastructure construction	13,755,239,492.16	(33,694,327.76)	13,721,545,164.40	13,802,545,756.08	(42,041,793.42)	13,760,503,962.66

Changes in significant construction in progress:

	Budget	Opening balance	Increase in the current year	Transfer to fixed assets	Transfer to intangible assets	Transfer to long-term prepaid expenses	Disposal	Translation differences arising from translation of financial statements denominated in foreign currencies	Impairment provision	Closing balance
Technical upgrade and infrastructure construction	17,667,309,200.00	13,802,545,756.08	21,675,041,922.38	(20,979,036,107.73)	(212,157,768.14)	(391,500,000.00)	(139,644,872.04)	(9,438.39)	(33,694,327.76)	13,721,545,164.40

	Capital sources	Amount invested as a proportion of budget amount (%)	Accumulated capitalized interest	Including: Capitalized interest for the period	Capitalization rate for the period (%)
Technical upgrade and infrastructure construction	Self-funding and borrowing	75	34,884,247.28	22,505,533.04	3.38

Impairment of construction in progress:

	Opening balance	Provision	Decrease	Closing balance
Cloud computing platform project related to production informatization	33,407,227.29	-	-	33,407,227.29
Others	8,634,566.13	-	(8,347,465.66)	287,100.47
Total	42,041,793.42	-	(8,347,465.66)	33,694,327.76

24. Right-of-use assets

2022

	Land use rights	Houses and buildings	Machinery and equipment	Transportation vehicles	Other equipment	Total
Cost						
At the beginning of the year	4,441,320,647.09	809,275,969.63	206,432,365.62	26,017,501.03	1,626,599.56	5,484,673,082.93
Addition	670,065,883.02	159,043,179.30	15,723,510.63	120,940,695.77	31,108.31	965,804,377.03
Disposal	-	(79,448,394.66)	-	(401,263.73)	-	(79,849,658.39)
Transfer to fixed assets	-	-	(167,369,657.86)	-	-	(167,369,657.86)
Translation differences on financial statements denominated in foreign currencies	-	4,159,704.61	133,830.93	(9,921,126.62)	21,862.62	(5,605,728.46)
At the end of the year	5,111,386,530.11	893,030,458.88	54,920,049.32	136,635,806.45	1,679,570.49	6,197,652,415.25
Accumulated depreciation						
At the beginning of the year	211,143,653.17	101,209,296.14	49,235,021.75	6,306,233.66	325,870.28	368,220,075.00
Provided	238,625,412.66	131,574,913.51	13,050,957.86	15,887,372.71	391,960.75	399,530,617.49
Disposal	(2,925,375.36)	(7,018,255.51)	-	(300,667.11)	-	(10,244,297.98)
Transfer to fixed assets	-	-	(22,277,726.68)	-	-	(22,277,726.68)
Translation differences on financial statements denominated in foreign currencies	-	526,865.13	62,743.47	(2,347,636.32)	11,811.80	(1,746,215.92)

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

At the end of the year	446,843,690.47	226,292,819.27	40,070,996.40	19,545,302.94	729,642.83	733,482,451.91
Impairment						
At the beginning of the year and at the end of the year	-	-	-	-	-	-
Net carrying amount:						
At the end of the year	4,664,542,839.64	666,737,639.61	14,849,052.92	117,090,503.51	949,927.66	5,464,169,963.34
At the beginning of the year	4,230,176,993.92	708,066,673.49	157,197,343.87	19,711,267.37	1,300,729.28	5,116,453,007.93

As at 31 December 2022, no right-of-use assets was financed by the Group with sale and leaseback (31 December 2021: RMB154,671,605.32).

25. Intangible assets

	Land use rights	Software	Ore mining rights	Others	Total
Original carrying amount					
Opening balance	14,222,016,857.62	856,815,640.98	787,132,255.06	395,913,537.21	16,261,878,290.87
Increase in the current year	266,771,075.16	240,400,559.31	-	5,107,720.39	512,279,354.86
Acquisition	149,494,843.21	119,912,746.10	-	4,622,292.39	274,029,881.70
Increase in business combination not involving entities under common control	18,312,371.12	-	-	-	18,312,371.12
Transfer from construction in progress	95,532,838.00	116,139,502.14	-	485,428.00	212,157,768.14
Translation differences on financial statements denominated in foreign currencies	3,431,022.83	4,348,311.07	-	-	7,779,333.90
Decrease in the current year	(52,068,439.28)	(33,035,941.81)	-	-	(85,104,381.09)
Disposal or retirement	(39,481,839.28)	(33,035,941.81)	-	-	(72,517,781.09)
Disposal of subsidiaries	(12,586,600.00)	-	-	-	(12,586,600.00)
Translation differences on financial statements denominated in foreign currencies	-	-	-	-	-
Closing balance	14,436,719,493.50	1,064,180,258.48	787,132,255.06	401,021,257.60	16,689,053,264.64
Accumulated depreciation					
Opening balance	2,943,838,055.74	621,084,465.92	484,414,838.75	120,295,899.10	4,169,633,259.51
Increase in the current year	305,647,027.85	106,862,842.37	43,245,345.16	17,835,071.19	473,590,286.57
Addition	305,532,360.93	106,838,934.09	43,245,345.16	17,835,071.19	473,451,711.37
Translation differences on financial statements denominated in foreign currencies	114,666.92	23,908.28	-	-	138,575.20
Decrease in the current year	(14,078,478.56)	(29,861,129.42)	-	-	(43,939,607.98)
Disposal or retirement	(10,973,783.41)	(29,861,129.42)	-	-	(40,834,912.83)
Disposal of subsidiaries	(3,104,695.15)	-	-	-	(3,104,695.15)
Translation differences on financial statements denominated in foreign currencies	-	-	-	-	-
Closing balance	3,235,406,605.03	698,086,178.87	527,660,183.91	138,130,970.29	4,599,283,938.10
Provision for impairment					
Opening balance	-	34,289.03	-	10,064,921.67	10,099,210.70
Decrease in the current year	-	965.07	-	-	965.07
Translation differences on financial statements denominated in foreign currencies	-	965.07	-	-	965.07
Closing balance	-	35,254.10	-	10,064,921.67	10,100,175.77
Carrying amount					
Closing balance	11,201,312,888.47	366,058,825.51	259,472,071.15	252,825,365.64	12,079,669,150.77
Opening balance	11,278,178,801.88	235,696,886.03	302,717,416.31	265,552,716.44	12,082,145,820.66

There was no major intangible asset which was generated by internal research and development activities in the current year.

As at 31 December 2022, intangible assets without certificates amounted to RMB221,357,713.03 (31 December 2021: RMB110,087,591.93).

As at 31 December 2022, no intangible assets (31 December 2021: RMB24,100,866.07) was mortgaged for a short-term borrowing. As at 31 December 2022, the Group mortgaged the land use rights of RMB1,175,098.00 (As at 31 December 2021: Nil) as guarantees for notes.

26. Goodwill

		Changes in the current year		
	Opening balance	Translation differences on financial statements denominated in foreign currencies	Disposal	Closing balance
M&A ThyssenKrupp laser welding business	482,114,922.28	13,569,227.56	-	495,684,149.84
M&A high performance filer and composite material business of Baojing (hereinafter referred to as "Jinggong Group" collectively)	24,627,643.01	-	-	24,627,643.01
M&A Wuhan Guide Electric Co., Ltd.	9,679,902.93	-	-	9,679,902.93
Total	516,422,468.22	13,569,227.56	-	529,991,695.78

Goodwill acquired through business combinations within the Group has been allocated to the following portfolios of asset groups for impairment testing:

- Portfolio of asset groups related to ThyssenKrupp's laser welding business
- Portfolio of asset groups related to high performance filer and composite material business of Shaoxing Baojing Composite Materials Co., Ltd. (hereinafter referred to as "Baojing")
- Portfolio of asset groups related to Wuhan Guide Electric Co., Ltd.

Portfolio of asset groups related to ThyssenKrupp's laser welding business

When the Group conducts an impairment test on the relevant asset group portfolio, it classifies goodwill into asset groups within the consolidation scope that are relevant to the business for impairment testing. The cash flow forecast is the forecast for the next five years based on the development trend of the laser welding business industry, the Company's financial budget and future planning goals. The cash flow after five years is assumed to remain unchanged. The discount rate of the above assets was determined after the consideration of the comprehensive factors such as market maturity and risk premium degree in different countries. Based on the recoverable amount measured by the above income method, and comparison with the relevant book value, it is confirmed that no impairment loss occurred in the current year.

Portfolio of asset groups related to high performance filer and composite material business of Baojing

The portfolio of asset groups related to high performance fibers and composite material business of Baojing is mainly composed of Jinggong Group's identifiable assets (including intangible assets) and liabilities, consistent with the portfolio of asset groups as determined on the acquisition date. The cash flow forecast is made for the next five years based on the development trend of the industry, the Company's financial budget and future planning goals, etc. The cash flow after five years is assumed to remain unchanged. The discount rate is determined to reflect the specific risks relating to related portfolios of asset groups. Based on the recoverable amount measured by the above income method, and comparison with the relevant book value, it is confirmed that no impairment loss occurred in the current year.

Portfolio of asset groups related to Wuhan Guide Electric Co., Ltd.

The portfolio of asset groups of Wuhan Guide is mainly composed of Wuhan Guide's identifiable assets (including intangible assets) and liabilities, consistent with the portfolio of asset groups as determined on the acquisition date. The cash flow forecast is made for the next five years based on the development trend of the industry, the Company's financial budget and future planning goals, etc. The cash flow after five years is assumed to remain unchanged. The discount rate is determined to reflect the specific risks relating to related portfolios of asset groups. Based on the recoverable amount measured by the above income method, and comparison with the relevant book value, it is confirmed that no impairment loss occurred in the current year.

27. Long-term prepaid expenses

	Opening balance	Increase in current year	Amortization in current year	Closing balance
Decoration fees	944,239,743.78	38,442,270.92	(142,020,342.38)	840,661,672.32
Relocation expense on Meishan steel coke oven (Note 1)	653,195,632.92	-	(25,366,820.76)	627,828,812.16
Project of advanced treatment of solid waste yards on beaches (Note 2)	404,816,666.71	391,500,000.00	(24,814,583.29)	771,502,083.42
Others	24,441,327.65	14,659,936.35	(11,270,121.22)	27,831,142.78
Total	2,026,693,371.06	444,602,207.27	(203,471,867.65)	2,267,823,710.68

Note 1: According to the "Agreement on Relocating Residents in Health Protection Area of Shanghai Meishan Iron and Steel Co., Ltd. in the 11th Five-Year Period" signed by Shanghai Meishan Iron and Steel Co., Ltd., ("Meishan Steel"), Banqiao sub-district office of Nanjing Yuhuatai District and Nanjing Yuhua Economic and Technological Development Zone Management Committee on 16 October 2012, residents within 1 kilometer from Meishan steel coke oven construction project are compensated by Meishan Steel at RMB880,000,000.00. As at the end of 2022, an accumulated amount of RMB860,000,000.00 was paid. The above compensation undertaken by Meishan Steel would be amortized in accordance with the remaining lives of the major assets of the related construction project.

Note 2: According to the "Engineering Contract for Advanced Treatment of Solid Waste Yards on Beaches" and the "Engineering Contract for the Second Bid Lot (Solid Waste Disposal) in Project of Advanced Treatment of Solid Waste Yards on Beaches" signed among the Company, China MCC20 Group Corp., Ltd. and Baowu Group Environmental Resources Technology Co., Ltd. in 2021, the Company would be subject to the requirements of advanced treatment in respect of the leased solid waste yards on beaches. By the end of 2021, the Company has transferred the estimated provisional costs amounting to RMB428,000,000.00 for the treatment mentioned above to long-term deferred expenses, which will be amortized over 20 years. In addition, according to the supplementary agreement signed by the Company and Baowu Group Environmental Resources Technology Co., Ltd., in August 2022 on the relevant provisions of the "Engineering Contract for Advanced Treatment of Solid Waste Yards on Beaches", the Company has transferred the additional estimated provisional costs amounting to RMB391,500,000.00 for the treatment mentioned above to long-term deferred expenses, which will be amortized over 20 years.

28. Deferred tax assets/Deferred tax liabilities

Deferred tax assets and deferred tax liabilities without offset are as follows:

	Deductible temporary differences		Deferred tax assets	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Provision for impairment losses of assets	5,965,075,438.15	4,772,847,208.52	1,245,012,458.56	1,033,101,891.86

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Unrealized profit from inter-group transactions	1,417,162,844.44	1,122,220,976.83	347,175,694.24	275,831,230.22
Deductible losses	3,249,953,978.78	140,923,158.19	504,668,308.84	34,989,080.38
Differences between depreciation and amortization of fixed assets and intangible assets	2,292,421,617.64	1,609,951,464.57	511,239,032.85	378,665,881.75
Salaries and termination benefits	1,862,350,386.35	2,221,899,530.84	394,425,487.84	457,235,531.27
Losses from changes in fair values	724,998,523.37	683,410,017.48	181,217,551.16	170,767,327.27
Others	6,337,620,247.06	6,203,735,758.28	1,473,550,629.05	1,435,128,988.63
Total	21,849,583,035.79	16,754,988,114.71	4,657,289,162.54	3,785,719,931.38

	Temporary taxable differences		Deferred tax liabilities	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Overdue tax payment from investment income	2,422,660,414.38	2,638,363,173.68	605,665,103.60	659,590,793.42
Gains from changes in fair values	417,784,783.62	366,447,716.60	104,446,195.90	91,611,929.15
Unrealized gains and losses resulting from the Group' s intercompany transactions	13,276,743.38	10,795,761.78	1,794,422.57	1,619,364.27
Appreciation of the assessed value of assets of business combinations involving enterprises not under common control	470,355,723.44	441,150,681.43	95,416,488.29	105,550,002.31
Difference of depreciation on fixed assets	5,532,293,701.92	3,637,475,651.95	1,296,046,237.86	909,360,207.15
Others	583,225,884.43	216,835,365.13	133,677,312.92	54,216,136.68
Total	9,439,597,251.17	7,311,068,350.57	2,237,045,761.14	1,821,948,432.98

Deferred tax assets and deferred tax liabilities are presented in net amount after offsetting:

	31 December 2022 After offsetting	31 December 2021 After offsetting
Deferred tax assets		
Offset amount	(798,581,904.33)	(449,216,309.86)
After offsetting	3,858,707,258.21	3,336,503,621.52
Deferred tax liabilities		
Offset amount	(798,581,904.33)	(449,216,309.86)
After offsetting	1,438,463,856.81	1,372,732,123.12

Details of temporary unrecognized deductible deferred tax assets:

	31 December 2022	31 December 2021
Provision for impairment losses on assets	1,198,759,468.28	892,897,488.75
Deductible losses	1,581,786,741.92	1,856,570,631.98
Others	1,258,724,361.44	1,289,312,537.26
Total	4,039,270,571.64	4,038,780,657.99

Deductible losses, for which no deferred tax assets are recognized, will expire in the following years:

	31 December 2022	31 December 2021
2022	-	329,207,296.31
2023	52,884,664.56	236,087,936.14
2024	86,751,716.88	196,227,213.92
2025	87,601,054.30	106,400,954.00
2026	308,597,067.21	343,226,072.31
2027	209,534,417.87	-
2028 to 2032	352,682,274.03	187,008,537.03
With no maturity date	483,735,547.07	458,412,622.27
Total	1,581,786,741.92	1,856,570,631.98

29. Other non-current assets

	31 December 2022	31 December 2021
Prepayment for construction equipment	2,020,180,462.75	409,759,161.41
Loans due from Bao-Island Enterprise	117,905,780.14	117,905,780.14
Luojing assets to be disposed of	113,595,667.67	134,034,795.80
Assets of Tinplate Plant to be disposed of (Note)	120,807,049.59	226,531,118.84
Others	10,293,198.48	311,194,836.91
Total	2,382,782,158.63	1,199,425,693.10

Note: The balance of the assets to be disposed of related to the tinplate plant was RMB377,129,939.83, and the impairment provision amounting to RMB256,322,890.24 has been recognized.

30. Short-term borrowings

	31 December 2022	31 December 2021
Unsecured and non-guaranteed loans	3,993,760,968.09	10,484,350,042.24
Loans from discounted notes with the right of recourse (Note 1)	324,208,103.17	81,680,320.00
Mortgage loans (Note 2)	221,589,094.35	237,365,543.94
Hypothecation loans (Note 3)	56,316,709.00	84,500,000.00
Guaranteed loans	-	38,000,000.00
Interest payable on short-term loans	4,604,442.30	7,580,804.52
Total	4,600,479,316.91	10,933,476,710.70

At the balance sheet date, the interest rates of the Group's short-term borrowings were as follows: (i) for borrowings dominated in RMB, the interest rates ranged from 0.70% to 4.15% per annum (2021: 0.85% to 5.60% per annum); (ii) for borrowings dominated in USD, the interest rates were three-month LIBOR+2.25% per annum (2021: one-month LIBOR+0.40% to three-month LIBOR+2.25% per annum); (iii) for borrowings dominated in Euro, the interest rates ranged from 1.47% to 3.49% per annum (2021: 0.15% to 1.25% per annum); (iv) for borrowings dominated in WON, the interest rates were 5.23% per annum (2021: 2.47% per annum); (v) for borrowings dominated in JPY, the interest rates ranged from 0.26% to 0.36% per annum.

Note 1: Please refer to Note V. 4.

Note 2: Please refer to Note V. 22(4).

Note 3: Please refer to Note V. 5.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

31. Customer deposits and deposits from banks and other financial institutions

	31 December 2022	31 December 2021
Current deposits	4,727,813,339.49	3,977,357,767.58
Fixed deposits	27,018,624,304.50	17,666,506,411.47
Total	31,746,437,643.99	21,643,864,179.05

32. Derivative financial liabilities

	31 December 2022	31 December 2021
Derivative financial liabilities	52,384,172.16	32,108,544.16

33. Notes payable

	31 December 2022	31 December 2021
Commercial acceptances	7,256,301,660.55	9,314,610,695.77
Bank acceptances	2,956,292,104.69	1,937,685,710.86
Total	10,212,593,765.24	11,252,296,406.63

Notes payable at 2022 will be due in 2023 and notes payable at 2021 were expired in 2022.

As at 31 December 2022, the Group had no outstanding notes payable which were due (31 December 2021: Nil).

34. Accounts payable

	31 December 2022	31 December 2021
Accounts payable for raw materials	34,581,808,789.19	33,739,006,003.43
Accounts payable for equipment	17,251,923,880.89	13,726,241,818.56
Total	51,833,732,670.08	47,465,247,821.99

No interest is charged on accounts payable.

As at 31 December 2022, accounts payable aged over one year totaling RMB2,282,819,850.85 (As at 31 December 2021: RMB2,608,935,197.38) were mainly the construction fees for technical revamping and infrastructure projects with a long period of construction.

35. Contract liabilities

	31 December 2022	31 December 2021
Sales and other services	25,123,792,058.62	23,578,300,200.59

36. Financial assets sold under repurchase agreements

	31 December 2022	31 December 2021
Financial assets sold under repurchase agreements	829,441,381.21	933,512,885.88

37. Employee benefits payable

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Short-term employee benefits	1,290,279,893.14	13,549,570,191.78	(13,610,382,134.02)	1,229,467,950.90
Post-retirement benefit (defined contribution plan)	4,206,534.36	1,971,711,344.38	(1,970,317,225.46)	5,600,653.28
Termination benefits	394,251,029.43	546,768,861.60	(647,393,772.52)	293,626,118.51
Other long-term employee benefits due within 1 year (Note)	59,042,368.88	201,804,661.13	(125,126,751.26)	135,720,278.75
Total	1,747,779,825.81	16,269,855,058.89	(16,353,219,883.26)	1,664,415,001.44

Note: Please refer to Note V.46 for details of other long-term employee benefits due within 1 year.

Details of short-term employee benefits:

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Wages or salaries, bonuses, allowances and subsidies	804,832,568.07	10,340,347,694.26	(10,418,939,542.76)	726,240,719.57
Staff welfare	-	600,267,370.58	(600,267,370.58)	-
Social security contributions	6,827,245.93	1,036,870,827.58	(1,035,555,901.14)	8,142,172.37
Including: Medical insurance	2,475,372.55	837,034,981.91	(836,069,493.85)	3,440,860.61
Work injury insurance	526,692.81	59,505,778.79	(59,443,579.53)	588,892.07
Disability employment insurance	305,178.53	48,959,324.90	(49,258,973.25)	5,530.18
Others	3,520,002.04	91,370,741.98	(90,783,854.51)	4,106,889.51
Housing funds	2,006,657.11	1,047,366,142.25	(1,047,525,315.65)	1,847,483.71
Labor union and education fund	421,602,734.94	353,338,599.16	(336,699,758.03)	438,241,576.07
Short-term remuneration of absences	-	160,834,411.12	(160,834,411.12)	-
Others	55,010,687.09	10,545,146.83	(10,559,834.74)	54,995,999.18
Total	1,290,279,893.14	13,549,570,191.78	(13,610,382,134.02)	1,229,467,950.90

As at 31 December 2022, there were no overdue employee benefits payable or non-monetary benefits (As at 31 December 2021: Nil).

Defined contribution plan:

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Basic pension insurance	3,083,662.92	1,414,296,970.39	(1,413,056,544.65)	4,324,088.66
Unemployment insurance	132,507.32	48,063,847.83	(47,879,369.15)	316,986.00
Annuity fund	990,364.12	509,350,526.16	(509,381,311.66)	959,578.62
Total	4,206,534.36	1,971,711,344.38	(1,970,317,225.46)	5,600,653.28

The Group has participated in a pension fund insurance and unemployment insurance plan administered by local governments. According to the plan, the Group deposits part of an employee's monthly basic salary into the insurance every month. Apart from the above-mentioned expenses, the Group does not have any responsibility for further payments. The relevant expenditure will be accounted for in profit or loss or capitalized.

In the current year, the Group was required to deposit RMB1,414,296,970.39 and RMB48,063,847.83 into the pension insurance and unemployment insurance plan, respectively (As at 31 December 2021: RMB1,312,312,935.05 and RMB46,357,453.38). As of 31 December 2022, the Group had outstanding payments of RMB4,324,088.66 and RMB316,986.00, respectively (As at 31 December 2021: RMB3,083,662.92 and RMB132,507.32) for the pension insurance and unemployment insurance plan. The relevant subsequent payments will be settled after the reporting period.

For details of the enterprise annuity plan, refer to Note XIV. 1.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

38. Taxes payable

	31 December 2022	31 December 2021
Value-added tax	835,616,354.76	961,619,771.08
Enterprise income tax (Note 1)	497,969,288.34	1,019,957,703.60
Individual income tax	175,281,473.07	212,527,143.30
City construction and maintenance tax	35,588,857.61	58,932,640.24
Property tax	171,295,210.51	104,215,022.18
Others	351,041,842.41	390,122,544.49
Total	2,066,793,026.70	2,747,374,824.89

Note 1: The actual amount of enterprise income tax paid by the Group in 2022 was RMB2,340,066,185.93.

39. Other payables

	31 December 2022	31 December 2021
Dividends payable	2,472,022.21	106,003,947.79
Other payables	2,973,104,617.12	2,840,614,011.54
Total	2,975,576,639.33	2,946,617,959.33

Dividends payable

	31 December 2022	31 December 2021
Wugang Group Co., Ltd.	-	34,000,000.00
Wuhan Pingmei Wugang Joint Coking Co., Ltd.	-	25,858,925.58
Suzhou Chuangyuan Investment Development (Group) Co.,Ltd.	-	12,726,000.00
Suzhou Hi-and-New Tech Park State-Owned Assets Management Company	-	12,474,000.00
Shanghai Wanshen Information Industry Co., Ltd.	1,000,000.00	12,383,000.00
Others	1,472,022.21	8,562,022.21
Total	2,472,022.21	106,003,947.79

Other payables

	31 December 2022	31 December 2021
Construction fees payable	1,444,686,410.08	1,199,695,776.86
Guarantee and deposit fees	559,928,449.97	433,273,162.82
Advances	210,160,621.36	230,700,329.38
Repurchase obligations of restricted shares of subsidiaries	211,095,307.81	334,485,724.19
Payables of agent letter of credit	28,504,791.70	354,000,309.15

Others	518,729,036.20	288,458,709.14
Total	2,973,104,617.12	2,840,614,011.54

As of 31 December 2022, the other payables aged more than one year amounted to RMB1,030,646,682.23 (As at 31 December 2021: RMB990,459,612.14), which are mainly composed of deposits payable and construction fees payable that the Company has not paid due to the long-term nature of the service contracts.

40. Non-current liabilities due within one year

	31 December 2022	31 December 2021
Long-term borrowings due within one year	6,213,231,332.86	1,075,044,275.58
Interest payable on long-term loans due within one year	17,199,128.38	12,448,456.78
Bonds payable due within one year	3,000,000,000.00	9,000,000,000.00
Interest payable on bonds payable due within one year	128,399,766.78	394,441,054.58
Long-term payables due within one year	134,338,609.61	143,040,498.45
Lease liabilities due within one year	485,844,787.37	706,403,698.47
Total	9,979,013,625.00	11,331,377,983.86

Long-term borrowings due within one year

As at 31 December 2022, the Group held balances of long-term borrowings due within one year of RMB6,213,231,332.86 (31 December 2021: RMB1,075,044,275.58), and interest payable on long-term loans due within one year of RMB17,199,128.38 (31 December 2021: RMB12,448,456.78). See Note V. 22(4) for more details of collateral for the long-term borrowings.

Long-term bonds payable due within one year

Name	Par value	Issue date	Term	Issue amount	Opening balance	Interest payable at the beginning of the year	Interest accrued based on par value	Amortization of premiums or discounts and exchange gains and losses	Payment in the current year	Closing balance	Interest payable at the end of the year
Corporate bond (20Baosteel01) (Note 1)	3,000,000,000.00	2020/3/5	3years	3,000,000,000.00	3,000,000,000.00	72,735,301.06	88,500,000.02	-	88,500,000.00	3,000,000,000.00	72,735,301.08
			Total	3,000,000,000.00	3,000,000,000.00	72,735,301.06	88,500,000.02	-	88,500,000.00	3,000,000,000.00	72,735,301.08

Note 1: As at 5 March 2020, the Company issued the first tranche of corporate bonds of 2020 amounting to RMB3 billion at par value, with a tenure of 3 years and an annual interest rate of 2.95%. Interest was to be paid annually and the principal was to be paid in whole when it was due. The value date was 6 March 2020, and the principal was matured and paid on 6 March 2023.

Long-term payables due within one year

	31 December 2022	31 December 2021
Sale and leaseback payables	134,338,609.61	143,040,498.45
Total	134,338,609.61	143,040,498.45

41. Other current liabilities

	31 December 2022	31 December 2021
Short-term financing bills	-	-
Advances for output tax and others	2,903,042,018.58	2,791,804,074.74
Total	2,903,042,018.58	2,791,804,074.74

Changes of short-term financing bills

Name	Par value (RMB100.00/ per bond)	Issue date	Terms	Issue amount	Coupon rate	Opening balance	Issue in the current period	Accrued interest based on book value	The premium and discount amortization	Payment in the current year	Closing balance
Bonds payable super-short-term financing bills	3,000,000,000.00	2022/1/11	180 days	3,000,000,000.00	2.31%	-	3,000,000,000.00	34,175,342.47	-	3,034,175,342.47	-
Bonds payable super-short-term financing bills	3,000,000,000.00	2022/1/18	180 days	3,000,000,000.00	2.42%	-	3,000,000,000.00	35,802,739.73	-	3,035,802,739.73	-
Bonds payable super-short-term financing bills	3,000,000,000.00	2022/2/23	90 days	3,000,000,000.00	2.05%	-	3,000,000,000.00	15,164,383.56	-	3,015,164,383.56	-
Bonds payable super-short-term financing bills	3,000,000,000.00	2022/3/15	92 days	3,000,000,000.00	2.10%	-	3,000,000,000.00	15,879,452.05	-	3,015,879,452.05	-
Bonds payable super-short-term financing bills	2,000,000,000.00	2022/3/23	57 days	2,000,000,000.00	2.12%	-	2,000,000,000.00	6,621,369.86	-	2,006,621,369.86	-
Bonds payable super-short-term financing bills	3,000,000,000.00	2022/5/16	177 days	3,000,000,000.00	2.00%	-	3,000,000,000.00	29,095,890.41	-	3,029,095,890.41	-
Bonds payable super-short-term financing bills	2,000,000,000.00	2022/7/7	82 days	2,000,000,000.00	1.65%	-	2,000,000,000.00	7,413,698.63	-	2,007,413,698.63	-
Bonds payable super-short-term financing bills	2,000,000,000.00	2022/7/14	90 days	2,000,000,000.00	1.65%	-	2,000,000,000.00	8,136,986.30	-	2,008,136,986.30	-
Total	21,000,000,000.00			21,000,000,000.00		-	21,000,000,000.00	152,289,863.01	-	21,152,289,863.01	-

According to the "Proposal on Applying for TDFI Registration and Issuance and Increasing the Issue Line of Corporate Bonds" approved in the 2020 Annual General Meeting of shareholders held on 18 May 2021, the Company was approved to apply for the qualification of TDFI registration and issuance to the Association of Interbank Market Dealers. On 15 September 2021, the Company received the Notice of Acceptance of Registration issued by the Association of Dealers ([2021] TDFI15) accepting the registration of the Company's debt financing instruments. The registration period shall be valid for 2 years from the signing date of the notice.

42. Long-term borrowings

	31 December 2022	31 December 2021
Unsecured and non-guaranteed loans	27,618,289,390.83	15,455,666,205.08
Guaranteed loans	-	180,368,746.98
Secured loans with securities under the custody of the Group (Note)	167,938,709.35	211,585,378.51
Less: Long-term borrowings due within one year	6,213,231,332.86	1,075,044,275.58
Total	21,572,996,767.32	14,772,576,054.99

At the balance sheet date, the interest rates of the Group's long-term borrowings were as follows: (i) for borrowings denominated in USD, the

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(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

interest rates were at three-month LIBOR+2.50% per annum (2021: 1.55% to 2.72% per annum); (ii) for borrowings dominated in RMB, the interest rates ranged from 2.10% to 4.26% per annum (2021: 2.40% to 7.125% per annum); (iii) for borrowings dominated in Euro, the interest rates ranged from 0.16% to 1.15% per annum (2021: 0.15% to 1.80% per annum).

Note: Details of mortgage loans are set out in Note V. 22 (4).

43. Bonds payable

	31 December 2022	31 December 2021
Medium-term notes	5,000,000,000.00	5,000,000,000.00
Corporate bonds	500,000,000.00	3,000,000,000.00
Total	5,500,000,000.00	8,000,000,000.00

Movements of bonds payable in 2022:

	Par value	Quantity	Issue date	Term of the bonds	Issue amount	Opening balance	Issue in the current year	Opening interest payable	Accrued interest based on par value	Amortization of premiums or discounts	Transfer to non-current liabilities due within one year	Interest payment in the current year	Closing balance	Closing interest payable
Medium-term notes (21Baosteel MTN001) (Note 1)	100.00	50,000,000	2021/9/1	3 years	5,000,000,000.00	5,000,000,000.00	-	47,512,328.77	149,501,999.96	-	-	149,500,000.00	5,000,000,000.00	47,514,328.73
Corporate bonds (20Baosteel 01) (Note 2)	100.00	30,000,000	2020/3/5	3 years	3,000,000,000.00	3,000,000,000.00	-	72,735,301.06	88,500,000.02	-	3,000,000,000.00	88,500,000.00	-	72,735,301.08
Corporate bonds (G22Baosteel 01) (Note 3)	100.00	5,000,000	2022/5/23	3 years	500,000,000.00	-	500,000,000.00	-	8,150,136.97	-	-	-	500,000,000.00	8,150,136.97
				Total	8,500,000,000.00	8,000,000,000.00	500,000,000.00	120,247,629.83	246,152,136.95	-	3,000,000,000.00	238,000,000.00	5,500,000,000.00	128,399,766.78

Movements of bonds payable in 2021:

	Par value	Quantity	Issue date	Term of the bonds	Issue amount	Opening balance	Issue in the current year	Opening interest payable	Accrued interest based on par value	Amortization of premiums or discounts	Transfer to non-current liabilities due within one year	Interest payment in the current year	Closing balance	Closing interest payable
Medium-term notes (19 Baosteel MTN001)	100.00	30,000,000	2019/1/22	3 years	3,000,000,000.00	3,000,000,000.00	-	103,724,383.58	110,700,000.02	-	3,000,000,000.00	110,700,000.00	-	103,724,383.60
Medium-term notes (19 Baosteel MTN002)	100.00	30,000,000	2019/3/15	3 years	3,000,000,000.00	3,000,000,000.00	-	86,400,000.00	109,500,000.00	-	3,000,000,000.00	109,500,000.00	-	86,400,000.00
Medium-term notes (19 Baosteel MTN003)	100.00	30,000,000	2019/3/22	3 years	3,000,000,000.00	3,000,000,000.00	-	84,069,041.12	109,200,000.03	-	3,000,000,000.00	109,200,000.00	-	84,069,041.15
Corporate bond (20 Baosteel 01) (Note 2)	100.00	30,000,000	2020/3/5	3 years	3,000,000,000.00	3,000,000,000.00	-	72,739,726.04	88,500,000.02	-	-	88,504,425.00	3,000,000,000.00	72,735,301.06
Medium-term notes (21 Baosteel MTN001) (Note 1)	100.00	30,000,000	2021/9/1	3 years	5,000,000,000.00	-	5,000,000,000.00	-	47,512,328.77	-	-	-	5,000,000,000.00	47,512,328.77
				Total	17,000,000,000.00	12,000,000,000.00	5,000,000,000.00	346,933,150.74	465,412,328.84	-	9,000,000,000.00	417,904,425.00	8,000,000,000.00	394,441,054.58

Note 1: As at 1 September 2021, the Company issued the first tranche of medium-term notes of 2021 amounting to RMB5 billion at par value, with a tenure of 3 years and an annual interest rate of 2.99%. Interest is paid annually, and the principal is paid in whole when it is due. The value date was 6 September 2021, and the principal will be matured and paid on 6 September 2024.

Note 2: Please refer to Note V. 40.

Note 3: As at 23 May 2022, the Company issued the first tranche of corporate bonds amounting to RMB0.5 billion at par value, with a tenure of 3 years and an annual interest rate of 2.68%. Interest is paid annually and the principal is paid in whole when it is due. The value date was 24 May 2022, and the principal will be matured and to be paid on 24 May 2025.

44. Lease liabilities

	31 December 2022	31 December 2021
The present value of lease payables	5,733,479,186.62	5,260,480,071.27
Less: The present value of lease payables due within one year	485,844,787.37	706,403,698.47
	5,247,634,399.25	4,554,076,372.80

45. Long-term payables

	31 December 2022	31 December 2021
Long-term payables	1,853,768,582.77	529,073,529.46
Special payables	261,860,000.00	261,860,000.00
Less: Long-term payables due within one year	134,338,609.61	143,040,498.45
Total	1,981,289,973.16	647,893,031.01

Long-term payables

	31 December 2022	31 December 2021
Repurchase obligation of equity incentive plans (Note)	1,617,625,168.35	223,671,870.87
Sale and leaseback payables	236,143,414.42	305,401,658.59
Total	1,853,768,582.77	529,073,529.46

Note: Long-term accounts payable formed by the repurchase obligation of equity incentive plans, please refer to Note XI. 1 for details.

Special payables

2022

	Opening balance	Increase in current year	Decrease in current year	Closing balance
Government appropriation	261,860,000.00	-	-	261,860,000.00

2021

	Opening balance	Increase in current year	Decrease in current year	Closing balance
Government appropriation	261,947,085.83	2,860,000.00	(2,947,085.83)	261,860,000.00

The Group's special accounts payable are the special funds allocated by the Ministry of Finance as the operation budget of state-owned capital.

46. Long-term employment benefits payable

	31 December 2022	31 December 2021
Termination benefits from defined benefit plans net liability	125,088,782.63	173,548,072.72
Termination benefits	754,690,039.02	1,102,066,044.33
Other long-term employment benefits (Note)	797,759,013.81	838,016,275.66

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(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Less: Employee benefits payable due within one year	429,346,397.26	453,293,398.31
Total	1,248,191,438.20	1,660,336,994.40

Note: Other long-term employment benefits mainly refer to the one-time accrual of overall planned expenses of retirees by the end of 2023 in accordance with the relevant spirit of the state's guidance on the socialization management of retirees in the state-owned enterprises.

47. Deferred income

2022

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Government grants	1,265,611,935.25	393,225,114.22	(262,614,062.17)	1,396,222,987.30

2021

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Government grants	1,235,057,466.98	256,025,917.87	(225,471,449.60)	1,265,611,935.25

The liabilities related to government grants are as follows:

2022

	Opening balance	Additions	Recognized in other income	Other movements	Closing balance	Asset related/ Income related
Government grants for technical upgrade	1,217,711,465.32	340,880,200.02	(192,346,445.16)	-	1,366,245,220.18	Asset related
Others	47,900,469.93	52,344,914.20	(70,267,617.01)	-	29,977,767.12	Asset related/ Income related
Total	1,265,611,935.25	393,225,114.22	(262,614,062.17)	-	1,396,222,987.30	

2021

	Opening balance	Additions	Recognized in other income	Other movements	Closing balance	Asset related/ Income related
Government grants for technical upgrade	1,181,424,825.99	202,924,534.32	(166,637,894.99)	-	1,217,711,465.32	Asset related
Others	53,632,640.99	53,101,383.55	(58,833,554.61)	-	47,900,469.93	Asset related/ Income related
Total	1,235,057,466.98	256,025,917.87	(225,471,449.60)	-	1,265,611,935.25	

48. Share capital

2022

	Opening balance	Changes in the current year			Closing balance
		New issue of shares	Others	Subtotal	
I. Restricted shares (Note 1)	56,058,113.00	-	321,221,052.00	321,221,052.00	377,279,165.00

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(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

II. Tradable shares					
Ordinary shares denominated in RMB (Note 1)	22,212,353,437.00	-	(321,442,618.00)	(321,442,618.00)	21,890,910,819.00
III. Total shares (Note 2)	22,268,411,550.00	-	(221,566.00)	(221,566.00)	22,268,189,984.00

2021

	Opening balance	Changes in the current year			Closing balance
		New issue of shares	Others	Subtotal	
I. Restricted shares (Note 1)	113,465,025.00	-	(57,406,912.00)	(57,406,912.00)	56,058,113.00
II. Tradable shares					
Ordinary shares denominated in RMB (Note 1)	22,155,982,625.00	-	56,370,812.00	56,370,812.00	22,212,353,437.00
III. Total shares (Note 2)	22,269,447,650.00	-	(1,036,100.00)	(1,036,100.00)	22,268,411,550.00

Note 1: The Company held the 16th meeting of the 8th Board of Directors on 1 August 2022 to discuss and approve the "Proposal on Repurchase and Cancellation of Restricted Shares of some Incentive Participants in the Second Phase of Restricted Stock Plan" and agreed to repurchase and cancel the 221,566 granted and unlocked restricted shares held by 22 incentive participants and to submit the proposal to the general meeting of shareholders for deliberation. On 17 August 2022, the Company held the 2022 first extraordinary general meeting of shareholders to discuss and approve the proposal. For the 221,566 restricted shares repurchased and cancelled on 30 November 2022, the Company has gone through the relevant procedures such as amendment of the articles of association and industrial and commercial registration of changes, pursuant to laws.

On 27 May 2022, the Company held the 14th meeting of the 8th Board of Directors to discuss and approve the "Proposal on the Implementation of the Third Phase of A-share Restricted Stock Plan". Accordingly, 374,271,000 restricted shares of the Company were registered on the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 9 June 2022.

On 1 August 2022, the Company held the 16th meeting of the 8th Board of Directors to discuss and approve the "Proposal on the Unlocking of Baosteel's Restricted Stock of the Second Phase of Reserved Restricted Stock Plan". A total of 52,828,382 restricted shares of the Company was listed and circulated during the second unlocking period and the second unlocking period of the reserved restricted shares on 29 August 2022.

Note 2: As at the end of the reporting period, the Company's registered share capital was RMB22,268,189,984.00. Among the 21,890,910,819 ordinary shares of the Company without sales restriction, China Baowu held 9,627,882,784 shares, Wugang Group held 2,982,271,472 shares, Huabao Investment held 76,711,403 shares, and Taiyuan Iron & Steel held 1,185,512,571 shares. China Baowu held 13,872,279,230 shares of the Company directly and indirectly with an equity interest of 62.30%.

49. Capital reserve

2022

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Capital premium	48,751,553,395.09	610,845,232.99	(1,459,010,777.11)	47,903,387,850.97
Including: Reserve from conversion of state-owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium (Note 1)	36,672,955,235.54	388,973,434.06	(1,171,291,698.66)	35,890,636,970.94
Difference arising from business combination under common control	5,655,265,137.62	-	-	5,655,265,137.62
Share-based payment recognized in capital reserve (Note 2)	287,076,660.80	218,008,380.78	(219,060,472.32)	286,024,569.26
Provision for equity investments (Note 3)	409,699,751.40	3,863,418.15	(68,658,606.13)	344,904,563.42
Other capital reserves	2,276,905,644.18	14,156,800.00	-	2,291,062,444.18
Total	51,028,459,039.27	625,002,032.99	(1,459,010,777.11)	50,194,450,295.15

2021

	Opening balance	Increase in the current year	Decrease in the current year	Closing balance
Capital premium	48,476,124,055.36	694,398,739.59	(418,969,399.86)	48,751,553,395.09
Including: Reserve from conversion of state-owned shares	5,726,556,609.73	-	-	5,726,556,609.73
Share premium (Note 1)	36,204,422,023.12	523,522,919.97	(54,989,707.55)	36,672,955,235.54
Difference arising from business combination under common control	5,655,265,137.62	-	-	5,655,265,137.62
Share-based payment recognized in capital reserve (Note 2)	356,416,847.85	164,356,491.85	(233,696,678.90)	287,076,660.80
Provision for equity investments (Note 3)	533,463,437.04	6,519,327.77	(130,283,013.41)	409,699,751.40
Other capital reserves	2,270,102,544.18	6,803,100.00	-	2,276,905,644.18
Total	50,746,226,599.54	701,201,839.59	(418,969,399.86)	51,028,459,039.27

Note 1: The Company's share premium increased by RMB132,772,515.64 due to the unlocking restricted shares of the Second Phase of Restricted Stock Incentive Plan, and decreased by RMB662,482.34 due to the repurchase by the Company of 221,566 Second Phase restricted shares which have not met the unlocking conditions.

The Company's share premium increased by RMB54,211,331.79 as the minority shareholders of Baosteel Group Finance Co., Ltd.("Finance Co."), a subsidiary of the Company, increased investment, resulting in a decrease of the Company's ownership in Finance Co., from 56.91% to 52.10%. The Company's share premium increased by RMB42,219,346.92 as Shanghai Baosteel International Economic & Trading Co., Ltd. ("Baosteel International"), a subsidiary of the Company, entered into a merger agreement with its subsidiary corporation. The Company's share premium decreased by RMB3,743,784.62 as Baowu Carbon Materials & Technology Co., Ltd., a subsidiary of the Company, absorbed and merged its subsidiary corporation, Zhejiang Jingye New Material Co., Ltd., resulting in a decrease of the Company's ownership in Zhejiang Baojing Carbon Materials Co., Ltd. from 66.38% to 50.53% and a decrease of the Company's ownership in Shaoxing Baojing Composite Materials Co., Ltd. from 72.05% to 71.46%. Baosteel International, a subsidiary of the Company, have disposed of subsidiaries resulting in a decrease of the capital reserve by RMB2,132,620.58. The share premium increased by RMB85,202,124.26 owing to unlocking shares under the Second Phase of Restricted Stock Incentive Plan by Baosight Software, a subsidiary of the Company. The Company's share premium increased by RMB13,451,045.59 as the income tax implication that resulted from the deductible amount of Baosight Software's unlocked restricted shares exceeding costs and expenses recognized over the vesting period. The Company's share premium decreased by RMB1,164,752,811.12 as the difference between the price of the shares on the grant date of the Third Restricted Stock Incentive Plan and the price of writing off the repurchase shares by Centralized Bidding. The share premium increased by RMB61,117,069.86 as the relevant repurchase obligations in the Second Phase of Reserved Restricted Stock Plan of Baosight Software, a subsidiary of the Company, were released.

Note 2: Increase in the capital reserve was caused by the share-based payment recognized in the capital reserve. Refer to Note XI Share-based payments for details.

Note 3: The change of provision for equity investments is the change of the capital reserve of joint ventures and associates in accordance with the equity method. See Note V. 18 for details.

50. Treasury shares

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Equity incentive plan (Note)	223,671,870.87	1,605,622,590.00	211,669,292.52	1,617,625,168.35
Centralized repurchase	3,598,178,561.62	-	2,770,375,401.12	827,803,160.50
Total	3,821,850,432.49	1,605,622,590.00	2,982,044,693.64	2,445,428,328.85

Note : In 2022, on the grant date of the Third Phase of A-share Reserved Restricted Stock Plan, the Group increased treasury shares of RMB1,605,622,590.00 when it recognized a liability for the repurchase obligation; As the Second Phase of A-share Reserved Restricted Stock Plan expired with part of restricted shares unlocked, the relevant repurchase obligations were released and the Company reversed treasury shares

of RMB210,785,244.18; The Company decreased treasury shares of RMB884,048.34 due to repurchasing and cancelling part of restricted shares previously granted to the persons who had exited the Second Phase of A-share Reserved Restricted Stock Plan, details of which please refer to Note XI; According to the "Proposal on the Implementation of the Third Phase of A-share Restricted Stock Plan" approved by the 14th meeting of the 8th Board of Directors held on 27 May 2022, the Company granted 374,271,000 shares which were repurchased from the secondary market, and the corresponding consideration of RMB2,770,375,401.12 paid for the repurchase of these shares was reversed from the treasury stock.

51. Other comprehensive income

The cumulative balance of other comprehensive income attributable to the parent company in the consolidated balance sheet:

2022

	31 December 2021	Increase/ (Decrease)	31 December 2022
Changes arising from remeasurement of the defined benefit plan	(60,393,389.12)	59,053,200.13	(1,340,188.99)
Other comprehensive income that will not be reclassified to profit or loss using the equity method	-	4,474,907.90	4,474,907.90
Change in fair value of investment in other equity instruments	(115,982,199.09)	(25,649,226.21)	(141,631,425.30)
Other comprehensive income that will be reclassified to profit or loss using the equity method	68,374,058.47	187,730,340.48	256,104,398.95
Change in fair value of investment in other debt instruments	(42,226,414.04)	(12,189,203.94)	(54,415,617.98)
Provision for credit losses of other debt investments measured at fair value through other comprehensive income	51,177,882.37	2,187,058.68	53,364,941.05
Translation differences on financial statements denominated in foreign currencies	(873,820,153.43)	269,113,252.87	(604,706,900.56)
Others	570,000.00	-	570,000.00
Total	(972,300,214.84)	484,720,329.91	(487,579,884.93)

2021

	31 December 2020	Increase/ (Decrease)	31 December 2021
Changes arising from remeasurement of the defined benefit plan	(56,665,359.85)	(3,728,029.27)	(60,393,389.12)
Change in fair value of investment in other equity instruments	(479,091,327.02)	363,109,127.93	(115,982,199.09)
Other comprehensive income that will be reclassified to profit or loss using the equity method	(19,439,221.04)	87,813,279.51	68,374,058.47
Change in fair value of investment in other debt instruments	(42,732,676.62)	506,262.58	(42,226,414.04)
Provision for credit losses of other debt investments measured at fair value through other comprehensive income	49,215,631.70	1,962,250.67	51,177,882.37
Translation differences on financial statements denominated in foreign currencies	(437,408,027.93)	(436,412,125.50)	(873,820,153.43)
Others	570,000.00	-	570,000.00
Total	(985,550,980.76)	13,250,765.92	(972,300,214.84)

Other comprehensive income incurred in the current year:

2022

	Incurred pre-tax	Less: Income tax	Attributable to the parent company	Attributable to minority interests
Other comprehensive income that will not be reclassified subsequently to profit or loss	83,850,426.09	45,844,907.69	37,878,881.82	126,636.58
Changes arising from remeasurement of the defined benefit plan	59,053,200.13	-	59,053,200.13	-
Other comprehensive income that will not be reclassified to profit or loss using the equity method	4,759,087.34	-	4,474,907.90	284,179.44
Change in fair value of investment in other equity instruments	20,038,138.62	45,844,907.69	(25,649,226.21)	(157,542.86)
Other comprehensive income that will be reclassified to profit or loss	432,024,957.07	(7,429,186.51)	446,841,448.09	(7,387,304.51)
Other comprehensive income that will be reclassified to profit or loss using the equity method	187,730,340.48	-	187,730,340.48	-
Change in fair value of investment in other debt instruments	(31,194,379.88)	(7,798,594.96)	(12,189,203.94)	(11,206,580.98)
Provision for credit impairment of other debt investments	4,567,217.82	369,408.45	2,187,058.68	2,010,750.69
Translation differences on financial statements denominated in foreign currencies	270,921,778.65	-	269,113,252.87	1,808,525.78
Total	515,875,383.16	38,415,721.18	484,720,329.91	(7,260,667.93)

2021

	Incurred pre-tax	Less: Income tax	Attributable to the parent company	Attributable to minority interests
Other comprehensive income that will not be reclassified subsequently to profit or loss	382,197,523.93	24,734,106.11	359,381,098.66	(1,917,680.84)
Changes arising from remeasurement of the defined benefit plan	(3,728,029.27)	-	(3,728,029.27)	-
Change in fair value of investment in other equity instruments	385,925,553.20	24,734,106.11	363,109,127.93	(1,917,680.84)
Other comprehensive income that will be reclassified to profit or loss	(363,453,039.70)	1,074,028.57	(346,130,332.74)	(18,396,735.53)
Other comprehensive income that will be reclassified to profit or loss using the equity method	87,813,279.51	-	87,813,279.51	-
Change in fair value of investment in other debt instruments	1,186,112.76	296,528.18	506,262.58	383,322.00
Provision for credit impairment of other debt investments	4,225,489.62	777,500.39	1,962,250.67	1,485,738.56
Translation differences on financial statements denominated in foreign currencies	(456,677,921.59)	-	(436,412,125.50)	(20,265,796.09)
Total	18,744,484.23	25,808,134.68	13,250,765.92	(20,314,416.37)

52. Special reserve

2022

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Safe production cost	20,859,908.70	474,371,323.72	(471,521,618.30)	23,709,614.12

2021

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Safe production cost	35,414,042.48	472,869,536.91	(487,423,670.69)	20,859,908.70

In 2022, the Group accrued the special reserve according to the "The Management Methods of the Accrual and Use of the Enterprise Security Costs of Production" ([2022] No. 136) for production safety fee.

In 2021, the Group accrued the special reserve according to the "The Management Methods of the Accrual and Use of the Enterprise Security Costs of Production" ([2012] No. 16) for production safety fee.

53. Surplus reserve

2022

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	17,484,441,613.42	1,411,853,909.09	-	18,896,295,522.51
Discretionary surplus reserve	20,755,893,953.20	1,411,853,909.09	-	22,167,747,862.29
Total	38,240,335,566.62	2,823,707,818.18	-	41,064,043,384.80

2021

	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	16,531,924,154.73	952,517,458.69	-	17,484,441,613.42
Discretionary surplus reserve	19,803,376,494.51	952,517,458.69	-	20,755,893,953.20
Total	36,335,300,649.24	1,905,034,917.38	-	38,240,335,566.62

According to Corporation Laws and the Articles of Association of the Company, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. Where the accumulated amount of the statutory surplus reserve reaches 50% or more of the Company's registered capital, further appropriation is not required. The discretionary surplus reserve is appropriated subsequent to the appropriation of statutory surplus reserve and subject to approval. Upon approval, the discretionary surplus reserve can be used to make up the losses from previous years or increase the Company's share capital.

54. Retained earnings

	2022	2021
Retained earnings at beginning of year before restatement	84,169,710,095.42	76,703,248,849.03
Business combinations involving enterprises under common control	-	24,890,550.43
Adjustment for change in accounting standards	-	(10,159,972.30)
Retained earnings at beginning of year after restatement	84,169,710,095.42	76,717,979,427.16
Net profit attributable to owners of the Company for the year	12,186,850,692.42	23,631,996,672.59
Less: Appropriation to statutory surplus reserve (Note V. 53)	1,411,853,909.09	952,517,458.69
Appropriation to discretionary surplus reserve (Note V. 53)	1,411,853,909.09	952,517,458.69
Dividend payable on ordinary shares in cash (Note)	9,527,328,245.45	14,275,231,086.95
Retained earnings at end of year	84,005,524,724.21	84,169,710,095.42

Note: According to the resolutions of the Company's annual shareholders' meeting of 2021 on 20 May 2022, the Company had paid a total dividend of RMB5,539,144,328.75 (including tax) to all shareholders registered on the equity registration date who were confirmed in the dividend distribution announcement. According to the 2022 second extraordinary general meeting of shareholders on 15 September 2022, the Company had paid a total dividend of RMB3,988,183,916.70 (including tax) to all shareholders registered on the equity registration date who were confirmed in the dividend distribution announcement. As of 31 December 2022, the aforementioned dividend distributions have been paid.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

55. Operating income and operating costs

	2022		2021 (Restated)	
	Income	Cost	Income	Cost
Principal businesses	366,034,665,878.66	345,002,881,851.12	362,939,942,869.64	323,169,971,216.65
Other businesses	1,743,576,541.11	1,289,881,834.24	1,409,355,215.39	1,306,480,931.13
Total	367,778,242,419.77	346,292,763,685.36	364,349,298,085.03	324,476,452,147.78

	2022	2021
Sales of goods	355,116,316,703.74	354,628,355,432.67
Provision of services	7,781,746,562.34	6,683,245,780.76
Lease income	332,981,980.63	251,167,658.13
Others	4,547,197,173.06	2,786,529,213.47
Total	367,778,242,419.77	364,349,298,085.03

Details of revenue:

	2022	2021
Revenue from contracts with customers	367,445,260,439.14	364,098,130,426.90
Lease income	332,981,980.63	251,167,658.13
	367,778,242,419.77	364,349,298,085.03

Details of revenue from contracts with customers:

	2022	2021
Timing of recognition of revenue		
Transferred at a point of time		
Sale of goods	355,116,316,703.74	354,628,355,432.67
Other services	8,969,909,403.65	5,813,313,006.51
Provided over time	3,359,034,331.75	3,656,461,987.72
	367,445,260,439.14	364,098,130,426.90

Revenue recognized in the current year that was included in the carrying amount of contract liabilities at the beginning of the year was RMB23,500,850,935.19 (2021: RMB25,882,590,230.01).

For the sale of goods, the Group satisfies its performance obligations when the customer obtains control of the relevant goods. For the rendering of services, the Group determines satisfied performance obligations by performance schedules in the provision of services. Considerations of sale contracts usually expire within 30 to 90 days and exist no significant financing components. The contracts between the Group and its certain customers contain sales rebate arrangements (future price reductions based on cumulative sales volumes), which form a variable consideration. The Group determines the best estimate of the variable consideration based on the expected value or the most probable value. However, the sales price including variable considerations should not exceed the amount accumulatively recognized which is not likely to be significantly reversed when the uncertainty disappears.

For details of operating income in reporting segments, please refer to Note XIV. 2.

At 31 December 2022, sales consideration of RMB25,123,792,058.62 was allocated to outstanding performance obligations (31 December 2021: RMB23,578,300,200.59), which the Group expected to recognize as revenue within 1 year to 3 years according to performance schedules of sales of steel products and services such as software development.

56. Taxes and levies

	2022	2021
Stamp tax	419,245,031.49	380,081,146.99
Property tax	342,131,838.12	394,995,325.54
City construction and maintenance tax	275,477,468.26	282,248,790.27
Education surcharges	200,438,538.55	214,399,197.97
Land use tax	117,474,162.14	142,891,556.29
Others	17,443,908.41	17,679,083.02
Total	1,372,210,946.97	1,432,295,100.08

57. Selling expenses

	2022	2021
Employee benefits	1,007,404,287.94	1,013,177,575.17
Shipping and storage expenses	287,007,379.79	242,104,215.89
Depreciation and amortization expenses	55,804,058.79	54,671,253.21
Others	439,150,678.16	410,284,892.00
Total	1,789,366,404.68	1,720,237,936.27

58. Administrative expenses

	2022	2021
Employee benefits	2,366,498,176.59	2,773,600,805.24
Depreciation and amortization expenses	801,245,507.55	868,777,054.97
Inventory (gains) losses on current assets	253,765,475.64	(135,137,861.60)
Others	929,353,950.15	888,790,158.95
Total	4,350,863,109.93	4,396,030,157.56

59. Research and development expenses

	2022	2021
Material and energy costs	90,700,838.81	78,304,807.87
Employee benefits	1,939,340,001.76	1,758,768,406.22
Depreciation and amortization expenses	196,287,131.55	176,707,296.15
Joint service charge	803,355,412.48	741,902,340.19
Others	138,495,036.07	186,670,517.45
Total	3,168,178,420.67	2,942,353,367.88

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

According to Accounting Standards for Business Enterprises Interpretation No.15, starting from 1 January 2022, the Group respectively accounts for the related revenue and the costs of trial sales. Please refer to Notes III.38 and Note XIV. 4 for details.

In 2022, the total research and development expenditure of the Group was RMB17,246,425,210.30, among which the amount of the research and development expenses of the Group was RMB3,168,178,420.67 and the costs of sales of products produced during the research and development process were RMB14,078,246,789.63, of which the amount of the major raw materials' costs was RMB7,833,716,742.74 (As in 2021, the total research and development expenditure was RMB16,076,639,628.74, among which the amount of the research and development expenses of the Group was RMB2,942,353,367.88 and the costs of sales of products produced during the research and development process were RMB13,134,286,260.86, of which the amount of the major raw materials' costs was RMB6,993,078,285.38).

60. Financial expenses

	2022	2021
Interest expenses	1,624,364,503.08	1,927,032,658.64
Less: Interest income	249,141,081.85	160,390,452.83
Less: Capitalized interest expenses	22,505,533.04	24,313,939.93
Foreign exchange losses (gains)	132,190,853.80	(33,676,304.16)
Others	61,140,566.03	79,244,755.75
Total	1,546,049,308.02	1,787,896,717.47

In 2022, the amount of capitalized interest expenses included in construction in progress was RMB22,505,533.04 (2021: RMB24,313,939.93). Please refer to Note. V. 23 for details.

61. Other income

	2022	2021
Government subsidies related to daily activities	802,341,350.71	624,033,906.46

Government subsidies related to day-to-day activities are as follows:

	2022	2021	Asset related/Income related
Government grants for technical upgrade projects	192,346,445.16	166,637,894.99	Asset related
Others	609,994,905.55	457,396,011.47	Asset related/Income related
Total	802,341,350.71	624,033,906.46	

62. Investment income

	2022	2021
Gains on long-term equity investments under the equity method	2,548,349,589.25	2,383,101,833.39
Investment income arising from disposal of long-term equity investments	135,449,665.73	409,756,124.37
Investment income during the year in which the financial assets held for trading and other non-current financial assets	1,006,552,475.72	492,070,188.85
Investment income during the year in which the investments in other equity instruments were held	48,957,196.07	13,750,552.63
Investment income during the year in which the debt investments were held	14,337,770.84	24,759,270.77
Investment income arising from disposal of financial assets held for trading and other non-current financial assets	1,102,611,574.34	709,453,402.97

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

Investment income arising from disposal of other debt investments	16,538,292.98	2,964,007.30
Gains or losses from disposal of derivative financial instruments (Note)	238,976,847.24	(60,505,875.09)
Total	5,111,773,412.17	3,975,349,505.19

Note: This item mainly consists of investment gains and losses arising from a forward exchange transaction.

63. Gains from changes in fair value

	2022	2021
Financial assets held for trading	(11,055,842.88)	28,744,737.00
Other financial assets measured at fair value through profit or loss	4,364,725.78	(125,869,773.96)
Derivative financial liabilities	50,189,699.19	(79,564,789.17)
Total	43,498,582.09	(176,689,826.13)

64. Credit impairment loss (Loss is expressed with negative value)

	2022	2021
Accounts receivable bad debt loss	(168,115,539.79)	(54,696,287.82)
Other receivables bad debt loss	4,573,582.83	(35,502,473.06)
Credit losses of loans	40,501,846.06	(223,890,600.80)
Credit losses of long-term receivables	(2,509,748.52)	(24,282,000.00)
Others	(6,194,411.26)	(1,089,645.60)
Total	(131,744,270.68)	(339,461,007.28)

65. Impairment losses of assets (Loss is expressed with negative value)

	2022	2021
Provision for decline in value of inventories	(725,578,768.25)	(377,636,138.32)
Impairment of fixed assets	(79,865,728.10)	(615,244,678.02)
Impairment of construction in progress	-	(4,162,726.21)
Impairment of contract assets	(71,911,748.26)	(67,507,201.61)
Impairment of long-term equity investments	-	(6,191,416.99)
Impairment of other non-current assets	(75,335,653.48)	(37,501,476.06)
Total	(952,691,898.09)	(1,108,243,637.21)

66. Asset disposal income

	2022	2021
Losses on disposal of fixed assets	112,341,747.02	569,891,361.56
Gains on disposal of other non-current assets	639,984,323.64	838,860,739.07
Total	752,326,070.66	1,408,752,100.63

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

67. Non-operating income

	2022	2021	Amount incurred in non-recurring gains and losses in the current period
Total gains on disposal of non-current assets	123,668,170.77	124,741,109.44	123,668,170.77
Compensation income	28,045,651.30	38,830,074.54	28,045,651.30
Others	118,864,129.89	26,805,137.55	118,864,129.89
Total	270,577,951.96	190,376,321.53	270,577,951.96

68. Non-operating expenses

	2022	2021	Amount incurred in non-recurring gains and losses in the current period
Total losses on disposal of non-current assets	638,222,604.40	1,821,748,867.78	638,222,604.40
Donations to third parties	82,298,230.17	78,665,018.91	82,298,230.17
Others	110,369,400.29	144,404,331.32	110,369,400.29
Total	830,890,234.86	2,044,818,218.01	830,890,234.86

69. Income tax expenses

	2022	2021
Current tax expenses	1,449,434,261.10	4,323,647,837.56
Adjustment of income tax of prior periods	82,177,818.01	(76,525,791.47)
Deferred tax expenses	(516,480,272.66)	6,113,562.96
Total	1,015,131,806.45	4,253,235,609.05

The relationship between income tax expenses and the total profit is as follows:

	2022	2021
Total profit	15,044,047,743.21	30,708,256,355.43
Income tax expenses calculated at the statutory tax rate (Note)	3,761,011,935.80	7,646,183,447.29
Effect of different tax rates of subsidiaries	(360,541,409.84)	(1,248,333,118.51)
Adjustment of income tax of prior periods	82,177,818.01	(76,525,791.47)
Effect of costs, expenses and losses that are not deductible for tax purposes	74,493,412.49	58,049,395.33
Effect of tax-free income	(1,012,177,436.87)	(519,226,803.82)
Effect of deductible temporary differences and unrecognized deductible losses	(81,048,561.90)	5,663,551.07
Effect of using previously unrecognized deductible losses	(23,369,357.49)	(87,022,181.79)
Additional tax incentives	(1,425,414,593.75)	(1,525,552,889.05)
Tax expense at the Group' s effective tax rate	1,015,131,806.45	4,253,235,609.05

Note: The PRC income tax of the Group is calculated based on the estimated taxable income gained in the PRC and the applicable tax rates. Tax arising from the taxable income in other regions and countries is calculated at applicable tax rates according to existing laws, interpretations and practices of the regions and countries in which the Group operates.

70. Earnings per share

	2022 RMB/share	2021 RMB/share
Basic earnings per share		
Continuing operations	0.55	1.07
Diluted earnings per share		
Continuing operations	0.56	1.07

The basic earnings per share is calculated on the basis of the current net profit attributable to the ordinary shareholders, divided by the weighted average of the common shares outstanding. The number of ordinary shares newly issued shall be calculated and determined from the date of consideration receivable (generally the date of issuance of shares) according to the specific terms of the issuance contract.

The numerator of diluted earnings per share is determined on the basis of the current net profit attributable to the ordinary shareholders after adjusting the following factors: (i) the interest of the diluted potential ordinary shares which has been recognized as expenses in the current year; (ii) the income or expenses that will be incurred when the diluted potential ordinary shares are converted; and (iii) the income tax impact related to the above adjustments.

The denominator of diluted earnings per share equals the sum of the following two items: (i) the weighted average number of ordinary shares issued by the parent company based on earnings per share; and (ii) the increase of the weighted average number of ordinary shares that assumed to have been issued on the conversion of dilutive potential ordinary shares into ordinary shares.

In calculating the increase of the weighted average of the number of ordinary shares when dilutive potential ordinary shares are converted into issued ordinary shares, the dilutive potential ordinary shares issued in the previous period are assumed to be converted at the beginning of the current year; and the dilutive potential ordinary shares issued in the current year are assumed to be converted at the issue date.

The calculation of basic earnings per share is as follows:

	2022	2021
Earnings		
Net profit of the current period attributable to shareholders of the Company		
Continuing operations	12,186,850,692.42	23,631,996,672.59
Less: Net profit of the current year attributable to the expected unlocking restricted shares in the future	207,518,100.24	59,490,778.54
Net current profit attributable to ordinary shareholders	11,979,332,592.18	23,572,505,894.05
Shares		
Number of outstanding ordinary shares at the beginning of the year	21,726,248,202	22,155,982,625
More: Weighted average number of ordinary shares exercised in the current year	17,609,461	51,673,244
Less: Weighted average number of ordinary shares repurchased in the current year	-	(229,423,400)
Weighted average number of outstanding ordinary shares at the end of the year	21,743,857,663	21,978,232,469

The calculation of diluted earnings per share is as follows:

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

	2022	2021
Earnings		
Net profit of the current period attributable to shareholders of the Company		
Continuing operations	12,186,850,692.42	23,631,996,672.59
Net current profit attributable to ordinary shareholders	12,186,850,692.42	23,631,996,672.59
Shares		
Weighted average number of outstanding ordinary shares at the end of the year	21,743,857,663	21,978,232,469
Dilutive effect-Weighted average number of ordinary shares		
Restricted share	15,753,905	26,274,908
Adjusted weighted average number of outstanding ordinary shares at the end of the year	21,759,611,568	22,004,507,377

71. Notes to items in the cash flow statement

	2022	2021
Other cash received relating to operating activities		
Net decrease arising from the resale business of Financial Co. and financial assets held for trading purposes	-	7,829,628,860.46
Non-operating income, government grants and others	1,902,411,278.13	1,188,800,052.43
Subtotal	1,902,411,278.13	9,018,428,912.89
Other cash paid relating to operating activities		
Net increase arising from the resale business of Financial Co. and financial assets held for trading purposes	31,568,700.80	-
Research and development expenses	1,090,192,340.39	1,038,798,318.71
Administrative expenses	926,351,680.11	883,111,755.23
Selling expenses	717,237,244.22	643,215,901.78
Others	118,530,671.44	1,247,951,890.06
Subtotal	2,883,880,636.96	3,813,077,865.78
Other cash received relating to investing activities		
Interest income	249,141,081.85	160,390,452.83
Net cash received of relating to acquisition of subsidiaries (Note V. 72(3))	51,725,507.60	-
Others	38,294,856.14	44,268,269.98
Subtotal	339,161,445.59	204,658,722.81
Other cash paid relating to investing activities		
Cash payment for the settlement of derivative instruments	49,310,916.86	60,824,062.94
Net cash payment for disposal of subsidiaries (Note V. 72(2))	9,899.80	-
Subtotal	49,320,816.66	60,824,062.94
Other cash received relating to financing activities		
Refund of guarantee deposits of bank acceptance bills	100,383,353.03	-
Sale and leaseback not constituting sales	50,000,000.00	300,000,000.00
Receipt of guarantee deposits of finance leasing business	7,500,000.00	-
Others	4,440,899.74	-

Subtotal	162,324,252.77	300,000,000.00
Other cash paid relating to financing activities		
Repurchase of shares	938,115.54	3,603,645,485.88
Lease liabilities paid	760,665,158.75	519,970,756.75
Return of the remainder in the cash pool to subsidiaries disposed of	-	176,947,507.75
Acquisition of minority interests	-	166,597,341.10
Guarantee deposits of bank acceptance bills and acceptance commission	44,629,000.00	-
Others	-	70,084,034.25
Subtotal	806,232,274.29	4,537,245,125.73

72. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Reconciliation of net profit to cash flows from operating activities:

	2022	2021
Net profit	14,028,915,936.76	26,455,020,746.38
Add: Provision for impairment losses on assets	1,084,436,168.77	1,447,704,644.49
Depreciation of fixed assets and investment properties	18,862,340,788.76	18,389,727,772.01
Depreciation of right-of-use assets	399,530,617.49	368,583,828.55
Amortization of intangible assets	473,451,711.37	401,098,559.53
Amortization of long-term prepaid expenses	203,471,867.65	186,388,338.40
Gains from the disposal of fixed assets, intangible assets and other long-term assets	(752,326,070.66)	(1,408,752,100.63)
Losses from the retirement of fixed assets	514,554,433.63	1,697,007,758.34
Losses on changes in fair value	(52,332,582.18)	199,168,757.55
Financial expenses	1,486,735,674.94	1,712,783,658.23
Investment income	(5,023,553,940.36)	(3,829,548,598.89)
Increase in deferred tax assets	(577,755,575.53)	(325,910,275.34)
Increase in deferred tax liabilities	61,275,302.87	332,023,838.30
(Increase)/decrease in inventories	2,767,250,009.61	(9,987,875,598.08)
(Increase)/decrease in receivables from operating activities	(1,537,926,680.07)	8,053,939,286.24
Increase in payables from operating activities	12,780,895,109.13	16,177,510,569.93
Net cash flows from operating activities	44,718,962,772.18	59,868,871,185.01

Net changes in cash and cash equivalents:

	2022	2021
Closing balance of cash	21,783,886,189.85	17,067,640,008.39
Less: Opening balance of cash	17,067,640,008.39	15,599,212,357.53
Net increase in cash and cash equivalents	4,716,246,181.46	1,468,427,650.86

(2) Information related to disposal of major subsidiaries and other business units

	2022	2021
Consideration for disposal of subsidiaries and other business units	1.00	79,677,055.86
Cash and cash equivalents acquired for disposal of subsidiaries and other business units	1.00	79,677,055.86
Less: Cash and cash equivalents in subsidiaries and other business units at the date when control is lost	9,900.80	15,485,313.88
Add: Cash and cash equivalents acquired in the current year for disposal of subsidiaries and other business units in the previous period	-	-
Net cash acquired for disposal of subsidiaries and other business units	(9,899.80)	64,191,741.98

(3) Information related to acquisition of major subsidiaries and other business units

	2022	2021
Consideration for acquisition of subsidiaries and other business units	10,510,200.00	180,366,400.00
Cash and cash equivalents paid for acquisition of subsidiaries and other business units	10,510,200.00	129,266,400.00
Less: Amount of cash and cash equivalents in subsidiaries and other business units acquired	62,235,707.60	82,392,035.03
Add: Cash and cash equivalents acquired in the current year for acquisition of subsidiaries in the previous period	51,100,000.00	-
Net cash paid for acquisition of subsidiaries and other business units	(625,507.60)	46,874,364.97
Including: Net cash paid for acquisition of subsidiaries	51,100,000.00	46,874,364.97
Cash acquired for other business units and investing activities	51,725,507.60	-

(4) Composition of cash and cash equivalents

	2022	2021
Cash	21,783,886,189.85	17,067,640,008.39
Including: Cash on hand	227,001.20	327,063.67
Bank deposits on demand	21,767,800,697.16	17,017,801,651.17
Other currency funds on demand	15,858,491.49	49,511,293.55
Closing balance of cash and cash equivalents	21,783,886,189.85	17,067,640,008.39

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company or subsidiaries within the Group.

73. Assets with restricted ownership or right of use

	2022	2021
Currency funds (Note 1)	2,351,602,491.77	2,974,713,218.69
Long-term receivables (Note 2)	-	7,500,000.00
Fixed assets (Note 3)	390,538,658.23	500,955,447.71
Intangible assets (Note 4)	1,175,098.00	24,100,866.07
Investment properties (Note 5)	-	20,862,128.71

Accounts receivable (Note 6)	64,244,565.00	122,569,875.05
Contract assets (Note 7)	-	52,904,652.18
Notes receivable (Note 8)	28,255,065.54	-
Total	2,835,815,878.54	3,703,606,188.41

Note 1: As at 31 December 2022, currency funds with restricted ownership consisted of statutory reserves of RMB1,937,526,800.96 deposited in the People's Bank of China by Baosteel Group Finance Co., Ltd., settlement reserve of RMB29,545,454.55, and guarantee deposits of bank acceptance bills, letter of guarantee deposits, pledged term deposits and other items totaling RMB 384,530,236.26. (As at 31 December 2021, currency funds with restricted ownership consisted of statutory reserves of RMB2,103,591,148.90 deposited in the People's Bank of China by Baosteel Group Finance Co., Ltd., settlement reserve of RMB385,454,545.45, and guarantee deposits of bank acceptance bills, letter of guarantee deposits, pledged term deposits and other items totaling RMB 485,667,524.34).

Note 2: As at 31 December 2022, long-term receivables of Zhejiang Baojing, a subsidiary of Baowu Carbon Material, as the guarantee deposit for finance leasing had been refunded (As at 31 December 2021: RMB7,500,000.00).

Note 3: Details are set out in Note V.22.

Note 4: Details are set out in Note V.25.

Note 5: Details are set out in Note V.21.

Note 6: Details are set out in Note V.5.

Note 7: Details are set out in Note V.11.

Note 8: Details are set out in Note V.4 & 6.

74. Foreign currency items

	31 December 2022			31 December 2021		
	Original currency	Exchange rate	RMB equivalent	Original currency	Exchange rate	RMB equivalent
Cash funds						
USD	517,131,027.74	6.9646	3,601,610,755.82	515,451,477.25	6.3757	3,286,363,983.53
AUD	174,668,176.23	4.7138	823,350,849.11	7,374,935.74	4.6220	34,086,952.99
EUR	64,103,105.39	7.4229	475,830,941.03	66,939,937.25	7.2197	483,286,264.96
JPY	4,500,469,406.97	0.0524	235,635,577.21	1,865,601,644.14	0.0554	103,382,315.11
IDR	536,119,091,674.44	0.0005	241,350,092.69	187,598,528,990.20	0.0004	82,404,921.72
HKD	17,466,945.24	0.8933	15,603,222.18	32,218,018.93	0.8176	26,341,452.28
Others	-	/	89,000,468.67	-	/	69,806,621.65
Accounts receivable						
USD	378,363,890.92	6.9646	2,635,153,154.72	232,111,825.75	6.3757	1,479,875,367.43
JPY	2,848,050,064.50	0.0524	149,118,205.28	8,474,288,256.76	0.0554	469,600,900.74
EUR	320,564,819.65	7.4229	2,379,520,599.78	254,156,263.85	7.2197	1,834,931,978.11
WON	13,282,316,665.00	0.0055	73,318,387.99	7,218,788,090.00	0.0054	38,694,190.02
Others	-	/	2,887,486.25	-	/	13,466,882.28
Accounts payables						

USD	120,026,072.59	6.9646	835,933,585.15	176,437,338.34	6.3757	1,124,911,538.08
JPY	975,847,892.36	0.0524	51,093,443.95	1,279,899,245.47	0.0554	70,925,616.69
EUR	77,032,290.16	7.4229	571,802,986.63	87,066,746.43	7.2197	628,595,789.20
WON	11,309,751.81	0.0055	62,429.83	6,644,823.19	0.0054	35,617.62
Others	-	/	13,622,321.34	-	/	14,782,796.08
Long-term borrowings						
USD	23,317,647.06	6.9646	162,398,084.71	36,089,170.64	6.3757	230,093,725.23
JPY	-	0.0524	-	1,308,353.97	0.0554	72,482.81
EUR	2,391,869.21	7.4229	17,754,605.96	4,066,261.35	7.2197	29,357,187.07
Short-term borrowings						
USD	31,673,272.00	6.9646	220,591,670.17	195,754,666.25	6.3757	1,248,073,025.58
JPY	11,000,000,000.00	0.0524	575,938,000.00	-	0.0554	-
EUR	124,724,588.71	7.4229	925,818,149.54	108,568,156.66	7.2197	783,829,520.64
WON	13,000,000,000.00	0.0055	71,760,000.00	13,000,000,000.00	0.0054	69,680,000.00

75. Government grants

Basic information of government grants:

	Amount	Presented items	Amount recognized in profit or loss
Government grants related to assets	340,880,200.02	Deferred income	192,346,445.16
Government grants related to income	592,072,202.74	Deferred income Other income	609,994,905.55
Total	932,952,402.76		802,341,350.71

VI. Changes of scope of consolidation

1. Consolidation of businesses involving entities not under common control

(1) Wuxi Baojing Steel Processing and Delivery Co., Ltd.

At 20 December 2022, other previous shareholders of Wuxi Baojing Steel Processing and Delivery Co., Ltd. ("Wuxi Baojing") transferred 49% of share equity to Ouyeel Cloud Commerce Corporation Limited. After this transference, there was no change in the shares held by the Group and in the percentage of shareholdings.

Before this transference, the Group did not take control over the financial and operational decisions of Wuxi Baojing according to the regulations of procedures for shareholders' meetings in the articles of association although the Group had its 51% of the shares. Hence, the Group accounted for investments in Wuxi Baojing using the equity method.

At the date of the share transference, the general meeting of shareholders of Wuxi Baojing approved the revised articles of association. The Group took control over the financial and operational decisions of Wuxi Baojing, obtained related benefits and assumed related risks according to the revised articles of association. Therefore, the date 20 December 2022 was determined as the combination date.

The book value and fair value of Wuxi Baojing's identifiable assets and liabilities at the acquisition date are as follows:

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(VI) CHANGES OF SCOPE OF CONSOLIDATION - continued

	The fair value on 20 December 2022	The book value on 20 December 2022
Current assets	142,392,081.09	142,392,081.09
Currency funds	34,049,082.01	34,049,082.01
Notes receivable	5,455,588.25	5,455,588.25
Accounts receivable	32,602,343.61	32,602,343.61
Prepayments	46,355,281.49	46,355,281.49
Other receivables	14,640.12	14,640.12
Inventories	23,865,045.83	23,865,045.83
Other current assets	50,099.78	50,099.78
Non-current assets	34,257,621.76	17,000,283.77
Fixed assets	13,936,444.28	7,550,812.92
Right-of-use assets	437,870.68	437,870.68
Intangible assets	18,312,371.12	7,440,664.49
Deferred tax assets	1,570,935.68	1,570,935.68
Total assets	176,649,702.85	159,392,364.86
Current liabilities	45,921,747.27	45,921,747.27
Short-term borrowings	30,052,013.90	30,052,013.90
Accounts payable	4,485,840.03	4,485,840.03
Contract liabilities	2,876,609.67	2,876,609.67
Employee benefits payable	4,383,684.02	4,383,684.02
Taxes payable	1,343,277.89	1,343,277.89
Other payables	2,096,345.21	2,096,345.21
Non-current liabilities due within one year	310,017.30	310,017.30
Other current liabilities	373,959.25	373,959.25
Non-current liabilities	4,556,525.33	242,190.83
Lease liabilities	132,723.16	132,723.16
Deferred tax liabilities	4,423,802.17	109,467.67
Total liabilities	50,478,272.60	46,163,938.10
Total net assets	126,171,430.25	113,228,426.76
The proportion of net identifiable assets attributable to the Group	64,347,429.43	
Goodwill generated from acquisition	-	
Consideration of acquisition	64,347,429.43	Note

Note: The amount comprised the valued fair value of 51% shares of Wuxi Baojing before the acquisition date, amounting to RMB64,347,429.43.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(VI) CHANGES OF SCOPE OF CONSOLIDATION - continued

(2) Baoxin Software (Shanxi) Co., Ltd.

In April 2022, the Group entered into an agreement with Taiyuan Iron & Steel (Group) Co., Ltd. and Shanxi Cloud ERA Technology Co., Ltd. that the Group acquired 34% of shares of Baoxin Software (Shanxi) Co., Ltd. previously held by Taiyuan Iron & Steel (Group) Co., Ltd. and 17% of shares previously held by Shanxi Cloud ERA Technology Co., Ltd. at considerations of RMB7,006,800.00 and RMB3,503,400.00 respectively. The Group completed the share transference and procedures on industrial and commercial registration on 31 May 2022, since then it took control over the financial and operational decisions of Baoxin Software (Shanxi) Co., Ltd., obtained related benefits, and assumed related risks. Therefore, the date 31 May 2022 was determined as the combination date.

The book value and fair value of Baoxin Software (Shanxi) Co., Ltd.'s identifiable assets and liabilities at the acquisition date are as follows:

	Fair value on 31 May 2022	Book value on 31 May 2022
Current assets	52,460,615.71	52,460,615.71
Currency funds	28,186,625.59	28,186,625.59
Accounts receivable	14,264,541.50	14,264,541.50
Other receivables	399,920.87	399,920.87
Inventories	9,113,579.45	9,113,579.45
Other current assets	495,948.30	495,948.30
Non-current assets	604,949.00	387,424.68
Fixed assets	498,789.00	387,424.68
Intangible assets	106,160.00	-
Total assets	53,065,564.71	52,848,040.39
Current liabilities	28,098,619.77	28,065,991.12
Accounts payable	26,296,068.83	26,296,068.83
Contract liabilities	1,178,726.40	1,178,726.40
Employee benefits payable	204,252.94	204,252.94
Other payables	386,942.95	386,942.95
Deferred tax liabilities	32,628.65	-
Total liabilities	28,098,619.77	28,065,991.12
Total net assets	24,966,944.94	24,782,049.27
The proportion of net identifiable assets attributable to the Group	12,733,141.92	
Goodwill generated from acquisition	-	
Consideration of acquisition	10,510,200.00	Note

Note: The amount represented the cash payment of RMB10,510,200.00 which was the consideration of the combination.

2. Newly-established subsidiaries

Major subsidiaries newly established during the year

(1) Zhejiang Baowan Carbon Fiber Co., Ltd.

On 7 March 2022, Baowu Carbon Material Technology Co., Ltd., a subsidiary of the Company, and Wanhua Chemical Group Co., Ltd. established Zhejiang Baowan Carbon Fiber Co., Ltd. ("Zhejiang Baowan"), with registered capital of RMB0.85 billion. In December 2022, Baowu Carbon Material Technology Co., Ltd. completed capital contributions of RMB0.85 billion to Zhejiang Baowan and owned 51% of shares of Zhejiang Baowan.

(2) Baotou Baokai Carbon Material Co., Ltd.

On 30 May 2022, Baowu Carbon Material Technology Co., Ltd., a subsidiary of the Company, and Inner Mongolia BaoTou Steel Union Co., Ltd. established Baotou Baokai Carbon Material Co., Ltd. ("Baotou Baokai"), with registered capital of RMB0.2 billion. In December 2022, Baowu Carbon Material Technology Co., Ltd. completed capital contributions of RMB0.16 billion to Baotou Baokai and owned 51% of shares of Baotou Baokai.

3. Disposal of subsidiaries

Related information of disposal of major subsidiaries:

	Place of registration	Nature of business	Percentage of shareholding (%)	Percentage of voting rights (%)	Reasons for no longer being a subsidiary
Yantai Baosteel Wheels Co.,Ltd. ("Yantai Baosteel Wheels")	Yantai city	Processing and sales of automotive parts	100	100	Share transfer

Name of subsidiary	Equity disposal consideration	Equity disposal proportion (%)	Date of losing control	Basis for determining the point of losing control	Share of corresponding net assets of the subsidiary at consolidated level	Fair value of the remaining equity at the date of losing control	Disposal of subsidiaries and gains or losses arising from re-measurement of remaining equity at fair value	Amount of other comprehensive income related to equity investments of the original subsidiary transferred to investment profit or loss
Yantai Baosteel Wheels	1.00	100	27 December 2022	Note 1	30,574,530.75	-	30,574,530.75	-

Note 1: On 31 July 2022, Shanghai Baosteel International Economic & Trading Co., Ltd. ("Baosteel International"), a subsidiary of the Company, entered into a share transfer agreement with Shenzhen CIMC Tcb Supply Chain Co., Ltd. to transfer 100% of share equity in Yantai Baosteel Wheels for a consideration of RMB1. The date of disposal was 27 December 2022, and the Group no longer included Yantai Baosteel Wheels in the scope of consolidation thereafter.

4. Changes of scope of consolidation due to other reasons

For business integration and management, the Company absorbed and merged Shengsi Baosteel Majishan Port Shipping Co., Ltd. ("Shengsi Port Shipping"), a subsidiary of the Company on 1 December 2022. Cancellation of registration of Shengsi Port Shipping was completed on 19 December 2022, and Shengsi Port Shipping was no longer included in the scope of consolidation of the Group thereafter.

For business integration and management, Wuhan Iron and Steel Co., Ltd. ("Wuhan Iron and Steel Limited"), a subsidiary of the Company, absorbed and merged WISCO International Economic & Trading Co., Ltd., which was a subsidiary of Wuhan Iron and Steel Limited, on 30 November 2022. Cancellation of registration of WISCO International Economic & Trading Co., Ltd. was completed on 4 November 2022, and WISCO International Economic & Trading Co., Ltd. was no longer included in the scope of consolidation of the Group thereafter.

For business integration and management, Zhejiang Baojing Carbon Materials Co., Ltd., a subsidiary of Baowu Carbon Material (Baowu Carbon Material is a subsidiary of the Company), absorbed and merged Zhejiang Jingye New Materials Co., Ltd. on 31 July 2022. Cancellation of registration of Zhejiang Jingye New Materials Co., Ltd. was completed on 22 November 2022, and Zhejiang Jingye New Materials Co., Ltd. was no longer included in the scope of consolidation of the Group thereafter.

For business integration and management, Chongqing Baosteel Auto Steel Parts Co., Ltd., a subsidiary of Baosteel International (Baosteel International is a subsidiary of the Company), absorbed and merged Chongqing Bao Steel Meiwei Vehicle Wheels Co., Ltd. and Chongqing Baosteel Steel Processing and Distribution Co., Ltd. on 1 November 2022. Cancellations of registration of two companies were completed on 23 December 2022 and 21 December 2022, and the two companies were no longer included in the scope of consolidation of the Group thereafter.

For business integration and management, Tianjin Baosteel Steel Distribution Co., Ltd., a subsidiary of Baosteel International (Baosteel International is a subsidiary of the Company), absorbed and merged Tianjin Wuhan Steel Materials Processing Co., Ltd., which was a subsidiary of Wuhan Iron and Steel Limited previously, on 31 October 2022. Cancellation of registration of Tianjin Wuhan Steel Materials Processing Co., Ltd. was completed on 27 December 2022, and Tianjin Wuhan Steel Materials Processing Co., Ltd. was no longer included in the scope of

consolidation of the Group thereafter.

On 20 June 2022, Chongqing Baoji Auto Parts Co., Ltd. cancelled its registration, which was approved by Chongqing Administration for Market Regulation, Xijiang Branch and it was no longer included in the scope of consolidation of the Group thereafter.

VII. Equity in other entities

1. Interests in subsidiaries

The principal subsidiaries of the Company are presented as follows:

	Place of key operation	Place of registration	Nature of business	Percentage of shareholding (%) Direct	Percentage of shareholding (%) Indirect	
Subsidiaries acquired through establishment or investment:						
Poly Pipe (Thailand) Co., Ltd. ("Poly Pipe")	Thailand	Thailand	Steel pipe processing	-	51	Note 1
BGM Co., Ltd. ("BGM")	Korea	Gyeonggi-do	Manufacture and sale of steel products	-	50	Note 2
Shanghai Baosteel Asset Management Co., Ltd. ("Baosteel Asset")	China	Shanghai	Asset management	100	-	
Subsidiaries acquired through business combinations involving entities under common control						
Yantai Lubao Steel Tubes Co., Ltd. ("Lubao Baosteel")	China	Yantai city	Manufacture	100	-	
Baosteel Huangshi Coating & Galvanizing Co., Ltd. ("Huangshi Coating & Galvanizing")	China	Huangshi city	Manufacture	50.63	-	
Shanghai Baosteel International Economic & Trading Co., Ltd. ("Baosteel International")	China	Shanghai	Steel trading	100	-	
Shanghai Meishan Iron & Steel Co., Ltd. ("Meishan Steel")	China	Nanjing city	Manufacture	77.04	-	
Shanghai Baosight Software Co., Ltd. ("Baosight Software")	China	Shanghai	Information technology	49.55	-	Note 3
Baosteel America Inc. ("Baosteel America")	USA	Texas, USA	Steel trading	100	-	
Howa Trading Co., Ltd. ("Howa Trading")	Japan	Tokyo, Japan	Steel trading	100	-	
Baosteel Europe Gmbh ("Baosteel Europe")	Germany	Hamburg, Germany	Steel trading	100	-	
Baosteel Singapore PTE Ltd. ("Baosteel Singapore")	Singapore	Singapore	Steel trading	100	-	
Bao-Trans Enterprises Ltd. ("Bao-Trans Enterprises")	HKSAR, China	HKSAR, China	Steel trading	100	-	
Baowu Carton Materials & Technology Co., Ltd("Baowu Carton")	China	Shanghai	Manufacture	71.78	-	
Baosteel Group Finance Co., Ltd. ("Finance Co.,")	China	Shanghai	Finance	52.10	-	Note 4
Baosteel Zhanjiang Iron & Steel Co., Ltd. ("Zhanjiang Steel")	China	Zhanjiang city	Manufacture	90	-	
Wuhan Iron and Steel Co., Ltd. ("Wuhan Iron and Steel Limited")	China	Wuhan	Manufacture	100	-	
Baosteel International Tailored Blanks GMBH("Laser Tailor-welded")	Germany	Duisburg	Research and development, manufacture and sale of laser tailor-welded plate products	100	-	

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(VII) EQUITY IN OTHER ENTITIES - continued

Note 1: 51% of shares of Poly Pipe indirectly held by the Group have been transferred in February 2023 for a consideration of RMB 37.4 million. Hence, Poly Pipe has no longer been included in the consolidation scope of the Group since February 2023.

Note 2: As at the balance sheet date, the Group held 50% of shares in BGM, however, the Group has over 50% voting rights in the board of directors and the resolutions of the board of directors can be passed with over 50% voting rights, so BGM is included in the consolidation scope of the Group.

Note 3: As at the balance sheet date, the Group held 49.55% of shares in Baosight Software. The Company is the single largest shareholder of Baosight Software and the equity held by other shareholders is scattered. Hence, the Company has substantive control over Baosight Software.

Note 4:China Baowu increased its investments in Finance Co., in this year, resulting in a decrease of the Company's ownership in Finance Co., from 56.91% to 52.10%.

Subsidiaries with material interests of minority shareholders are as follows:

2022

Unit: RMB'000

	Percentage of shareholding of minority shareholders	Attributable to minority interests	Dividends paid to minority shareholders	Accumulated minority interests at the end of year
Meishan Steel	22.96%	(91,364)	219,083	3,884,865
Zhanjiang Steel	10.00%	170,608	240,000	3,272,287
Baowu Carton	28.22%	256,278	5,001	4,142,084
Finance Co., Ltd.	47.90%	178,373	112,863	2,389,690

2021

Unit: RMB'000

	Percentage of shareholding of minority shareholders	Attributable to minority interests	Dividends paid to minority shareholders	Accumulated minority interests at the end of year
Meishan Steel	22.96%	811,572	28,945	4,195,354
Zhanjiang Steel	10.00%	475,535	20,000	3,345,035
Baowu Carton	28.22%	262,008	26,702	3,433,504
Finance Co., Ltd.	43.09%	140,844	52,139	1,894,442

2022

Unit: RMB'000

	Meishan Steel	Zhanjiang Steel	Baowu Carton	Finance Co., Ltd.
Current assets	10,931,344	15,422,547	8,642,308	13,398,286
Non-current assets	22,545,022	54,464,349	11,092,788	38,657,122
Total assets	33,476,366	69,886,896	19,735,096	52,055,408
Current liabilities	16,341,117	36,308,227	8,254,453	47,016,263
Non-current liabilities	215,105	855,800	2,723,439	50,230
Total liabilities	16,556,222	37,164,027	10,977,892	47,066,493
Operating income	37,816,064	63,999,140	15,286,522	1,318,095
Net profit	(397,927)	1,706,081	527,510	372,387
Total comprehensive income	(397,927)	1,706,081	527,510	352,860
Net cash flows (used in)/from operating activities	3,781,347	6,998,089	(703,404)	9,336,386

2021

Unit: RMB'000

	Meishan Steel	Zhanjiang Steel	Baowu Carton	Finance Co., Ltd.
Current assets	10,084,300	14,142,271	6,898,498	11,968,613
Non-current assets	20,695,113	58,581,573	8,782,937	28,272,075
Total assets	30,779,413	72,723,844	15,681,435	40,240,688
Current liabilities	12,254,824	38,474,077	6,360,373	35,791,150
Non-current liabilities	252,143	799,421	1,509,697	53,061
Total liabilities	12,506,967	39,273,498	7,870,070	35,844,211
Operating income	42,943,780	54,600,866	10,630,769	1,062,830
Net profit	3,534,722	4,712,125	529,651	326,859
Total comprehensive income	3,534,722	4,712,125	529,651	328,290
Net cash flows from operating activities	7,334,267	9,075,761	1,532,150	8,462,729

There are no significant restrictions for the above subsidiaries in utilizing the Group's assets and settling the Group's debts.

2. Interests in jointly-controlled entities ("JCEs") and associates

Significant JCEs and associates

The investees holding long-term equity investments of over RMB0.6 billion as at 31 December 2021 are considered as significant JCEs and associates.

	Place of operation	Place of registration	Nature of business	Percentage of shareholding (%)		Accounting treatment
				Direct	Indirect	
I. JCEs						
Baosteel-NSC/Arcelor Automotive Steel Sheets Co., Ltd. ("BNA")	China	Shanghai	Manufacturing	50	-	Equity method
Baojin Enterprise Co., Ltd. ("Baojin Enterprise")	China	HKSAR	Ship chartering	50	-	Equity method
Guangzhou JFE Steel Sheet Co., Ltd. ("Guangzhou JFE")	China	Guangzhou city	Steel manufacturing	-	50	Equity method
II. Associates						
Henan Pingbao Coal Industry Co., Ltd. ("Henan Pingbao")	China	Xuchang	Extractive industries	-	40	Equity method
China Pingmei Shenma Energy and Chemical Group Co., Ltd. ("Pingmei Shenma") (Note)	China	Pingdingshan	Coal mining and selling	-	11.62	Equity method
TWB Company ("TWB")	United States	United States	Auto parts and accessories manufacturing	-	45	Equity method
Ouyeel Cloud Commerce Corporation Limited ("Ouyeel Cloud Commerce")	China	Shanghai	E-commerce	5.17	25.25	Equity method
Shanghai Rural Commercial Bank Co., Ltd. ("Rural Commercial Bank") (Note)	China	Shanghai	Finance	8.29	-	Equity method
Ouyeel Industrial Products Co., Ltd ("Ouyeel Industrial Products") (Note)	China	Shanghai	Wholesale business	34	7.5	Equity method
Baowu Water Technology Co., Ltd. ("Baowu Water")	China	Shanghai	Water management	20.306	29.258	Equity method
Baowu Clean Energy Co., Ltd. ("Baowu Clean Energy")	China	Shanghai	Wholesale business	-	19.35	Equity method

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(VI) CHANGES OF SCOPE OF CONSOLIDATION - continued

Note: The Company owns a 11.62% equity interest in Pingmei Shenma and appoints a director in the board of directors of Pingmei Shenma, so the Company has a significant impact on Pingmei Shenma even it has less than 20% of the shares. The Company owns 8.29% of the shares of Rural Commercial Bank and appoints a director in the board of directors of Rural Commercial Bank, so the Company has a significant impact on Rural Commercial Bank even it has less than 20% of the shares. In 2022, China Baowu completed its subscribed capital contribution in Baowu Clean Energy with an amount of RMB2.45 billion, resulting in a decrease of the Company's ownership in Baowu Clean Energy from 34.98% to 19.35%. Since The Company has appointed two directors in the board of directors of Baowu Clean Energy, the Company has a significant impact on Baowu Clean Energy even it has less than 20% of the shares and accounts for this investment under the equity method.

Unit: RMB'000

	Closing balance / Amount for the current year			Opening balance / Amount for the prior year		
	BNA	Baojin Enterprise	Guangzhou JFE	BNA	Baojin Enterprise	Guangzhou JFE
Current assets	4,191,832	585,820	3,974,736	3,622,494	454,492	3,686,723
Including: Cash and cash equivalents	1,735,129	526,022	2,014,581	1,479,176	401,879	1,479,251
Non-current assets	1,600,183	1,602,875	3,023,930	1,737,700	1,577,807	3,367,775
Total assets	5,792,015	2,188,695	6,998,666	5,360,194	2,032,299	7,054,498
Current liabilities	1,571,070	319,557	2,429,688	1,323,412	303,222	2,517,495
Non-current liabilities	48,312	318,045	23,466	100,926	378,697	26,068
Total liabilities	1,619,382	637,602	2,453,154	1,424,338	681,919	2,543,563
Minority interests	-	-	-	-	-	-
Shareholders' equity attributable to shareholders of the Company	4,172,633	1,551,093	4,545,513	3,935,856	1,350,380	4,510,935
Share of net assets according to proportion of shareholding	2,086,317	775,547	2,272,757	1,967,928	675,190	2,255,468
Adjustments	-	-	109,490	-	-	119,686
Carrying amount of equity investments	2,086,317	775,547	2,382,247	1,967,928	675,190	2,375,154
Operating income	14,629,912	777,820	8,618,696	16,650,946	613,706	8,376,861
Financial expenses	(13,677)	9,346	(17,334)	(22,710)	11,999	(17,025)
Income tax expenses	75,613	2,277	60,737	159,953	1,307	133,749
Net profits	236,777	133,094	364,241	518,128	104,294	802,114
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	236,777	133,094	364,241	518,128	104,294	802,114
Dividends received	-	28,217	154,795	36,533	29,093	169,899

Unit: RMB'000

	Closing balance / Amount for the current year							
	Henan Pingbao	Ouyeel Industrial Products	Pingmei Shenma	TWB	Ouyeel Cloud Commerce	Rural Commercial Bank	Baowu Water	Baowu Clean Energy
Current assets	1,641,380	18,567,050	98,732,122	1,091,822	34,741,570	881,978,967	5,218,888	3,626,001
Non-current assets	3,213,876	34,998	130,138,779	1,220,710	1,125,591	351,104,779	3,115,520	5,356,935
Total assets	4,855,256	18,602,048	228,870,901	2,312,532	35,867,161	1,233,083,746	8,334,408	8,982,936
Current liabilities	443,109	14,729,811	120,947,507	737,967	29,855,340	1,023,676,767	4,223,980	961,304
Non-current liabilities	500,720	3,585	42,834,410	395,708	986,555	103,105,350	429,957	557,017
Total liabilities	943,829	14,733,396	163,781,917	1,133,675	30,841,895	1,126,782,117	4,653,937	1,518,321
Other equity instruments - perpetual debt	-	-	5,862,638	-	-	-	-	-
Minority interests	-	-	32,929,289	-	331,823	3,799,484	425,612	1,421,256
Shareholders' equity attributable to shareholders of the Company	3,911,427	3,868,652	26,297,057	1,178,857	4,693,443	102,502,145	3,254,859	6,043,359
Share of net assets according to proportion of shareholding	1,564,571	1,605,491	3,055,718	530,486	1,427,745	8,502,482	1,613,238	1,169,390
Adjustments	-	-	(1,424,754)	333,642	673,829	(617,279)	99,855	1,209
Carrying amount of equity investments	1,564,571	1,605,491	1,630,964	864,128	2,101,574	7,885,203	1,713,093	1,170,599
Operating income	2,915,177	37,897,623	134,301,413	3,358,565	112,826,576	25,627,270	6,556,106	5,474,633
Net profits	969,271	36,939	3,636,352	157,732	452,893	10,974,377	166,549	330,911
Other comprehensive income	-	(340)	1,220	-	28,561	652,998	-	4,176
Total comprehensive income	969,271	36,599	3,637,572	157,732	481,453	11,627,375	166,549	335,087
Dividends received	120,000	-	-	39,859	-	240,000	38,131	-

Unit: RMB'000

	Closing balance / Amount for the current year							
	Henan Pingbao	Ouyeel Industrial Products	Pingmei Shenma	TWB	Ouyeel Cloud Commerce	Rural Commercial Bank	Baowu Water	Baowu Clean Energy
Current assets	1,628,297	16,264,441	95,354,467	978,373	26,721,211	825,980,483	3,832,087	1,332,500
Non-current assets	2,891,607	33,621	119,010,037	1,154,677	1,737,676	290,347,518	3,036,493	4,127,887
Total assets	4,519,904	16,298,062	214,364,504	2,133,050	28,458,887	1,116,328,001	6,868,580	5,460,387
Current liabilities	540,883	12,455,352	123,992,053	487,782	23,609,039	946,838,414	3,040,612	581,175
Non-current liabilities	771,994	366	34,929,622	641,987	92,264	72,043,158	161,080	163,058
Total liabilities	1,312,877	12,455,718	158,921,675	1,129,769	23,701,303	1,018,881,572	3,201,692	744,233
Other equity instruments - perpetual debt	-	-	3,912,127	-	-	-	-	-
Minority interests	-	-	29,998,305	-	194,141	3,450,399	444,694	1,315,719
Shareholders' equity attributable to shareholders of the Company	3,207,028	3,842,344	21,532,397	1,003,281	4,563,443	93,996,030	3,222,194	3,400,435
Share of net assets according to proportion of shareholding	1,282,811	1,594,573	2,502,065	451,476	1,388,199	7,796,906	1,597,048	1,189,472
Adjustments	(10,400)	-	(1,285,872)	305,568	675,037	(657,061)	99,856	(5,845)
Carrying amount of equity investments	1,272,411	1,594,573	1,216,193	757,044	2,063,236	7,139,845	1,696,904	1,183,627
Operating income	2,203,545	30,547,284	135,079,295	2,442,945	126,667,103	18,152,168	5,005,753	3,713,983
Net profits	694,957	14,328	3,789,739	129,370	510,344	7,935,849	212,347	212,355
Other comprehensive income	-	4,010	105	-	(4,371)	588,620	-	-
Total comprehensive income	694,957	18,338	3,789,844	129,370	505,973	8,524,469	212,347	212,355
Dividends received	10,400	-	-	55,853	-	208,000	5,213	-

Summarized financial information of insignificant JCEs and associates

Unit: RMB'000

	2022	2021
JCEs		
Total carrying amount of investments	530,783	524,663
The following items are calculated according to proportion of shareholding		
Net profits	15,334	(144,804)
Other comprehensive income	-	-
Total comprehensive income	15,334	(144,804)
Associates:		
Total carrying amount of investments	3,566,736	3,443,636
The following items are calculated according to portion of shareholding		
Net profits	185,243	271,212
Other comprehensive income	(4,577)	(3,204)
Total comprehensive income	180,666	268,008

VIII. Financial instruments and risk management

1. Transfers of financial assets

Financial assets transferred but not yet fully derecognized

As at 31 December 2022, the book value of bank acceptance bills which the Group endorsed to suppliers for settlement of accounts payable but not yet expired was RMB889,050,220.10 (As at 31 December 2021: RMB630,087,841.38), and that of bank acceptance bills which the Group discounted but not yet expired was RMB324,208,103.17 (As at 31 December 2021: RMB81,680,320.00). As the Group was of the opinion that the Group had retained substantially all its risks and rewards, including the default risk associated, the Group continued to recognize them and the accounts payable associated therewith. After the endorsement or discount, the Group no longer reserved the rights to use them, including the rights to sell, transfer or pledge to any other third party. As of 31 December 2022, the carrying amount of trade payables settled by the Group through them amounted to RMB889,050,220.10 (31 December 2021: RMB630,087,841.38).

As a part of daily business, the Group and the bank have arranged the factoring business of accounts receivable and transferred part of accounts receivable to the bank. Under this arrangement, if the accounts receivable debtor delays the payment, the Group is required to compensate the bank for the interest losses on that part of transfer for 180 days. The Group has no exposure default risk by accounts receivable debtors after the transfer and the Group no longer reserves the right to use, sell, transfer or pledge that part of account receivable to other third parties. As at 31 December 2022, the book value of accounts receivable transferred but not yet settled under this arrangement was RMB49,816,709.00 (As at 31 December 2021: Nil). As at 31 December 2022, the carrying amount of the assets recognized by the Group due to continued involvement was RMB49,816,709.00 (As at 31 December 2021: Nil), and the related liabilities were RMB49,816,709.00 (As at 31 December 2021: Nil), which were recorded in accounts receivable and short-term loans, respectively.

Transferred financial assets fully derecognized but with continuing involvement

As at 31 December 2022, the book value of bank acceptance bills which the Group endorsed to suppliers for settlement of accounts payable was RMB28,596,285,497.41 (As at 31 December 2021: RMB35,592,982,596.48), and has no commercial acceptance bills (As at 31 December 2021: RMB22,944,121.61). The book value of bank acceptance bills discounted to banks was RMB1,542,650,197.93 (As at 31 December 2021: RMB5,171,087,258.28), and none of commercial acceptance bills discounted to banks but not yet expire (As at 31 December 2021: Nil). As at 31 December 2022, they were due in 1 to 12 months. If acceptance banks dishonor the bills, endorsees shall have the right to turn to the Group for recourse ("Continuing Involvement") according to the Law of Negotiable Instruments. The Group considered substantially all risks and rewards of the bills have been transferred. Therefore, the Group derecognized the book value of the related accounts payable that have been settled by the bills. The undiscounted cash flows and maximum loss of continuing involvement and repurchase were equal to the book value of the bills. The Group considers the fair value of continuing involvement is not significant.

In 2022, the Group did not recognize any significant profit or loss at the date of transfer. The Group had no current or accumulated gain or expense arising from the continuing involvement in financial assets which had been derecognized. The endorsement was incurred evenly throughout the year.

2. Financial instrument risks

In its day-to-day activities, the Group is exposed to financial instruments risks, primarily including credit risk, liquidity risk and market risk (including exchange rate risk, interest rate risk and price risk). The Group's major financial instruments include currency funds, financial assets held for trading, derivative financial assets, notes receivable, accounts receivable, receivables financing, other receivables, financial assets purchased under resell agreements, wealth management products of other current assets, notes receivable discounted and loans and advances to customers of other current assets, loans and advances to customers, debt investments, other debt investments, long-term receivables, investments in other equity instruments, other non-current financial assets, short-term borrowings, loans from the central bank, customer deposits and deposits from banks and other financial institutions, derivative financial liabilities, notes payable, accounts payable, financial assets sold under repurchase agreements, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings, bonds payables, long-term accounts payable (excluding special accounts payable) and other non-current liabilities. Details of these financial instruments are disclosed in Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group conducted sensitivity analysis on the impact of reasonable and possible changes of risk variables on profit or loss and equity of the current period. Risk variables may not change in isolation, but the correlations between the variables might have significant effects on the change amount determined by one variable. Thus, the statements below are based on the assumption that every variable changes in isolation.

Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the industry's exposures to various risks, establish an appropriate bottom line for risk tolerance, implement risk management, and monitor these exposures to ensure that appropriate measures are implemented in a timely and effective manner.

Credit risk

Credit risk of the Group mainly results from all types of receivables, loans and advances to customers. In order to control credit risk, the Group conducts transactions with authorized well-known third parties. In accordance with the Group's policy, all customers who need credit transactions are required to be assessed under credit review. In addition, the Group performs ongoing monitoring on accounts receivable balance to ensure that the Group will not face significant risks of bad debts. In the relevant sale settlement, the Group mainly requests full advances or deposit with delivery on cash. For only a few strategic clients, the Group determines lines of credit and deadlines of payment after credit assessments and transactions are settled via bank acceptance notes as far as possible.

Since the counterparties for currency funds, bank acceptance bills receivable, derivative financial instruments and debt investments are reputable banks with high credit ratings, the credit risk of those financial instruments is relatively low.

In the relevant purchase settlement, the Group mainly applies cash on demand and payment with credit to settle purchases. Only for building contractors of construction, part of the equipment suppliers of long-cycle constructions and contractors whose resources are in short supply, the Group provides a certain advance to suppliers according to lines of credit and deadlines after they pass the credit assessments. The disbursement of loans and advances of the Group is due to the principal operations of Finance Co., Ltd. and debtors are mainly limited to the members of China Baowu with good credit assessments. The credit risk is controlled within an appropriate level.

The Group's credit risk of other financial assets and liabilities results from the default of the counterparties. When there is no collateral or other credit enhancements, the maximum credit exposure of the Group is the carrying amount of these financial instruments. The Group has not provided any form of guarantee which may put itself in a situation of risks. As at 31 December 2022, 13% of the receivables were due from the five largest debtors (As at 31 December 2021: 12%), and the Group was not found to be exposed to significantly intensive credit risks.

Criteria for judging significant increases in credit risk

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

of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

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

(1) Quantitative criteria: At the reporting date, the remaining lifetime probability of default has increased by a certain proportion, compared with the one at initial recognition;
(2) Qualitative criteria: Significant adverse change in debtor's operation or financial status, or debtors who are included in the alert customer list.

Definition of credit-impaired asset

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

(1) Significant financial difficulty of the issuer or the debtor;

(2) Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;

(3) The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;

(4) It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;

(5) The disappearance of an active market for that financial asset because of financial difficulties;

(6) The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

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

Exposure to credit risk

The credit risk rating of the Group's financial assets has not changed from the previous year. Quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in Notes V.5 and 8.

Liquidity risk

Liquidity risk is the risk that the Group may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Group exercises trade financing, convertible loan notes, medium-term notes, long-term and short-term loans, other interest-bearing loans and other means to maintain a balance between continuity and flexibility of financing. The Group also acquires sufficient credit from major financial institutions to satisfy short-term and long-term demands for funds. The Group monitors the short-term and long-term demands for funds on a real time basis to ensure the abundance of cash reserves and security for cash outflows at any time. As of 31 December 2022, the Group's current liabilities exceeded current assets by RMB30.901 billion. The Group may use bank borrowings as a source of funds to cover the difference between current liabilities and current assets. As of 31 December 2022, the Group has obtained unutilized bank loan facilities of approximately RMB196.473 billion. Consequently, the management of the Company believes that there is no significant liquidity risk for the Group.

Market risk

Market risk is the fluctuation of fair value of financial instruments. It is sensitive to market price fluctuation due to the change of foreign currency exchange rates (exchange rate risk), market price (price risk), market interest rates (interest rate risk), and other variables. Fluctuation is due to specific variables which have an impact on a single financial instrument or issuer, or the entire market transactions of all financial instruments.

Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The exchange rate risk which the Group faces is mainly related to the operating activities (if settled by foreign currencies).

The iron ore imports of the Group are mainly settled in US dollars, which leads to a large deficit of expenses and receipts in US dollars. The Company takes the most favorable RMB financing cost ratio available in the current year as the comparison basis, and selects financing activities in US dollars or in RMB. At the same time, the Group traces the exchange trend of RMB against the US dollar and evaluates the exchange rate

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

risk related to liabilities in US dollars. In view of the market environment of more bilateral fluctuations in the exchange rate of RMB against the US dollar, the Group conducts financing activities in US dollars that match its forward exchange contracts or changes financing currencies to mitigate the exchange rate risk. By the end of the current year, the Group had no significant net exposure to foreign exchange risks in US dollars.

The risk management measure is to ensure that the risk of exchange rate fluctuation is set within an acceptable level at the beginning. The above-mentioned synthetic fund cost is net of the loan interest paid and gain/loss upon the settlement of the forward contracts. Within the terms of borrowings in US dollars, the foreign exchange rate will not have a substantial effect on the Group's operations.

Interest rate risk

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flow fluctuates due to changes in interest rate. The risk of the interest rate that the Group faces is mainly related to the debts bearing floating interest. The Group's policy is that the fixed-rate debt and the floating-rate debt are combined as a portfolio to facilitate the interest cost management.

The Group's risks in the fair value fluctuation of financial instruments caused by changes in interest rates are mainly related to bond investments held for trading and debt investments in other non-current financial assets.

Interest rate risk of the financial instruments of the Group presented in terms of dates to maturity and actual interest rates:

	31 December 2022			31 December 2021		
	Financial assets purchased under resale agreements	Loans granted	Long-term receivables	Financial assets purchased under resale agreements	Loans granted	Long-term receivables
Within 1 year	2,000,615,477.56	13,943,310,001.38	-	1,145,063,616.43	12,342,108,680.49	-
More than 1 year	-	980,735,370.94	972,670,947.82	-	885,847,669.31	901,296,252.19
Total	2,000,615,477.56	14,924,045,372.32	972,670,947.82	1,145,063,616.43	13,227,956,349.80	901,296,252.19
Effective interest rate (per annum)	2.60%-5.47%	2.25%-5.88%	1.625%	2.00%-2.04%	1.00%-5.88%	1.625%

	31 December 2022					
	Loans	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Long-term payables	Lease liabilities
Within 1 year	10,830,909,778.15	30,593,242,845.64	3,128,399,766.78	829,441,381.21	134,338,609.61	485,844,787.37
More than 1 year	21,572,996,767.32	1,153,194,798.35	5,500,000,000.00	-	1,719,429,973.16	5,247,634,399.25
Total	32,403,906,545.47	31,746,437,643.99	8,628,399,766.78	829,441,381.21	1,853,768,582.77	5,733,479,186.62
Effective interest rate (per annum)	0.16%-7.2673%	0.50%-5.00%	2.68%-2.99%	2.00%	5.15%	3.85%

	31 December 2021					
	Loans	Customer deposits	Bonds payable	Financial assets sold under repurchase agreements	Long-term payables	Lease liabilities
Within 1 year	12,020,969,443.06	5,226,250,427.63	9,394,441,054.58	933,512,885.88	143,040,498.45	706,403,698.47
More than 1 year	14,772,576,054.99	16,417,613,751.42	8,000,000,000.00	-	386,033,031.01	4,554,076,372.80
Total	26,793,545,498.05	21,643,864,179.05	17,394,441,054.58	933,512,885.88	529,073,529.46	5,260,480,071.27
Effective interest rate (per annum)	0.15%-7.125%	0.05%-3.30%	2.95%-3.69%	2.00%	5.15%	3.85%

(VIII) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

As at 31 December 2022, the interest rate risk exposure of the Company's subsidiary, Finance Co., Ltd, was RMB4.359 billion, because the fluctuation of market interest rate had no significant impact on the Group's pre-tax profit and equity.

As at 31 December 2022, the Group's financial liabilities at floating interest rates, excluding its subsidiary, Finance Co., Ltd, amounted to RMB0.457 billion. The fluctuation of market interest rates had no significant impact on the Group's pre-tax profits and equities.

Other price risk

Equity price risk

Equity price risk refers to potential loss in the fair value of equity securities resulting from adverse changes in a particular stock or stock index. As at 31 December 2022, the Group was exposed to equity price risks from individual equity investments, which are classified into investments in other equity instruments and other non-current financial assets. The investments of the Group traded on the Shanghai Stock Exchange and the Shenzhen Stock Exchange are measured on the basis of market quota at the balance sheet date. The stock index on the day nearest to the balance sheet date at the following stock exchanges and the highest and lowest closing prices in the year are shown below:

Unit: RMB'000

	31 December 2022	Highest/Lowest in 2022	31 December 2021	Highest/Lowest in 2021
Shanghai-SSE Composite Index	3,089	3,652/2,864	3,640	3,732/3,313
Shenzhen-Shenzhen Component Index	11,016	14,941/10,088	14,857	16,293/13,052
Hong Kong-Hang Seng Index	19,781	25,051/14,597	23,398	31,183/22,665

The following table demonstrates the sensitivity of the Group's profit before tax and other comprehensive income before tax to every 5% change in the fair values of the listed equity investments, with all other variables held constant (based on their carrying amounts at the balance sheet date).

Unit: RMB'000

2022	Book value of equity investments	Increase/ decrease of pre-tax profit	Increase/decrease of other comprehensive income
Equity investments			
Shanghai-Equity investments measured at fair value through profit or loss	294,509	15,217	-
-Equity investments measured at fair value through OCI	205,740	-	10,490
Shenzhen-Equity investments measured at fair value through OCI	646,060	-	22,931
Hong Kong-Equity investments measured at fair value through OCI	339,588	-	24,307
Shanghai-Financial assets held for trading	7,524	376	-
Shenzhen-Financial assets held for trading	703	35	-
Unlisted equity investments measured at fair value			
-Equity investments measured at fair value through profit or loss	490,489	24,524	-

Unit: RMB'000

2021	Book value of equity investments	Increase/ decrease of pre-tax profit	Increase/decrease of other comprehensive income
Equity investments			
Shanghai-Equity investments measured at fair value through profit or loss	304,338	15,217	-
-Equity investments measured at fair value through OCI	209,801	-	10,490
Shenzhen-Equity investments measured at fair value through OCI	458,619	-	22,931
Hong Kong-Equity investments measured at fair value through OCI	486,148	-	24,307
Shanghai-Financial assets held for trading	8,588	429	-
Shenzhen-Financial assets held for trading	158	8	-
Unlisted equity investments measured at fair value			
-Equity investments measured at fair value through profit or loss	9,159,988	457,999	-

(IX) FAIR VALUE DISCLOSURE

3. Capital management

The objective of the Group's capital management policy is to ensure that the Group can continue to operate so as to provide returns to shareholders and to benefit other stakeholders, while maintaining the best capital structure to reduce capital costs.

In order to maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The total capital of the Group is the equity of the shareholders presented in the consolidated balance sheet. The Group is not subject to external mandatory capital requirements and monitors capital using the liability on the asset ratio. This ratio is calculated by dividing total liabilities by total assets.

As at 31 December 2022 and 31 December 2021, the liability to asset ratio of the Group is as follows:

	2022(%)	2021(%)
Liability to asset ratio	45.79	44.61

IX. Fair value disclosure

1. Financial assets and financial liabilities measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and disclosure purposes in the financial statements is determined on such a basis.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market bid prices and ask prices respectively; the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis or using prices from observable current market transactions.

Fair value measurements are categorized by the Group into 3 levels based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in their entirety.

31 December 2022

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Key observable inputs (Level 2)	Key unobservable inputs (Level 3)	Total
I. Continuously measured at fair value				
(I) Transactional financial assets	1,478,862,949.79	1,296,295,180.00	-	2,775,158,129.79
(1) Investments in debt instruments	-	1,296,295,180.00	-	1,296,295,180.00
(2) Investments in equity instruments	1,478,862,949.79	-	-	1,478,862,949.79
(II) Derivative financial assets	-	68,108,068.82	-	68,108,068.82

(IX) FAIR VALUE DISCLOSURE - continued

(III) Receivables financing	-	10,177,957,750.14	-	10,177,957,750.14
(IV) Non-current assets due within one year	49,965,300.00	-	-	49,965,300.00
(1) Other debt investments	49,965,300.00	-	-	49,965,300.00
(V) Other current assets	12,547,023,361.00	6,904,089,407.62	22,640,961,523.19	42,092,074,291.81
(1) Wealth management products	-	-	22,640,961,523.19	22,640,961,523.19
(2) Notes receivable discounted	-	6,904,089,407.62	-	6,904,089,407.62
(3) Other debt investments	12,547,023,361.00	-	-	12,547,023,361.00
(VI) Other debt investments	2,598,220,808.50	-	-	2,598,220,808.50
(VII) Investments in other equity instruments	1,191,387,920.75	-	-	1,191,387,920.75
(1) Investments in equity instruments	985,648,288.70	-	-	985,648,288.70
(2) Others	205,739,632.05	-	-	205,739,632.05
(VIII) Other non-current financial assets	294,509,257.25	-	490,489,025.76	784,998,283.01
(IX) Derivative financial liabilities	-	(52,384,172.16)	-	(52,384,172.16)
Total	18,159,969,597.29	18,394,066,234.42	23,131,450,548.95	59,685,486,380.66
II. Non-continuously measured at fair value	-	-	-	-

During the reporting period, there were no transfers of fair value measurements of financial assets and liabilities between Level 1 and Level 2 and no transfers into or out of Level 3.

31 December 2021

	Inputs used in the measurement of fair value			
	Quoted prices in active markets (Level 1)	Key observable inputs (Level 2)	Key unobservable inputs (Level 3)	Total
I. Continuously measured at fair value				
(I) Transactional financial assets	2,393,537,361.68	1,125,295,640.00	-	3,518,833,001.68
(1) Investments in debt instruments	-	1,125,295,640.00	-	1,125,295,640.00
(2) Investments in equity instruments	2,393,537,361.68	-	-	2,393,537,361.68
(II) Derivative financial assets	-	264,599.72	-	264,599.72
(III) Receivables financing	-	9,780,760,948.38	-	9,780,760,948.38
(IV) Non-current assets due within one year	-	-	-	-
(V) Other current assets	-	1,858,033,355.45	13,005,216,732.66	14,863,250,088.11
(1) Wealth management products	-	-	13,005,216,732.66	13,005,216,732.66
(2) Notes receivable discounted	-	1,858,033,355.45	-	1,858,033,355.45
(VI) Other debt investments	7,797,312,850.00	-	-	7,797,312,850.00
(VII) Investments in other equity instruments	1,154,568,034.87	-	-	1,154,568,034.87
(1) Investments in equity instruments	944,767,436.33	-	-	944,767,436.33
(2) Others	209,800,598.54	-	-	209,800,598.54
(VIII) Other non-current financial assets	304,337,846.38	-	9,159,988,202.18	9,464,326,048.56
(IX) Derivative financial liabilities	-	(32,108,544.16)	-	(32,108,544.16)
Total	11,649,756,092.93	12,732,245,999.39	22,165,204,934.84	46,547,207,027.16
II. Non-continuously measured at fair value	-	-	-	-

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

2. Assets and liabilities disclosed at fair value

Management has assessed currency funds, accounts receivable, notes receivable, other receivables, financial assets purchased under resale agreements, non-current assets due within one year, loans and advances in other current assets, loans and advances, debt investments, long-term receivables, short-term loans, customer deposits and deposits from banks and other financial institutions, notes payable, accounts payable, financial assets sold for repurchase, other payables, non-current liabilities due within one year, ultra-short-term financing debt in other current liabilities, long-term loans, bonds payable, long-term accounts payable (excluding special accounts payable), etc. The remaining maturity is not long, and there is little difference between the real interest rate and the market interest rate, so the fair values of the above-mentioned assets and liabilities are similar to the book values.

3. Estimation of fair value

In a fair transaction, the fair value of financial assets and financial liabilities shall be determined by the amount of asset exchange or debt repayment conducted voluntarily by the transaction parties who are familiar with the situation, rather than the amount in the case of forced sale or liquidation. The following methods and assumptions are used to estimate the fair value.

Fair values of wealth management products, long-term receivables, debt investments, long-term and short-term loans, bonds payable, long-term payables, etc. are determined using discounted cash flows at rates equal to the market yield of other financial instruments with similar contract terms, credit risks and remaining terms. As at 31 December 2022, non-performance risks underlying long-term borrowings were considered to be insignificant.

The fair values of listed equity instruments are determined according to quote prices on the market. The fair values of investments in non-listed equity instruments are estimated using the valuation model of the market comparison approach, and the assumptions adopted are not supported by an observable market price or interest rate. The Group needs to estimate unobservable market parameters such as a liquidity discount. The Group believes that the fair value and its changes estimated using valuation techniques are reasonable and the most appropriate value as of the balance sheet date. If the recent information used to determine fair values is insufficient, or the possible estimated amounts of fair values are widely distributed, and the cost represents the best estimate of fair values within the range, the cost could represent the appropriate estimate of fair values within the range.

4. Unobservable inputs

The key unobservable inputs of Level 3 of the measurements of fair value are summarized as follows:

	Closing fair value RMB million	Valuation techniques	Unobservable inputs	Relationship of unobservable input data to fair values
Other current assets				
Wealth management products	2022: 22,641 2021: 13,005	Discounted cash flows approach	Market yield of similar financial instruments in the private markets	The higher the market yield of similar financial instruments in the private markets, the lower the fair value
Other non-current financial assets	2022: 490 2021: 9,160	Market comparison approach	Liquidity discount	The higher the liquidity discount, the lower the fair value

X. Related party relationships and transactions

1. Parent of the Company

Unit: RMB'000

	Place of incorporation	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
China Baowu Steel Group Corporation Limited	Shanghai	Iron and steel manufacturing and processing	52,791,101	62.30	62.30

The ultimate holding party of the Company is the State-owned Assets Supervision and Administration Commission of the State Council.

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

2. Subsidiaries of the Group

Refer to Note VII.1 for details of subsidiaries of the Group.

3. Associates and joint ventures of the Group

The significant associates and joint ventures of the Group are set out in Note VII.2. The following presents the associates and joint ventures who had related party transactions with the Group in the current or prior year.

	Relationship with the Company
Bao Steel Ri Iron Auto Sheet Co., Ltd. ("BNA")	Joint venture
Pingdingshan Tian' an Coal Industry Co., Ltd. ("Tian' an Coal Industry")	Subsidiary of an associate
Wisco-Nippon Steel Tinplate Co., Ltd. ("Wisco-Nippon Steel")	Joint venture of China Baowu' s subsidiary
Wuhan Pingmei Wugang Joint Coking Co., Ltd. ("Pingmei Coking")	Joint venture
Changzhou Baoling Heavy Industry Machinery Co., Ltd. ("Changzhou Baoling")	Associate of China Baowu' s subsidiary
Ge Wuhan Automation Co., Ltd. ("General Electric")	Joint venture
Wuhan Iron & Steel Group Civil Construction Engineering Co. Ltd. ("Wuhan Iron & Steel Group Civil Construction")	Subsidiary of an associate of China Baowu' s subsidiary
China Metallurgical South Continuous Casting Technology Engineering Co. Ltd. ("China Metallurgical South Continuous Casting")	Subsidiary of an associate of China Baowu' s subsidiary
Zhan Jiang Baoyue Gases Co., Ltd. ("Zhan Jiang Baoyue Gases")	Subsidiary of an associate of China Baowu' s subsidiary
Wuhan Yorozu Bao Mit Automotive Co., Ltd. ("Wuhan Yorozu Bao Mit")	Associate of China Baowu' s subsidiary
WISDRI Engineering and Research Incorporation Ltd. ("WISDRI Engineering and Research")	Associate of China Baowu' s subsidiary
WISCO Roll Making Co., Ltd. ("WISCO Roll Making")	Associate of China Baowu' s subsidiary
Shougang Zhixin Qian' an Electromagnetic Material Co., Ltd. ("Shougang Zhixin")	Subsidiary of an associate of China Baowu
Shanghai Baosteel Gas Co., Ltd. ("Shanghai Baosteel Gas")	Associate of China Baowu' s subsidiary
JFE Steel Sheet ("Guangzhou JFE")	Joint venture
Shanghai Baosteel & Arcelor Tailor Metal Co.,Ltd. ("Weld Company")	Associate
Ruitai Masteel New Materials Technology Co., Ltd ("Ruitai Masteel New Materials Technology")	Associate of China Baowu' s subsidiary
Hangzhou Baowei Auto Parts Co., Ltd. ("Hangzhou Baowei")	Joint venture
Wugang Group Kunming Steel & Iron Co.,Ltd. ("Wugang Group Kunming Steel & Iron")	Associate of China Baowu' s subsidiary
Nanjing Meishan Hospital Co., Ltd. ("Nanjing Meishan Hospital")	Joint venture of China Baowu' s subsidiary
Wuhan Baozhang Auto Steel Part Co., Ltd. ("Wuhan Baozhang")	Joint venture
Zhongji Baochuang (Wuxi) Steel Processing Co., Ltd. ("Zhongji Baochuang ")	Associate
Wuhan Iron and Steel Group Xingda Economic Development Co., Ltd. ("WISCO Xingda")	Associate of China Baowu' s subsidiary
MIBao Metal Processing Zhengzhou CO., LTD. ("Zhengzhou MIBao")	Associate
Pinggang (Shanghai) Trading Co., Ltd. ("Pinggang (Shanghai) Trading")	Subsidiary of associate
Wugang Sentai Tongshan Metallurgy Co., Ltd. ("WISCO Sentai Tongshan")	Associate of China Baowu' s subsidiary
Praxair Meishan Utility Gas Co., Ltd. ("Praxair Meishan")	Associate of China Baowu' s subsidiary
Hubei Zhongping E' gang United Coking Co., Ltd ("Hubei Zhongping E' gang United Coking")	Joint venture of China Baowu' s subsidiary
Anhui Qingyang Baohong Mining Co., Ltd. ("Anhui Qingyang Baohong")	Associate of China Baowu' s subsidiary
Shanghai Baoneng Kunlun Energy Co., Ltd. ("Shanghai Baoneng Kunlun Energy")	Joint venture of China Baowu' s subsidiary
Bao-Island Enterprise ("Bao-Island")	Joint venture
Shanghai Baosteel Engineering Consulting Co., Ltd. ("Shanghai Baosteel Engineering Consulting")	Associate of China Baowu' s subsidiary
Hong Kong Hai Bao Shipping Co., Ltd. ("Hong Kong Hai Bao Shipping")	Joint venture of China Baowu' s subsidiary
WISCO China Resources Gas (Wuhan) Co., Ltd. ("WISCO China Resources Gas")	Joint venture of China Baowu' s subsidiary
WISDRI Wugang Engineering Co., Ltd. ("WISDRI Wugang Engineering")	Subsidiary of an associate of China Baowu' s subsidiary
Wuhan Jingding Technology Co., Ltd. ("Wuhan Jingding Technology")	Associate of China Baowu' s subsidiary
China Pacific Insurance (Group) Co.,Ltd. ("Pacific Insurance")	Associate of China Baowu' s subsidiary
Maanshan Gangchen Industry Co., Ltd. and its subsidiaries ("Maanshan Gangchen and its subsidiaries")	Associate of China Baowu' s subsidiary
Jiangsu Baoliang Renewable Resources Co., Ltd. ("Jiangsu Baoliang Renewable Resources")	Associate of China Baowu' s subsidiary
China Pingmei Shenma energy and Chemical Group Co., Ltd. ("Pingmei Shenma")	Associate
Changshu Weishike Daheng Metal Material Technology Co., Ltd. ("Changshu Weishike Daheng Metal Material")	Joint venture
Sichuan Daxing Baohua Chemical Co., Ltd. ("Sichuan Daxing")	Associate
Guangzhou Automobile Baoshang Steel Processing Co., Ltd. ("Guangzhou Automobile Baoshang")	Associate
Wuhan Wugang Real Estate Co., Ltd. ("Wuhan Wugang")	Associate of China Baowu' s subsidiary
Shanghai Firsttech Co., Ltd. ("Renwei Software")	Associate
Shanghai Baoneng Information Technology Co., Ltd. ("Shanghai Baoneng")	Associate
Wuhan Hongxin Mining and Metallurgy Science and Technology Group Co., Ltd. ("Wuhan Hongxin Mining and Metallurgy Science and Technology")	Associate of China Baowu' s subsidiary
Taicang Wugang Dock Co., Ltd. ("Taicang Wugang")	Associate
Baowu Jiefuyi Special Steel Co., Ltd. ("Baowu Jiefuyi")	Joint venture of China Baowu' s subsidiary
China Pingmei Shenma Group Coke Sale Co., Ltd. ("China Pingmei Shenma Group Coke Sale")	Subsidiary of an associate
Guangdong Guangwu Zhongnan Building Materials Group Co. Ltd. ("Guangdong Guangwu")	Associate of China Baowu' s subsidiary
Wuhan Gangshixing Jinsheng Technology Manufacturing Co., Ltd. ("Wuhan Gangshixing Jinsheng Technology Manufacturing")	Associate of China Baowu' s subsidiary
Xinjiang Yicheng Investment Co., Ltd. ("Xinjiang Yicheng Investment")	Associate of China Baowu' s subsidiary
Baoyin Special Steel Tube Co., Ltd. ("Baoyin Special Steel Tube")	Associate of China Baowu' s subsidiary
Alpha Union (Shanghai) Software Technology Co., Ltd. ("Alpha Union")	Associate
Wuhai Huanghe Yiteng Sesu Tanhei Co., Ltd. ("Wuhai Huanghe")	Associate
Ma' anshan Iron & Steel Construction Group Co., Ltd. ("Ma' anshan Iron & Steel Construction Group")	Associate of China Baowu' s subsidiary

4. Other related parties of the Group

	Relationship between other related parties and the Company
Baosteel Resource Co., Ltd. and its subsidiaries ("Baosteel Resource and its subsidiaries")	Fellow subsidiary
Masteel (Group) Holdings Limited and its subsidiaries ("Masteel Group and its subsidiaries")	Fellow subsidiary
Baosteel Engineering Technology Group Co., Ltd. and its subsidiaries ("Engineering & Technology Co. and its subsidiaries")	Fellow subsidiary
Ouyeel Industrial Products Co., Ltd. and its subsidiaries ("Ouyeel Industrial Products and its subsidiaries ")	Fellow subsidiary

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Baowu Equipment Intelligent Technology Co., Ltd. and its subsidiaries ("Baowu Equipment and its subsidiaries")	Fellow subsidiary
Baosteel Special Material Co., Ltd. and its subsidiaries ("Baosteel Special Steel and its subsidiaries")	Fellow subsidiary
Ouyeel Cloud Commerce Corporation Limited and its subsidiaries ("Ouyeel Cloud Commerce and its subsidiaries")	Fellow subsidiary
Wuhan Iron & Steel (Group) Company and its subsidiaries ("Wuhan Iron & Steel Group and its subsidiaries")	Fellow subsidiary
Taiyuan Iron & Steel (Group) Co., Ltd. and its subsidiaries ("Taiyuan Iron & Steel and its subsidiaries")	Fellow subsidiary
Baosteel Resources (International) Limited ("Baosteel Resources (International)")	Fellow subsidiary
Baowu Group Environmental Resources Technology Co., Ltd. ("Baowu Environmental Technology and its subsidiaries")	Fellow subsidiary
Baosteel Group Shanghai Meishan Co., Ltd. and its subsidiaries ("Meishan Steel and its subsidiaries")	Fellow subsidiary
Baowu Clean Energy Co., Ltd. and its subsidiaries ("Baowu Clean Energy and its subsidiaries")	Fellow subsidiary
Baosteel Desheng Stainless Steel Co., Ltd. ("Baosteel Desheng")	Fellow subsidiary
Baowu Water Technology Co., Ltd. and its subsidiaries ("Baowu Water and its subsidiaries")	Fellow subsidiary
Baosteel Group Xinjiang Bayi Iron & Steel Co., Ltd. and its subsidiaries ("Xinjiang Bayi and its subsidiaries")	Fellow subsidiary
Chongqing Changshou Iron and Steel Co., Ltd. and its subsidiaries ("Chongqing Changshou Iron and Steel and its subsidiaries")	Fellow subsidiary
Baowu group Zhongnan iron and Steel Co., Ltd. and its subsidiaries ("Zhongnan iron and Steel and its subsidiaries")	Fellow subsidiary
Baowu Logistics Assets Co., Ltd. and its subsidiaries ("Baowu Logistics and its subsidiaries")	Fellow subsidiary
Ningbo Baoxin Stainless Steel Co., Ltd. and its subsidiaries ("Ningbo Baoxin and its subsidiaries")	Fellow subsidiary
Shanghai Baodi Real Estate Co., Ltd. and its subsidiaries ("Baodi Real Estate and its subsidiaries")	Fellow subsidiary
Baowu Raw Material Supply Co., Ltd. ("Baowu Raw Material")	Fellow subsidiary
Ouye Lianjin Renewable Resources Co., Ltd. and its subsidiaries ("Ouye Lianjin Renewable Resources and its subsidiaries")	Fellow subsidiary
Baosteel Metals Co., Ltd. and its subsidiaries ("Baosteel Metals and its subsidiaries")	Fellow subsidiary
Shanghai Baosteel Packaging Co., Ltd. and its subsidiaries ("Shanghai Baosteel Packaging and its subsidiaries")	Fellow subsidiary
Huabao Trust Co., Ltd. and its subsidiaries ("Hwabao Trust and its subsidiaries")	Fellow subsidiary
Baowu Aluminum Technology Co., Ltd. ("Baowu Aluminum")	Fellow subsidiary
Huabao Investment Co., Ltd. and its subsidiaries ("Hwabao Investment and its subsidiaries")	Fellow subsidiary
Shanghai Baohua International Tendering Co., Ltd. ("Baohua Tendering")	Fellow subsidiary
Shanghai Baosteel Xinyue Talent Technology Co., Ltd. and its subsidiaries ("Xinyue Talent and its subsidiaries")	Fellow subsidiary
Shanghai Hgb DIGITAL Technology Co., Ltd. ("Shanghai Hgb DIGITAL")	Fellow subsidiary
Xinyu Iron & Steel Group Co., Ltd. and its subsidiaries ("Xinyu Iron & Steel and its subsidiaries")	Fellow subsidiary

5. Major transactions between the Company and its related parties

(1) Goods and services

Sales of goods to related parties

Unit: RMB'000

	2022	2021
Ouyeel Cloud Commerce and its subsidiaries	19,316,260	30,560,043
BNA	12,220,333	13,997,088
Baosteel Resources (International)	4,418,215	6,154,587
Wisco-Nippon Steel	4,177,060	5,307,745
Baowu Environmental Technology and its subsidiaries	3,152,353	3,453,274
Baowu Clean Energy and its subsidiaries	2,942,921	1,775,719
Wuhan Iron & Steel Group and its subsidiaries	2,803,599	3,495,479
Baosteel Special Steel and its subsidiaries	2,427,985	3,068,253
Pingmei Coking	2,370,508	1,681,460
Guangzhou JFE	1,377,540	1,159,545
Baosteel Metals and its subsidiaries	1,372,043	1,856,363
Ouyeel Industrial Products and its subsidiaries	1,237,594	1,060,655
Weld Company	1,104,134	913,982
Baosteel Resource and its subsidiaries	723,377	1,721,986
Meishan Steel and its subsidiaries	545,045	645,570
Zhongji Baochuang	518,131	145,928
Shaoguan Steel and its subsidiaries	468,571	914,221
Baowu Water	398,181	112,175
Masteel Group and its subsidiaries	290,062	60,606
Zhan Jiang Baoyue Gases Co., Ltd.	173,251	141,785
Zhengzhou MIBao	133,593	226,500
Baowu Equipment and its subsidiaries	119,455	225,363
Baosteel Desheng	95,797	60,206
Baowu Raw Material	80,157	435,833
Chongqing Changshou Iron and Steel and its subsidiaries	70,564	3,848
Hangzhou Baowei	41,506	582,190
Shanghai Baosteel Gas	30,526	74,677
Tian' an Coal Industry	28,693	53,673
Engineering & Technology Co. and its subsidiaries	27,842	70,972
Pingmei Shenma	21,093	-
Changshu Weishike Daheng metal material technology	19,757	31,382
Baowu logistics	9,803	-
Wuhan Baozhang	9,658	3,967
Ningbo Baoxin and its subsidiaries	7,165	9,672
Xinjiang Bayi and its subsidiaries	6,667	3,007
Sichuan Daxing	5,159	58
Praxair Meishan	3,746	3,708
China Baowu	1,719	3,631
Guangzhou Automobile Baoshang	1,160	553
Wuhan Wugang Real Estate	1,149	1,169
Others	400,862	352,238
Total	63,153,234	80,369,111

Purchases of goods from related parties

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Unit: RMB'000

	2022	2021
Ouyeel Industrial Products and its subsidiaries	20,665,510	19,009,187
Pingmei Coking	19,690,263	14,524,148
BNA	14,223,183	15,870,165
Baosteel Resource and its subsidiaries	12,809,471	12,606,590
Baowu Raw Material	4,810,561	1,445,278
Wisco-Nippon Steel	4,646,567	5,370,679
Wuhan Iron & Steel Group and its subsidiaries	4,298,866	5,672,649
Baosteel Special Steel and its subsidiaries	3,302,369	3,763,573
Baowu Clean Energy and its subsidiaries	2,924,202	2,034,733
Tian' an Coal Industry	2,634,482	3,319,462
Baowu Aluminum	2,391,925	948,443
Masteel Group and its subsidiaries	1,821,923	2,818,665
Xinjiang Bayi and its subsidiaries	1,788,012	1,840,946
Ningbo Baoxin and its subsidiaries	1,557,955	2,974,558
WISCO Sentai Tongshan	1,555,139	1,123,803
Praxair Meishan	1,492,757	658,280
Baosteel Resources (International) and its subsidiaries	1,336,405	2,051,268
Ouyeel Cloud Commerce and its subsidiaries	1,112,857	2,156,727
Shaoguan Steel and its subsidiaries	1,021,549	778,951
Pinggang (Shanghai) Trading Co., Ltd.	759,168	502,310
Baowu Environmental Technology and its subsidiaries	741,849	972,099
Engineering & Technology Co. and its subsidiaries	739,450	1,201,238
Baosteel Desheng	638,697	651,023
Chongqing Changshou Iron and Steel and its subsidiaries	605,993	357,646
Shanghai Baoneng Kunlun Energy	534,954	398,628
Guangzhou JFE	513,435	472,137
Hubei Zhongping Egang United Coking	407,095	98,238
WISDRI Engineering and Research	392,757	134,451
Anhui Qingyang Baohong Mining Co., Ltd.	364,976	331,718
Baowu Equipment and its subsidiaries	305,900	517,297
Baowu Jiefuyi	277,147	-
China Pingmei Shenma Group Coke Sale Co., Ltd.	206,010	76,832
Zhan Jiang Baoyue Gases Co., Ltd.	194,360	109,296
WISCO China Resources Gas	178,661	111,130
Jiangsu Baoliang Renewable Resources Co., Ltd.	172,321	805,857
Taiyuan Iron & Steel and its subsidiaries	141,358	12,165
Changzhou Baoling	139,250	109,257
Wiso Shipping	64,681	-
General Electric	62,402	10,329
Baowu Water and its subsidiaries	42,567	4,420
Hangzhou Baowei	38,871	28,737
Shanghai Baodi Real Estate and its subsidiaries	38,675	100,490
Weld Company and its subsidiaries	21,849	3,925

Unit: RMB'000

	2022	2021
Shanghai Baoneng	19,440	23,548
Meishan Steel and its subsidiaries	18,698	1,480,985
Sichuan Daxing	17,606	131,469
Others	205,343	326,313
Total	111,927,509	107,939,643

According to the Proposal on Daily Related Party Transactions for the Year 2022 that approved by the General Meeting of Shareholders, the Company expected to purchase goods of RMB72,268,020 thousand (excluding tax) from China Baowu and its subsidiaries in 2022. The actual purchase of related goods in 2022 was RMB63,191,660 thousand (excluding tax), which did not exceed the transaction limit. The proposal did not include the purchase of goods from China Baowu's associates and joint ventures and their subsidiaries. The actual amount of goods purchased from China Baowu's associates and joint ventures and their subsidiaries in 2022 was RMB 48,735,849 thousand (excluding tax).

Rendering services to related parties

Unit: RMB'000

	2022	2021
Masteel Group and its subsidiaries	1,166,267	1,285,881
Taiyuan Iron & Steel and its subsidiaries	656,619	26,154
Wugang Group Kunming Steel & Iron	354,849	22,371
Ouyeel Industrial Products and its subsidiaries	263,877	183,549
BNA	246,060	280,839
Baowu Environmental Technology and its subsidiaries	218,355	194,495
Xinjiang Bayi and its subsidiaries	192,609	264,302
Baosteel Desheng	188,258	382,709
Ouyeel Cloud Commerce and its subsidiaries	150,720	99,199
China Baowu	137,425	153,536
Chongqing Changshou Iron and Steel and its subsidiaries	136,132	93,167
Pingmei Coking	115,164	93,224
Shaoguan Steel and its subsidiaries	106,455	112,543
Baosteel Resources International and its subsidiaries	88,451	-
Huabao Investment	85,633	70,665
Baosteel Resource and its subsidiaries	83,116	61,769
Engineering & Technology Co. and its subsidiaries	82,519	113,487
Ningbo Baoxin and its subsidiaries	79,257	61,873
Wuhan Iron & Steel Group and its subsidiaries	74,423	137,191
General Electric	62,370	10,526

Baowu Clean Energy and its subsidiaries	44,571	9,753
Baowu Water and its subsidiaries	40,290	26,274
Baosteel Special Steel and its subsidiaries	39,913	123,782
Baodi Real Estate and its subsidiaries	38,519	42,517
Huabao Trust	35,139	45,539
Guangzhou JFE	28,373	33,987

Unit: RMB'000

	2022	2021
Baosteel Metals and its subsidiaries	27,960	39,584
Meishan Steel and its subsidiaries	26,557	161,300
Baowu Equipment and its subsidiaries	23,002	22,914
Wisco-Nippon Steel	21,680	5,979
Others	89,909	89,001
Total	4,904,472	4,248,110

Receiving services from related parties

Unit: RMB'000

	2022	2021
Baowu Equipment and its subsidiaries	2,495,539	2,415,728
Baowu Environmental Technology and its subsidiaries	1,828,260	1,078,438
Wuhan Iron & Steel Group and its subsidiaries	1,537,868	1,517,980
Ouyeel Cloud Commerce and its subsidiaries	1,190,667	748,521
Baowu Water and its subsidiaries	1,108,283	714,315
Engineering & Technology Co. and its subsidiaries	586,727	541,776
Masteel Group and its subsidiaries	546,496	87,103
Baosteel Resource and its subsidiaries	458,171	558,758
Baodi Real Estate and its subsidiaries	372,417	311,540
Meishan Steel and its subsidiaries	324,619	398,335
Baowu Raw Material	303,159	149,294
Bao-Island	277,963	190,673
Baowu Logistics	253,813	39,410
Renwei Software	237,955	196,053
Ouyeel Industrial Products and its subsidiaries	234,360	231,398
WISCO Xingda	175,243	103,607
Hong Kong Hai Bao Shipping	169,501	147,400
China Baowu	122,955	116,099

BNA	108,664	130,998
Pacific Insurance	79,098	84,962
Shanghai Baosteel Engineering Consulting Co., Ltd.	72,973	4,091
Wuhan Jingding Technology Co., Ltd.	66,708	60,465
Zhongnan iron and Steel and its subsidiaries	57,961	431
Xinjiang Bayi and its subsidiaries	51,556	31,611
WISDRI Engineering and Research	49,633	12,789
Shanghai Baoneng	45,286	22,651
Baowu Aluminum	42,517	752
Wuhan Iron & Steel Group Civil Construction	39,899	10,590
Xinyue Talent	37,354	3,705
Baosteel Special Steel and its subsidiaries	37,181	22,499
Hgb DIGITAL Technology and its subsidiaries	36,897	12,680
General Electric	32,453	67,320
Wuhan Hongxin Mining and Metallurgical Group	29,142	-
Huabao Investment	22,313	14,331

Unit: RMB'000

	2022	2021
Ningbo Baoxin and its subsidiaries	21,081	18,029
Taicang Wugang	18,500	48,611
WISDRI Wugang Engineering	17,845	30,845
Baowu Clean Energy and its subsidiaries	16,292	260
Wisco-Nippon Steel	16,227	13,855
Wuhan Baozhang	15,360	14,524
Baohua Tendering	14,993	9,211
Nanjing Meishan Hospital	-	10,370
Others	74,378	67,856
Total	13,228,307	10,239,864

According to the Proposal on Daily Related Party Transactions for the Year 2022 that approved by the General Meeting of Shareholders, the Company expected to receive services of RMB12,771,850 thousand (excluding tax) from China Baowu and its subsidiaries in 2022. The actual amount of services received in 2022 was RMB11,714,314 thousand (excluding tax), which did not exceed the transaction limit. The proposal did not include receiving services from China Baowu's associates and joint ventures and their subsidiaries. The actual amount of services received from the associates and joint ventures and their subsidiaries in 2022 was RMB1,513,993 thousand (excluding tax).

(2) Entrusted management of related parties

Detailed entrusted management of related parties:

2022

Unit: RMB'000

Entrusting side	Entrusted side	Type of entrusted asset	Closing balance	Accumulated amount during the current year	Income during the current year
Baoshan Iron & Steel Co.	Hwabao Trust	Funds and trust financial products	995,000	1,030,016	22,812
Baoshan Iron & Steel Co.	Hwabao Investment	Funds and trust financial products	360,163	195,000	1,254

2021

Unit: RMB'000

Entrusting side	Entrusted side	Type of entrusted asset	Closing balance	Accumulated amount during the current year	Income during the current year
Baoshan Iron & Steel Co.	Hwabao Trust	Funds and trust financial products	1,408,015	2,478,044	51,329
Baoshan Iron & Steel Co.	Hwabao Investment	Funds and trust financial products	300,000	-	-

The Group entrusted Huabao Trust Co., Ltd., a subsidiary of China Baowu, to manage enterprise annuity. Please refer to Note XIV.14(1) for details.

(3) Guarantees with related parties

The Group as a guaranteed party:

2022

Unit: RMB'000

	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wuhan Iron & Steel Group	-	2004/11/10	2024/11/10	No

2021

Unit: RMB'000

	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wuhan Iron & Steel Group	49,519	2004/11/10	2024/11/10	No

(4) Other related party transactions

Unit: RMB'000

	Notes	2022	2021
Financial service and interest income	Note 1	297,247	264,426
Financial service and interest expenses	Note 2	436,796	301,812
Transfer of steelmaking capacity	Note 3	639,906	-
Purchase of steelmaking capacity	Note 3	350,672	-

Note 1: The Group provided, via Finance Co., one of its subsidiaries, with loans, and discounting and entrusted financing services to China Baowu and its subsidiaries, and thus obtained interest income, discounting income and fees from entrusted financing.

Note 2: The Group collected, via Finance Co., one of its subsidiaries, deposits from China Baowu and its subsidiaries, and paid interest expenses at the RMB interest rate on savings as stipulated by the People's Bank of China.

Note 3: Wuhan Iron and Steel Limited, a subsidiary of the Group, transferred its steelmaking capacity to Shandong Xinhai Industrial Co., Ltd. (formerly known as "Shandong Taigang Xinhai Stainless Steel Co., Ltd."), which was a subsidiary of China Baowu, for a consideration of RMB639,906 thousand. Zhanjiang Steel, a subsidiary of the Group, purchased steelmaking capacity from Anhui Changjiang Steel Co., Ltd., which was a subsidiary of China Baowu, at a consideration of RMB265,661 thousand, and from Xinjiang Bayi Iron & Steel Co., Ltd., which was a subsidiary of China Baowu, at a consideration of RMB85,011 thousand.

(5) Business combinations not involving enterprises under common control

Refer to Note VI, 1.

(6) Newly established subsidiaries

Refer to Note VI, 2.

(7) Disposal of subsidiaries

Refer to Note VI, 3.

(8) Related party leasing

As lessor

	Categories of leased assets	Lease income in 2022	Lease income in 2021
Alpha Union	Houses and buildings	81	162
Baodi Real Estate and its subsidiaries	Houses and buildings	58,034	80,024
Baosteel Special Steel and its subsidiaries	Houses and buildings	14,023	17,289
Baohua Tendering	Houses and buildings	62	31
BNA	Houses and buildings	36,836	37,360
Baowu Environmental Technology and its subsidiaries	Houses and buildings	2,608	1,530
Baowu Environmental Technology and its subsidiaries	Machinery and equipment	870	870
Baowu Clean Energy and its subsidiaries	Houses and buildings	418	2,242
Baowu Water and its subsidiaries	Houses and buildings	200	190
Baowu Water and its subsidiaries	Machinery and equipment	25,642	25,400
Baowu Logistics	Machinery and equipment	12,027	-
Baowu Equipment and its subsidiaries	Houses and buildings	1,658	1,410
Baowu Equipment and its subsidiaries	Machinery and equipment	2,133	1,176
Baosteel Resource and its subsidiaries	Houses and buildings	148	-
Engineering & Technology Co. and its subsidiaries	Houses and buildings	17,379	1,529
Huabao Investment	Houses and buildings	916	1,453
Masteel Group and its subsidiaries	Other equipment	47,550	9,450
Meishan Steel and its subsidiaries	Houses and buildings	26,673	35,924

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Pingmei Coking	Machinery and equipment	3,635	-
Shanghai Baoneng	Houses and buildings	192	192
Wuhai Huanghe	Houses and buildings	176	176
Wuhan Iron & Steel Group and its subsidiaries	Houses and buildings	780	715
Wisco-Nippon Steel	Machinery and equipment	8,000	6,000
Baodi Real Estate and its subsidiaries	Machinery and equipment	-	1,106
Hangzhou Baowei	Houses and buildings	5,146	5,146
Wuhan Baozhang	Machinery and equipment	1,062	1,062
Ouyeel Cloud Commerce and its subsidiaries	Houses and buildings	11	-
Xinyue Talent	Houses and buildings	5	-

As lessee

2022

Unit: RMB'000

	Categories of leased assets	Simplified lease fees for short-term leases and low value leased assets	Variable lease payments not included in the measurement of lease liabilities	Lease paid	Interest expense on lease liabilities assumed	Increased right-of-use assets
China Baowu	Land use rights	-	-	238,230	120,064	-
China Baowu	Houses and buildings	1,534	-	43,339	16,300	383
China Baowu	Transportation vehicles	950	-	-	-	-
Wuhan Iron & Steel Group and its subsidiaries	Land use rights	-	-	96,133	59,418	578,188
Wuhan Iron & Steel Group and its subsidiaries	Houses and buildings	359	-	2,557	386	-
Baodi Real Estate and its subsidiaries	Houses and buildings	4,446	-	27,588	2,188	26,764
Baodi Real Estate and its subsidiaries	Transportation vehicles	-	-	618	48	-
Baosteel Metals and its subsidiaries	Houses and buildings	8,116	-	6,762	388	-
Baosteel Special Steel and its subsidiaries	Houses and buildings	-	-	11,251	4,011	-
BNA	Houses and buildings	-	-	240	35	-
Baowu Environmental Technology and its subsidiaries	Houses and buildings	-	-	2,200	78	-
Baowu Clean Energy and its subsidiaries	Transportation vehicles	525	-	-	-	-
Baowu Logistics	Transportation vehicles	70	-	-	-	-
Meishan Steel and its subsidiaries	Houses and buildings	17	-	629	13	-
Meishan Steel and its subsidiaries	Transportation vehicles	5	-	-	-	-
Xinjiang Bayi and its subsidiaries	Houses and buildings	425	-	-	-	-
Baosteel Desheng	Houses and buildings	17	-	-	-	-
Masteel Group and its subsidiaries	Houses and buildings	70	-	-	-	-
Taiyuan Iron & Steel and its subsidiaries	Houses and buildings	50	-	-	-	-

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

2021

Unit: RMB'000

	Categories of leased assets	Simplified lease fees for short-term leases and low value leased assets	Variable lease payments not included in the measurement of lease liabilities	Lease paid	Interest expense on lease liabilities assumed	Increased right-of-use assets
China Baowu	Land use rights	-	-	238,230	124,411	197,030
China Baowu	Houses and buildings	806	-	36,577	11,137	152,217
China Baowu	Transportation vehicles	919	-	-	-	-
Wuhan Iron & Steel Group and its subsidiaries	Land use rights	-	-	56,170	36,737	-
Wuhan Iron & Steel Group and its subsidiaries	Houses and buildings	185	-	3,033	406	12,464
Baodi Real Estate and its subsidiaries	Houses and buildings	1,138	-	27,230	1,715	42,561
Baodi Real Estate and its subsidiaries	Transportation vehicles	-	-	618	72	-
Baosteel Metals and its subsidiaries	Houses and buildings	-	-	6,762	-	-
Baosteel Special Steel and its subsidiaries	Houses and buildings	-	-	9,087	2,866	73,731
BNA	Houses and buildings	-	-	240	51	-
Baowu Environmental Technology and its subsidiaries	Houses and buildings	-	-	2,400	168	5,348
Meishan Steel and its subsidiaries	Houses and buildings	15	-	629	36	1,208
Meishan Steel and its subsidiaries	Transportation vehicles	-	-	-	-	-

6. Amounts due from related parties

Unit: RMB'000

	31 December 2022		31 December 2021	
	Carrying balance	Provision	Carrying balance	Provision
Notes receivable and receivables financing				
Pingmei Coking	5,070,622	-	4,556,578	-
Wisco-Nippon Steel	1,322,405	-	1,795,261	-
Baosteel Metals and its subsidiaries	393,326	-	331,033	-
Ouyeel Cloud Commerce and its subsidiaries	245,777	-	43,560	-
Baowu Environmental Technology and its subsidiaries	215,998	122	435,737	-
Baosteel Special Steel and its subsidiaries	209,547	-	323,683	-
Wugang Group Kunming Steel & Iron	207,667	635	73,277	-
Wuhan Iron & Steel Group and its subsidiaries	119,517	476	173,616	1,386
Chongqing Changshou Iron and Steel and its subsidiaries	105,490	-	800	-
Xinjiang Bayi and its subsidiaries	100,205	1,179	119,878	2,880

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Meishan Steel and its subsidiaries	84,328	211	165,395	-
Weld Company	40,444	-	-	-
Ouyeel Industrial Products and its subsidiaries	20,199	326	63,567	1,098
Masteel Group and its subsidiaries	20,133	64	264,069	410
General Electric	14,191	-	-	-
Others	70,749	108	66,209	279
Total	8,240,598	3,121	8,412,663	6,053

Unit: RMB'000

	31 December 2022		31 December 2021	
	Carrying balance	Provision	Carrying balance	Provision
Accounts receivable				
Baosteel Resources (International) and its subsidiaries	536,296	-	102,827	-
Baosteel Special Steel and its subsidiaries	494,112	1,431	549,184	1,171
Masteel Group and its subsidiaries	451,172	36,195	222,584	8,805
Ouyeel Industrial Products and its subsidiaries	435,858	5,280	333,916	2,767
Baowu Environmental Technology and its subsidiaries	310,560	2,673	299,669	842
Meishan Steel and its subsidiaries	272,644	72	220,551	410
Baowu Clean Energy and its subsidiaries	166,553	509	81,317	46
Baosteel Desheng	155,545	5,147	235,580	6,347
Zhan Jiang Baoyue Gases	152,959	7,648	7,543	377
BNA	114,995	2,700	82,672	4,512
Baowu Water and its subsidiaries	113,410	1,507	93,217	896
Xinjiang Bayi and its subsidiaries	110,299	27,881	87,568	25,816
Taiyuan Iron & Steel and its subsidiaries	103,949	4,682	11,208	386
Baowu Equipment and its subsidiaries	99,849	166	89,645	263
Chongqing Changshou Iron and Street and its subsidiaries	87,254	2,672	62,512	2,107
Wuhan Iron & Steel Group and its subsidiaries	84,019	1,511	80,244	22,407
Ouyeel Cloud Commerce and its subsidiaries	70,773	646	127,300	304
Shaoguan Steel and its subsidiaries	68,361	3,958	119,216	8,934
Engineering & Technology Co. and its subsidiaries	49,430	7,013	41,445	6,998
Baosteel Resource and its subsidiaries	39,839	187	145,776	32
Wuhan Yorozu Bao Mit	22,221	-	82,531	-
Wisco-Nippon Steel	21,423	102	31,061	1,538
Baowu Logistics	19,848	1,118	-	-
China Baowu	19,600	515	29,416	899
Baosteel Metals and its subsidiaries	17,983	2,333	12,906	3,173
Ningbo Baoxin and its subsidiaries	13,063	1,079	8,347	604
Baodi Real Estate and its subsidiaries	12,145	986	9,683	489

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Baowu Raw Material	10,712	-	8,915	-
Ouye Lianjin Renewable Resources and its subsidiaries	10,016	831	3,327	94
WISDRI Engineering and Research	9,978	1,800	8,420	574
Pingmei Coking	7,743	1,442	6,424	1,274
WISCO Roll Making	5,043	-	3,867	193
General Electric	4,709	446	-	-
Shougang Zhixin	4,602	121	-	-
Shanghai Baosteel Packaging and its subsidiaries	4,235	239	-	-
Shanghai Baosteel Gas	3,898	15	9,097	410
Huabao Trust and its subsidiaries	3,789	100	3,238	85
Guangzhou JFE	2,871	275	4,558	442
China Metallurgical South Continuous Casting	2,643	106	-	-
Baowu Aluminum	2,617	68	7,716	94
Others	20,640	3,420	51,452	3,192
Total	4,137,656	126,874	3,274,932	106,481

Unit: RMB'000

	31 December 2022		31 December 2021	
	Carrying balance	Provision	Carrying balance	Provision
Prepayments				
Baosteel Resource and its subsidiaries	863,189	-	540,912	-
BNA	779,062	-	309,246	-
Tian'an Coal Industry	370,000	-	151,269	-
Wisco-Nippon Steel	228,240	-	270,717	-
Masteel Group and its subsidiaries	108,203	-	2,363	-
Pinggang (Shanghai) Trading	96,855	-	59,730	-
Chongqing Changshou Iron and Street and its subsidiaries	71,605	-	45,606	-
Hubei Zhongping E'gang United Coking	53,832	-	30,702	-
Shaoguan Steel and its subsidiaries	53,715	-	8,871	-
Engineering & Technology Co. and its subsidiaries	36,143	-	163,759	-
WISDRI Engineering and Research Incorporation Ltd.	33,875	-	81,586	-
Pingmei Coking	33,724	-	201,615	-
Shanghai Baoneng Kunlun Energy	25,000	-	42,000	-
Ouyeel Industrial Products and its subsidiaries	24,292	-	195,708	-
Baowu Jiefuyi	16,313	-	-	-
Xinjiang Bayi and its subsidiaries	12,582	-	28,910	-
Others	50,664	-	111,215	-
Total	2,857,294	-	2,244,209	-

Notes To The Financial Statements – continued

FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Unit: RMB'000

	31 December 2022		31 December 2021	
	Carrying balance	Provision	Carrying balance	Provision
Other receivables				
Baowu Logistics	140,617	-	133,230	-
China Baowu	96,091	-	76,495	62
Wuhan Iron & Steel Group and its subsidiaries	67,890	7	72,709	4
Shanghai Baosteel Packaging and its subsidiaries	28,547	17	-	-
Baohua Tendering	12,599	205	8,189	338
Baowu Water and its subsidiaries	10,979	11	7,648	8
Xinyue Talent	7,515	-	-	-
Ouyeel Cloud Commerce and its subsidiaries	5,293	-	6,517	1
Hangzhou Baowei	5,086	-	2,217	-
Baodi Real Estate and its subsidiaries	4,601	269	3,721	256
Baosteel Special Steel and its subsidiaries	2,801	112	3,242	33
Meishan Steel and its subsidiaries	2,563	2	41,231	21
Huabao Trust	2,449	2	2,433	2
Xinjiang Bayi and its subsidiaries	1,741	142	151,120	141
Weld Company	1,718	-	1,669	-
Baowu Environmental Technology and its subsidiaries	1,505	175	21,579	175
Nanjing Meishan Hospital Co., Ltd.	1,158	1	1,158	702
Shaoguan Steel and its subsidiaries	1,128	8	1,844	8
Wuhan Baozhang	849	-	798	-
Ouyeel Industrial Products and its subsidiaries	53	-	5,354	64
Wisco-Nippon Steel	51	-	274	-
Chongqing Changshou Iron and Street and its subsidiaries	20	1	201,217	-
Engineering & Technology Co. and its subsidiaries	-	-	164	-
Others	4,670	12	10,851	24
Total	399,924	964	753,660	1,839

Unit: RMB'000

	31 December 2022		31 December 2021	
	Carrying balance	Provision	Carrying balance	Provision
Contract assets				
Masteel Group and its subsidiaries	309,119	18,667	318,767	12,724
Taiyuan Iron & Steel and its subsidiaries	188,603	4,960	4,382	115
Xinjiang Bayi and its subsidiaries	123,257	27,066	68,616	12,449
Wugang Group Kunming Steel & Iron	94,823	3,387	4,470	118
Chongqing Changshou Iron and Steel and its subsidiaries	70,457	3,950	16,706	640
Ouyeel Industrial Products and its subsidiaries	46,851	1,292	11,650	306
BNA	37,067	1,385	37,929	1,027
Pacific Insurance	32,052	843	9,644	254
Ouye Lianjin Renewable Resources and its subsidiaries	26,285	810	-	-
Ouyeel Cloud Commerce and its subsidiaries	25,524	671	10,393	273
Engineering & Technology Co. and its subsidiaries	22,477	593	9,940	261
General Electric	14,904	392	1,000	26
Baodi Real Estate and its subsidiaries	12,155	320	4,379	115
Baosteel Desheng	11,471	302	1,451	38
Baowu Water and its subsidiaries	11,159	1,786	5,824	718
Baosteel Metals and its subsidiaries	9,432	618	5,436	143
Shaoguan Steel and its subsidiaries	7,272	197	26,887	708
Ma'anshan Iron & Steel Construction Group	7,124	187	-	-
Wugang Group and its subsidiaries	6,912	300	10,373	273
Baowu Environmental Technology and its subsidiaries	5,180	313	7,390	364
Others	41,930	2,847	31,023	2,298
Total	1,104,054	70,886	586,260	32,850

	31 December 2022		31 December 2021	
	Carrying balance	Provision	Carrying balance	Provision
Long-term receivables				
Xinjiang Bayi and its subsidiaries	654,112	26,753	719,499	24,282
Masteel Group and its subsidiaries	182,288	-	-	-
Ouye Lianjin Renewable Resources and its subsidiaries	429	39	-	-
Total	836,829	26,792	719,499	24,282

Unit: RMB'000

	31 December 2022		31 December 2021	
	Carrying balance	Provision	Carrying balance	Provision
Other current assets				
Xinjiang Bayi and its subsidiaries	1,904,828	95,976	500,087	71,280
Wuhan Iron & Steel Group and its subsidiaries	1,279,240	39,750	1,847,254	59,006
Baosteel Resource and its subsidiaries	1,024,689	26,707	811,092	116,482
Shaoguan Steel and its subsidiaries	892,163	72,146	746,806	113,879

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Ouye Lianjin Renewable Resources and its subsidiaries	889,833	27,684	313,466	9,037
Baowu Raw Material	267,961	-	-	-
Baosteel Desheng	217,320	-	-	-
Shanghai Baosteel Gas Co., Ltd.	150,000	5,870	250,000	8,175
Baowu Water and its subsidiaries	130,998	18	8,526	-
Guangdong Guangwu	120,000	4,694	-	-
Ruitai Masteel New Materials Technology	119,814	-	-	-
Masteel Group and its subsidiaries	109,000	14,417	-	-
Ouyeel Cloud Commerce and its subsidiaries	105,248	64	86,810	-
Meishan Steel and its subsidiaries	100,000	18,498	300,000	53,460
Baosteel Special Steel and its subsidiaries	96,638	1,085	-	-
Baowu Jiefuyi	70,000	2,740	11,482	-
Ouyeel Industrial Products and its subsidiaries	63,357	752	-	-
Sichuan Daxing	-	-	3,051	-
Wuhan Gangshixing Jinsheng Technology Manufacturing	-	-	734	-
Xinjiang Yicheng Investment	-	-	62,975	-
Chongqing Changshou Iron and Steel and its subsidiaries	-	45	-	-
Others	333,377	2,220	498,922	98
Total	7,874,466	312,666	5,441,205	431,417

Unit: RMB'000

	31 December 2022		31 December 2021	
	Carrying balance	Provision	Carrying balance	Provision
Loans and advances to customers				
Baosteel Resource and its subsidiaries	345,854	80,330	120,000	36,134
Masteel Group and its subsidiaries	273,120	37,551	-	-
Baowu Clean Energy and its subsidiaries	102,218	13,970	31,634	4,239
Shanghai Baosteel Packaging and its subsidiaries	93,813	12,906	-	-
Ouye Lianjin Renewable Resources and its subsidiaries	90,000	8,361	-	-
Xinjiang Bayi and its subsidiaries	36,510	1,484	37,010	1,255
Baowu Water and its subsidiaries	9,000	366	-	-
Wuhan Iron & Steel Group and its subsidiaries	-	-	24,956	3,359
Baosteel Metals and its subsidiaries	-	-	96,029	12,897
Chongqing Changshou Iron and Street and its subsidiaries	-	-	62,610	5,666
Engineering & Technology Co. and its subsidiaries	-	-	404,620	54,519
Total	950,515	154,968	776,859	118,069

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

7. Amounts due to related parties

Unit: RMB'000

	31 December 2022	31 December 2021
Customer deposits and deposits from banks and other financial institutions		
China Baowu	14,281,557	8,520,024
Wuhan Iron & Steel Group and its subsidiaries	7,565,084	9,053,013
Xinyu Iron & Steel and its subsidiaries	2,500,000	-
BNA	1,469,084	1,209,131
Xinjiang Bayi and its subsidiaries	1,323,807	618,020
Chongqing Changshou Iron and Steel and its subsidiaries	1,228,168	19,443
Taiyuan Iron & Steel and its subsidiaries	1,000,000	-
Ouyeel Cloud Commerce and its subsidiaries	712,311	859,177
Huabao Investment	390,740	381,546
Shaoguan Steel and its subsidiaries	220,500	25,551
Pingmei Coking	192,706	67,581
Shanghai Baosteel Packaging and its subsidiaries	183,512	45,207
Baosteel Resource and its subsidiaries	154,984	40,815
Baowu Environmental Technology and its subsidiaries	94,121	75,156
Ouye Lianjin Renewable Resources and its subsidiaries	84,736	3,972
Huabao Trust	52	225,051
Baoyin Special Steel Tube	-	96,243
Others	150,615	204,232
Total	31,551,977	21,444,162

Unit: RMB'000

	31 December 2022	31 December 2021
Notes payable		
Ouyeel Industrial Products and its subsidiaries	1,820,032	1,125,908
BNA	1,120,911	752,382
Wuhan Iron & Steel Group and its subsidiaries	686,593	1,770,018
Pingmei Coking	255,987	265,047
Baosteel Resource and its subsidiaries	193,747	632
Praxair Meishan	185,000	170,000
Chongqing Changshou Iron and Street and its subsidiaries	106,000	130,000
Zhongnan iron and Steel and its subsidiaries	102,900	32,000
Engineering & Technology Co. and its subsidiaries	70,251	13,163
Xinjiang Bayi and its subsidiaries	58,800	65,160
Ningbo Baoxin and its subsidiaries	47,792	21,469
Baowu Equipment and its subsidiaries	40,486	133,406
WISDRI Engineering and Research	31,873	597
General Electric	29,621	-

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Baowu Environmental Technology and its subsidiaries	9,618	239,883
Jiangsu Baoliang Renewable Resources Co., Ltd.	-	149,102
Others	24,651	99,135
Total	4,784,262	4,967,902

Unit: RMB'000

	31 December 2022	31 December 2021
Accounts payable		
Baosteel Resource and its subsidiaries	3,809,278	4,213,598
Ouyeel Industrial Products	2,013,915	2,861,992
Pingmei Coking	1,788,635	667,721
Wuhan Iron & Steel Group and its subsidiaries	993,092	1,244,634
Ouyeel Cloud Commerce and its subsidiaries	760,753	1,173,796
Baowu Raw Material	699,552	363,606
Baowu Equipment and its subsidiaries	676,039	374,231
Baowu Environmental Technology and its subsidiaries	630,658	691,828
Engineering & Technology Co. and its subsidiaries	603,930	619,628
Ouye Lianjin Renewable Resources and its subsidiaries	408,307	399,986
Meishan Steel and its subsidiaries	391,433	817,418
Tian' an Coal Industry	250,000	-
Baowu Water	240,249	145,350
BNA	225,060	227,651
Zhan Jiang Baoyue Gases	190,796	1,805
Baosteel Special Steel and its subsidiaries	157,625	158,665
Pinggang (Shanghai) Trading	148,202	85,837
Masteel Group and its subsidiaries	130,178	44,322
Baowu Aluminum	118,438	59,324
Baodi Real Estate and its subsidiaries	114,735	43,077

Unit: RMB'000

	31 December 2022	31 December 2021
Accounts payable (continued)		
Xinjiang Bayi and its subsidiaries	109,160	33,616
Chongqing Changshou Iron and Steel and its subsidiaries	100,636	1,266
WISDRI Engineering and Research Incorporation Ltd.	97,733	60,199
Baowu Clean Energy and its subsidiaries	90,191	155,198
WISCO Sentai Tongshan	70,193	69,863
Praxair Meishan	64,220	66,822
Ningbo Baoxin and its subsidiaries	59,780	61,349
Zhongnan iron and Steel and its subsidiaries	48,410	1,361
Hubei Zhongping E' gang United Coking	46,510	22,819

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Anhui Qingyang Baohong Mining Co., Ltd.	44,639	11,124
Changzhou Baoling	41,209	32,955
General Electric	39,088	5,750
China Baowu	30,127	23,184
Baowu Logistics	26,096	380
Baowu Jiefuyi	25,626	-
Shanghai Baoneng Kunlun Energy	25,040	13,175
Bao-Island	23,946	9,788
Shanghai Baosteel Engineering Consulting Co., Ltd.	17,172	14,343
Wuhan Iron & Steel Group Civil Construction	16,168	8,939
Hong Kong Hai Bao Shipping	15,235	13,239
Wisco-Nippon Steel	13,904	50,755
Guangzhou JFE	13,210	53,235
Nanjing Meishan Hospital Co., Ltd.	12,862	23,327
WISCO China Resources Gas	12,326	11,779
WISDRI Wugang Engineering	11,337	33,454
Wuhan Jingding Technology	11,283	9,900
WISCO Xingda	10,487	9,748
Baosteel Desheng	3,105	17,042
Others	49,452	64,873
Total	15,480,020	15,073,952

Unit: RMB'000

	31 December 2022	31 December 2021
Contract liabilities		
Ouyeel Cloud Commerce and its subsidiaries	536,939	603,971
Taiyuan Iron & Steel and its subsidiaries	317,433	210,493
Meishan Steel and its subsidiaries	279,827	244,439
Wugang Group Kunming Steel & Iron	252,114	105,945
Masteel Group and its subsidiaries	228,915	248,586
Guangzhou JFE	159,422	49,544
Xinjiang Bayi and its subsidiaries	142,649	119,093
Wuhan Iron & Steel Group and its subsidiaries	133,552	166,093
Zhongji Baochuang	95,636	11,378
Baowu Environmental Technology and its subsidiaries	80,363	121,924
Baosteel Metals and its subsidiaries	69,391	199,304
WISCO Xingda	58,599	2,034
Ningbo Baoxin and its subsidiaries	54,917	16,897
Engineering & Technology Co. and its subsidiaries	48,839	78,875
Ouyeel Industrial Products and its subsidiaries	44,508	72,496
Weld Company	31,967	-

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

Shanghai Baosteel Packaging and its subsidiaries	29,226	-
China Baowu	25,762	25,418
Baowu Clean Energy and its subsidiaries	24,113	1,970
Wisco-Nippon Steel	23,242	581
Zhengzhou MIBao	20,639	29,405
Xinyu Iron & Steel and its subsidiaries	15,245	-
Shaoguan Steel and its subsidiaries	13,875	36,571
Ouye Lianjin Renewable Resources and its subsidiaries	13,688	15,851
Baosteel Special Steel and its subsidiaries	13,113	25,206
BNA	12,552	25,954
Baosteel Resource and its subsidiaries	11,784	3,175
Baowu Water and its subsidiaries	11,330	21,380
Baosteel Desheng	10,022	122,134
Baodi Real Estate and its subsidiaries	9,512	30,737
Baowu Aluminum	-	28,019
Others	63,859	76,879
Total	2,833,033	2,694,352

Unit: RMB'000

	31 December 2022	31 December 2021
Other payables		
Baowu Environmental Technology and its subsidiaries	40,145	38,365
Wuhan Iron & Steel Group and its subsidiaries	24,706	25,077
Baowu Clean Energy and its subsidiaries	15,375	14,244
Ouye Lianjin Renewable Resources and its subsidiaries	12,613	10,703
Baowu Logistics	8,533	63
Engineering & Technology Co. and its subsidiaries	6,781	525
Pacific Insurance	4,177	27,885
Ouyeel Cloud Commerce and its subsidiaries	3,641	3,771
Maanshan Gangchen and its subsidiaries	1,000	-
Others	5,414	4,443
Total	122,385	125,076

Unit: RMB'000

	31 December 2022	31 December 2021
Lease liabilities		
China Baowu	3,313,662	3,233,721
Wuhan Iron & Steel Group and its subsidiaries	1,402,106	896,760
Baosteel Special Steel and its subsidiaries	90,200	104,360
Baodi Real Estate and its subsidiaries	42,639	46,912
Baosteel Metals and its subsidiaries	-	6,623

(XI) SHARE-BASED PAYMENTS

Baowu Environmental Technology and its subsidiaries	-	2,916
Others	1,020	1,541
Total	4,849,627	4,292,833

Unit: RMB'000

	31 December 2022	31 December 2021
Lease liabilities due within one year		
China Baowu	271,831	490,757
Wuhan Iron & Steel Group and its subsidiaries	93,505	58,701
Baodi Real Estate and its subsidiaries	11,348	13,866
Baosteel Special Steel and its subsidiaries	9,223	9,223
Baosteel Metals and its subsidiaries	6,623	6,374
Others	1,299	2,986
Total	393,829	581,907

XI. Share-based payments

1. Share-based payments of the Company

Summary of share-based payments

The Second Phase of the A-share restricted stock plan

The Company held the 25th meeting of the 6th Board of Directors on 22 December 2017 and approved the "Proposal of the Implementation of the Second Phase of the A-share Restricted Stock Plan" which determined that the restricted shares would be granted on 22 December 2017. The independent directors of the Company issued a favorable independent opinion and the Board of Supervisors issued verification and a favorable opinion on granting restricted shares. Shanghai Fangda Law Firm issued the "Legal Opinions on the Relevant Matters Relevant to the Second A-Share Restricted Stock Plan of Baoshan Iron & Steel Co., Ltd". Deloitte Touche Tohmatsu Certified Public Accountants LLP (special general partnership) issued the "Capital Verification Report of Baoshan Iron & Steel Co., Ltd." on 25 December 2017 (De Shi Bao (Yan) (17) No. 00590). Up to 22 December 2017, the Company's designated account had accepted 1,067 equity incentive objects to subscribe for 166,828,200 shares, amounting to RMB665,644,518.00, of which RMB166,828,200.00 was charged to share capital and RMB498,816,318.00 to capital reserve (share capital premium). The Company granted 166,828,200 restricted shares, which had been registered at China Securities Depository and Clearing Corporation Limited Shanghai Branch on 16 January 2018.

The Company held the 5th meeting of the 7th Board of Directors on 18 December 2018 to approve the "Deliberation of the Proposal of the Implementation of the Second Phase of the A-share Restricted Stock Plan", and issued verification opinions on the proposal. The independent directors of the Company addressed an independent opinion on the proposal. Shanghai Fangda Law Firm issued the "Legal Opinion on the granting of reserved restricted shares to incentive participants in the Second Phase of the A-share restricted stock plan of Baoshan Iron and Steel Co., Ltd." The Company decided to grant the 9,566,700 reserved restricted shares to 76 eligible incentive participants on 18 December 2018 at a grant price of RMB3.99 per share. On 3 January 2019, the Company received the funds paid by all 76 equity incentive participants to subscribe for 9,566,700 shares, totaling RMB38,173,991.00, of which RMB9,566,700.00 is included in the share capital, RMB28,604,433.00 is included in the capital reserve, and RMB2,858.00 overpaid is included in other payables.

The Company held the 8th meeting of the 7th Board of Directors on 23 and 24 April 2019 to discuss and approve the "Proposal on Repurchase and Cancellation of Restricted Shares of Some Incentive Participants in the Second Phase of the Restricted Stock Plan", and agreed to repurchase and cancel the 1,790,025 granted and unlocked restricted shares held by 14 incentive participants who no longer held a post in the Company and to submit the proposal to the general meeting of shareholders for deliberation. 1,673,700 granted and unlocked restricted shares held by 13 incentive participants were repurchased and cancelled on 27 August 2019. For the 116,325 granted and unlocked restricted shares held by 1 incentive participant who deceased during the tenure, the repurchase and cancellation were deferred to 27 March 2020.

The Company held the 13th meeting of the 7th Board of Directors on 3 January 2020 to discuss and approve the "Proposal on Repurchase and Cancellation of Restricted Shares of Some Incentive Participants in the Second Phase of Restricted Stock Plan", and agreed to repurchase and cancel the 3,140,925 granted and unlocked restricted shares held by 48 incentive participants and to submit the proposal to the general meeting of shareholders for deliberation. 3,055,925 granted and unlocked restricted shares held by 47 incentive participants were repurchased and cancelled on 27 March 2020. For the 85,000 granted and unlocked restricted shares held by 1 incentive participant who deceased during the

tenure, the repurchase and cancellation were deferred to 4 March 2021.

For the 3,172,250 restricted shares repurchased and cancelled on 27 March 2020, the Company has gone through the relevant procedures such as amendment of the articles of association, industrial and commercial registration of changes, etc., pursuant to laws.

The Company held the 13th meeting of the 7th Board of Directors on 3 January 2020 to discuss and approve the "Proposal on Lifting Restrictions during the First Period of Lifting the Restrictions on Sale of the Second Phase of the A-share Restricted Stock Plan", and agreed with such unlocking. Accordingly, the Company unlocked 54,895,700 restricted shares held by 1,062 incentive participants, which could be unlocked in the first unlocking period.

The Company held the 22nd meeting of the 7th Board of Directors on 27 August 2020 to discuss and approve the "Proposal on Repurchase and Cancellation of Restricted Shares of Some Incentive Participants in the Second Phase of Restricted Stock Plan", and agreed to repurchase and cancel the 1,840,475 granted and unlocked restricted shares held by 47 incentive participants and to submit the proposal to the general meeting of shareholders for deliberation. On 15 September 2020, the Company held the 2020 third extraordinary general meeting of shareholders to discuss and approve the proposal. For such restricted shares cancelled on 26 November 2020, the Company has gone through the relevant procedures such as amendment of the articles of association, industrial and commercial registration of changes, etc., pursuant to laws.

The Company held the 29th meeting of the 7th Board of Directors on 7 January 2021 to discuss and approve "Proposal on Lifting Restrictions on Sale of the Second Phase of the A-share Restricted Stock Plan" and agreed with such unlocking. 56,370,812 restricted shares of the Company were unlocked during the second unlocking period, listed and circulated on 18 January 2021.

The Company held the 29th meeting of the 7th Board of Directors on 7 January 2021 to discuss and approve the "Proposal on Repurchase and Cancellation of Restricted Shares of some Incentive Participants in the Second Phase of Restricted Stock Plan", and agreed to repurchase and cancel the 773,200 granted and unlocked restricted shares held by 29 incentive participants and to submit the proposal to the general meeting of shareholders for deliberation. On 25 January 2021, the Company held the 2021 first extraordinary general meeting of shareholders to discuss and approve the proposal. For such restricted shares cancelled on 1 April 2021, the Company has gone through the relevant procedures such as amendment of the articles of association, industrial and commercial registration of changes, etc., pursuant to laws.

The Company held the 4th meeting of the 8th Board of Directors on 27 August 2021 to discuss and approve the "Proposal on Repurchase and Cancellation of Restricted Shares of some Incentive Participants in the Second Phase of Restricted Stock Plan", and agreed to repurchase and cancel the 177,900 granted and unlocked restricted shares held by 5 incentive participants and to submit the proposal to the general meeting of shareholders for deliberation. On 13 September 2021, the Company held the 2021 forth extraordinary general meeting of shareholders to discuss and approve the proposal. For such restricted shares cancelled on 17 November 2021, the Company has gone through the relevant procedures such as amendment of the articles of association, industrial and commercial registration of changes, etc., pursuant to laws.

The Company held the 16th meeting of the 8th Board of Directors on 1 August 2022 to discuss and approve the "Proposal on Repurchase and Cancellation of Restricted Shares of Some Incentive Participants in the Second Phase of Restricted Stock Plan", and agreed to repurchase and cancel the 221,566 granted and unlocked restricted shares held by 22 incentive participants and to submit the proposal to the general meeting of shareholders for deliberation. On 17 August 2022, the Company held the 2022 first extraordinary general meeting of shareholders to discuss and approve the proposal. For such restricted shares cancelled on 30 November 2022, the Company has gone through the relevant procedures such as amendment of the articles of association, industrial and commercial registration of changes, pursuant to laws.

The Company held the 16th meeting of the 8th Board of Directors on 1 August 2022 to discuss and approve the "Proposal on Lifting Restrictions on Sale of the Second Phase of the A-share Restricted Stock Plan" and agreed with such unlocking. A total of 52,828,382 restricted shares of the Company was listed and circulated during the third unlocking period and the second unlocking period of the reserved restricted shares on 29 August 2022.

The Company held the 24th meeting of the 8th Board of Directors on 18 January 2023 to discuss and approve ""Proposal on Lifting Restrictions during the Third Period of Lifting the Restrictions on the Sale of Parts of Reserved Restricted Shares of the Second Phase of the A-share Restricted Stock Plan" and agreed with such unlocking. 3,008,165 reserved restricted shares of the Company were unlocked during the third unlocking period, and listed and circulated on 31 January 2023.

The Third Phase of the A-share restricted stock plan

The Company held the 14th meeting of the 8th Board of Directors on 27 May 2022 and approved the "Proposal of the Implementation of the Third Phase of the A-share Restricted Stock Plan" determined that the restricted shares would be granted on 27 May 2022. The independent directors of the Company issued a favorable independent opinion and the Board of Supervisors issued verification and a favorable opinion on granting restricted shares. Shanghai Fangda Law Firm issued the "Legal Opinions on the Relevant Matters Relevant to the Third A-Share Restricted Stock Plan of Baoshan Iron & Steel Co., Ltd". Ernst & Young Hua Ming LLP (special general partnership) issued the "Capital Verification Report of Baoshan Iron & Steel Co., Ltd." on 27 May 2022 (Ernst & Young Hua Ming (2022) Yan Zi No. 60469248_B01). Up to 25 May 2022, the Company's

designated account had accepted 1,666 equity incentive objects to subscribe for 374,271,000 shares, amounting to RMB1,605,622,590.00. This restricted stock plan would not make any change in registered capital and share capital. The Company granted 374,271,000 restricted shares, which had been registered at China Securities Depository and Clearing Corporation Limited Shanghai Branch on 9 June 2022.

The Company held the 20th meeting of the 8th Board of Directors on 15 November 2022 to discuss and approve the "Proposal on Repurchase and Cancellation of Restricted Shares of Some Incentive Participants in the Third Phase of Restricted Stock Plan", and agreed to repurchase the 5,179,750 granted and unlocked restricted shares held by 24 incentive participants who had retired or transferred with a price of the sum of the grant price of RMB4.29 per share and the interest calculated by the bank rate of the fixed deposits in the same term, and the 810,000 granted and unlocked restricted shares held by 3 incentive participants who had resigned with the grant price of RMB4.29 per share. This proposal is yet to be approved at the forthcoming shareholders' meeting.

2. General situation

Unit: share

	2022	2021
Total number of the Company's equity instruments granted during the year	374,271,000	-
Total number of the Company's equity instruments exercised during the year	52,828,382	56,370,812
Total number of the Company's equity instruments lapsed during the year	221,566	1,036,100

Unit: RMB'000

	2022	2021
Share-based payments for total services from employees	162,900,313.12	(2,736,050.46)

Equity-settled share-based payments:

Unit: RMB'000

	2022	2021
Total capital reserve of equity-settled share-based payments	616,564,391.13	453,664,078.01
Total expense of equity-settled share-based payments	162,900,313.12	(2,736,050.46)

3. The method of determining of fair value of equity instruments at the grant date

The fair value of the Company's equity instruments is assessed in respect of the market price of stock on the grant date.

4. Share-based payments of Baosight Software

Baosight Software (A-share listed company), one of the subsidiaries of the Company, held the 2020 first extraordinary general meeting of shareholders on 29 April 2020 to discuss and approve the implementation of the Second Phase of the Restricted Stock Plan on 29 April 2020. The incentive participants subscribed 15,245,000 shares at a grant price of RMB20.48 per share on 2 May 2020. Required by the Restricted Share Scheme of Baosight Software and granted by the 2020 first extraordinary general meeting of shareholders, Baosight Software respectively granted the 202,000 reserved restricted shares and 161,000 reserved restricted shares on 10 March 2021 and on 26 April 2021. By the end of 2022, the total expense of equity-settled share-based payment was RMB110,427,817.00, of which RMB54,022,235.24 was recognized in shareholders' equity, and RMB56,405,581.76 was recognized in minority shareholders' equity. The cumulative amount of equity-settled share-based payment included in the capital reserve was RMB457,566,461.54, of which RMB226,177,162.45 was recognized in shareholders' equity and RMB231,389,299.09 was recognized in minority shareholders' equity.

Baosight Software unlocked 10,583,455 shares and repurchased 3,432 shares for the share incentive scheme in the current year.

Please refer to Baosight Software's announcement of its annual report on 5 April 2023 for details of the share-based payments.

XII. Commitments

1. Significant commitments

Unit: RMB'000

	2022	2021
Contracted, but not provided for	28,491,103	17,943,107
Approved by the Board, but not contracted	8,901,848	5,733,964
Total	37,392,951	23,677,071

2. Contingencies

On 14 October 2021, Nippon Steel Corporation (hereinafter referred to as "Nippon Steel") announced that it had filed a lawsuit with the Tokyo District Court against Baoshan Iron & Steel Co., Ltd. and Toyota Motor Corporation (hereinafter referred to as "Toyota Motor"), because Baoshan Iron & Steel Co., Ltd. violated the relevant patents of the electromagnetic steel plate held by Nippon Steel and produced electromagnetic steel plates for Toyota Motor to manufacture electric vehicles. In 2022, the Company received three bills of indictment for damages of JPY20.43 billion each from the Supreme People's Court, regarding the infringement of patent rights by Nippon Steel against Baoshan Iron & Steel Co., Ltd. Up to the date on which the financial statements were approved by the Board of Directors, the trial of the three lawsuits was ongoing and made no substantial progress. The Group is currently unable to determine whether the lawsuits may result in an outflow of economic benefits, and the amount of the present obligation cannot be measured reliably.

XIII. Events after the balance sheet date

According to the proposal of the 29th meeting of the 8th Board of Directors held on 26 April 2023, based on the total share capital of 22,156,355,749 shares (excluding the shares attributed to the Company's special account for repurchase) at the end of 2022, the Company is expected to pay a dividend of RMB2,215,635,574.90 (including tax), representing 50.40% of the consolidated net profit attributable to the shareholders of the parent company of the second half year. The actual dividend is subject to the calculation based on the registered share capital on the equity registration date (excluding the shares attributed to the Company's special account for repurchase) in the dividend distribution announcement. The aforementioned dividend distribution scheme is yet to be approved at the forthcoming shareholders' meeting.

XIV. Other significant events

1. Key terms of annuity plan and major changes therein

In accordance with the "Reply to Baosteel Group's Application for Trial Enterprise Annuity Plan" (Guo Zi Fen Pei [2008] No. 1268) issued by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), and the "Announcement of Proportion in Enterprise Annuity Plan" formed by the Human Resource Department of Baosteel Group, the annuity plan has been implemented by the Company since 1 January 2008, and managed by Baosteel Group's subsidiary, Huabao Trust Co., Ltd. since 2009. According to the "Guidance on the Implementation of Enterprise Annuity by subsidiaries at all levels in China Baowu" (Baowu Zi [2019] No. 311) issued by the general office of China Baowu Steel Group Co., Ltd. on 12 July 2019, for the units that have implemented annuity before the issuance of the guidance, the portion contributed by the enterprise can be increased from 4% of the base amount of the individual salary (last year's wage income and with ceiling or lower limit) to 6%; and for units newly implementing annuity after the issuance of the guidance, the portion contributed by the enterprise shall not exceed 4%. Employees' individual annuity payments shall be carried out in accordance with one quarter of the enterprise's payment proportion. According to the current annuity policy, no individual additional payment proportion will be implemented.

2. Segment reporting

Operating segments

According to the Group's internal organizational structure, management requirement and internal report system, the business segment is divided into three operating segments based on their operating activities. The directors of the Group regularly evaluate the operating results of these segments in order to decide the resources allocation and their performance evaluation. The three reporting segments are determined based on these operating segments. The Group has classified its reporting segments into steel and iron, processing and distribution and others. As the day-to-day activities of Finance Co. are financial in nature, the investment income of Finance Co. has been included in the segment business income.

The main products and services that each reporting segment provides are as follows:

Subsidiaries of each segment:

(1) Iron and steel manufacturing: the Company, Wuhan Iron and Steel Limited, Zhanjiang Steel, Meishan Steel, Lubao Baosteel and Huangshi Coating and Galvanizing, etc;

(2) Processing and distribution: Baosteel International, Baosteel America, Baosteel Europe, Baosteel Singapore, Howa Trading, Bao-Trans Enterprises, Baosteel International Tailored Blanks GMBH, BGM and other trading subsidiaries;

(3) Others: Baosight Software, Baowu Carbon Material, and Finance Co.

For disclosure of the Group's operating data, the revenues are classified and disclosed by region where the customers are situated, and the assets are classified and disclosed in the region where the assets are situated.

2022

Unit: RMB'000

	Iron and steel manufacturing	Processing and distribution	Others	Inter-segment eliminations	Total
Operating income					
External revenue	56,798,807	285,935,227	26,428,612	-	369,162,646
Inter-segment revenue	232,366,230	57,828,495	3,404,545	(293,599,270)	-
Total segment operating income	289,165,037	343,763,722	29,833,157	(293,599,270)	369,162,646
Operating expenses	284,360,859	340,249,367	26,281,014	(293,358,258)	357,532,982
Operating profit	4,804,178	3,514,355	3,552,143	(241,012)	11,629,664
Total segment assets	320,511,052	85,686,792	91,168,778	(102,976,474)	394,390,148
Total segment liabilities	94,137,735	53,334,887	62,918,817	(75,994,224)	134,397,215
Supplementary information:					
Depreciation and amortization	17,957,117	717,234	1,264,444	-	19,938,795
Impairment losses recognized in the current year	817,991	89,229	177,216	-	1,084,436
Capital expenditures	19,338,611	319,640	3,035,099	(162,637)	22,530,713

2021

Unit: RMB'000

	Iron and steel manufacturing	Processing and distribution	Others	Inter-segment eliminations	Total
Operating income					
External revenue	69,031,644	276,487,395	19,975,779	-	365,494,818
Inter-segment revenue	226,233,381	74,282,395	3,545,728	(304,061,504)	-
Total segment operating income	295,265,025	350,769,790	23,521,507	(304,061,504)	365,494,818
Operating expenses	272,291,181	347,427,155	20,357,001	(304,699,974)	335,375,363
Operating profit	22,973,844	3,342,635	3,164,506	638,470	30,119,455
Total segment assets	326,190,363	87,117,727	73,279,638	(109,526,671)	377,061,057

Total segment liabilities	95,424,367	51,508,095	49,770,762	(76,876,096)	119,827,128
Supplementary information:					
Depreciation and amortization	17,462,105	761,326	1,122,367	-	19,345,798
Impairment losses recognized in the current year	818,023	116,232	513,449	-	1,447,704
Capital expenditures	24,440,621	217,258	2,202,593	(323,775)	26,536,697

Other information

External revenue by geographical area:

Unit: RMB'000

	2022	2021
External revenue from domestic customers	323,333,030	327,111,391
External revenue from foreign customers	45,829,616	38,383,427
Sub-total	369,162,646	365,494,818

Non-current assets by geographical location:

Unit: RMB'000

	2022	2021
Non-current assets located in the domestic country	215,985,629	224,126,082
Non-current assets located in foreign countries	3,515,768	3,579,951
Sub-total	219,501,397	227,706,033

External revenue includes:

Unit: RMB'000

	2022	2021
Investment income of Finance Co.	104,758	152,601

The items excluding segment profit, segment assets and segment liabilities are set out below:

The segment profit does not include:

Unit: RMB'000

	2022	2021
Financial expenses	1,546,049	1,787,897
Credit impairment loss	131,744	339,461
Impairment losses on assets	952,692	1,108,244
Losses from changes in fair values	(43,499)	176,690
Investment income (excluding investment income of Finance Co.)	(5,007,015)	(3,822,748)
Other income	(802,341)	(624,034)
Gain on disposal of assets	(752,326)	(1,408,752)
Total	(3,974,696)	(2,443,242)

Segment assets do not include:

Unit: RMB'000

	2022	2021
Deferred tax assets	3,858,707	3,336,504

Segment liabilities do not include:

Unit: RMB'000

	2022	2021
Short-term borrowings	4,600,479	10,933,477
Non-current liabilities due within one year	9,979,014	11,331,378
Other current liabilities	2,903,042	2,791,804
Long-term borrowings	21,572,997	14,772,576
Long-term payables	1,981,290	647,893
Bonds payable	5,500,000	8,000,000
Deferred tax liabilities	1,438,464	1,372,732
Total	47,975,286	49,849,860

3. Leases

As lessor

The rental income of operating leases is set out below:

	2022	2021
Lease income	332,981,980.63	251,167,658.13

According to lease contracts signed with lessees, the irreversible minimum lease payment is as follows:

	2022	2021
Within 1 year, inclusive	339,022,380.96	245,212,107.38
1 to 2 years, inclusive	248,670,715.07	243,241,556.77
2 to 3 years, inclusive	188,315,375.04	200,425,373.05
3 to 4 years, inclusive	191,134,239.68	116,087,693.44
4 to 5 years, inclusive	149,417,911.68	115,629,088.11
Over 5 years	1,184,442,420.61	1,059,220,325.61
	2,301,003,043.04	1,979,816,144.36

For details of fixed assets that operating leased please refer to Note V. 22.

As lessee

	2022	2021
Interest expense on lease liabilities	217,955,536.53	196,114,924.84
Expenses relating to short-term leases expense accounting for applying the simplified approach	40,885,216.64	22,584,407.60

Expenses relating to leases of low-value assets accounting for applying the simplified approach (other than short-term leases)	17,302,407.15	617,056.21
Variable lease payments that are not included in the measurement of the lease liabilities	70,182.38	8,707,896.70
Including: Variable lease payments from the sales and leaseback	-	-
Income from the sublet of right-of-use assets	1,323,659.11	1,125,659.54
Total cash flows for leases	702,798,973.73	543,963,639.63
Gains and losses from sales and leaseback	-	389,236.26
Cash inflows from sales and leaseback	119,157,369.47	444,266,474.62
Cash outflows from sales and leaseback	89,587,225.75	81,373,610.60

4. Comparative data

As Note III. 38, according to the provision on the accounting for trial sales in the Accounting Standards for Business Enterprises Interpretation No.15 issued by the Ministry of Finance, the Group adjusted accounting treatment for trial sales. Related accounting treatment, presentation and amounts in the financial statements have been revised to meet the requirements. Hence, comparative data of the relevant items in the financial statements of the Group in the previous year has been reclassified and restated to conform with the presentation and accounting treatments of the current year.

XV. Notes to items of the Company's financial statements

1. Accounts receivable

The aging analysis of accounts receivable is as follows:

	31 December 2022	31 December 2021
Within 1 year	18,242,570,817.10	19,976,785,920.25
More than 1 year but not exceeding 2 years	101,890,976.86	80,442,278.22
More than 2 years but not exceeding 3 years	3,519,502.58	2,946,842.67
More than 3 years	15,633,857.62	17,278,112.24
Subtotal	18,363,615,154.16	20,077,453,153.38
Less: Provision for bad debt in respect of accounts receivable	24,040,988.12	22,731,368.85
Total	18,339,574,166.04	20,054,721,784.53

An analysis of accounts receivable based on bad debt provision is presented below:

	31 December 2021				
	Gross carrying amount		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Items for which provision for bad debts is recognized separately	-	-	-	-	-
Items for which provision for bad debts is recognized by group with distinctive credit risk characteristics	18,363,615,154.16	100	24,040,988.12	-	18,339,574,166.04
	18,363,615,154.16	100	24,040,988.12	-	18,339,574,166.04

	31 December 2021				
	Gross carrying amount		Provision for bad debt		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)	
Items for which provision for bad debts is recognized separately	-	-	-	-	-
Items for which provision for bad debts is recognized by group with distinctive credit risk characteristics	20,077,453,153.38	100	22,731,368.85	-	20,054,721,784.53
	20,077,453,153.38	100	22,731,368.85	-	20,054,721,784.53

The Company's accounts receivable for which grouping of expected credit losses is determined using aging analysis are presented as follows:

	31 December 2022		
	Carrying amount estimated to be in default	Expected credit loss rate (%)	Provision for bad debts
Within 1 year	18,242,570,817.10	-	8,969,052.78
1 to 2 years	101,890,976.86	-	-
2 to 3 years	3,519,502.58	-	-
Over 3 years	15,633,857.62	96	15,071,935.34
Total	18,363,615,154.16	-	24,040,988.12

	31 December 2021		
	Carrying amount estimated to be in default	Expected credit loss rate (%)	Provision for bad debts
Within 1 year	19,976,785,920.25	-	5,952,297.23
1 to 2 years	80,442,278.22	-	35,020.60
2 to 3 years	2,946,842.67	-	-
Over 3 years	17,278,112.24	97	16,744,051.02
Total	20,077,453,153.38	-	22,731,368.85

Changes in provision for bad debts of accounts receivable are presented as follows:

	Opening balance	Provision	Reversal	Write-off	Increase resulted from absorption and merger	Closing balance
2022	22,731,368.85	2,598,529.41	(1,173,368.04)	(334,502.10)	218,960.00	24,040,988.12
2021	39,239,421.99	-	(760,911.09)	(15,747,142.05)	-	22,731,368.85

As at 31 December 2022, the five largest balances in respect of accounts receivable totaled RMB12,856,546,379.89 (31 December 2021: RMB13,775,615,996.94), accounting for 70% (31 December 2021: 69%) of the total of the closing balances of accounts receivable. No provision was recognized.

As at 31 December 2022, accounts receivable of RMB334,502.10 were written off in the reporting period (31 December 2021: RMB15,747,142.05).

As at 31 December 2022, the Company had no pledged notes receivable and no other receivables which would need to be derecognized due to the transfer of financial assets (31 December 2021: Nil).

(XV) NOTES TO KEY ITEMS IN THE COMPANY ' S FINANCIAL STATEMENTS - continued

2. Other receivables

	31 December 2022	31 December 2021
Other receivables	16,984,891,717.67	18,470,782,041.12
Total	16,984,891,717.67	18,470,782,041.12

Other receivables

Aging analysis of other receivables is as follows:

	31 December 2022	31 December 2021
Within 1 year	16,872,056,459.30	18,347,401,299.89
1 to 2 years	11,858,883.19	15,527,214.89
2 to 3 years	201,500.00	178,012.04
Over 3 years	116,798,912.07	121,723,523.84
Subtotal	17,000,915,754.56	18,484,830,050.66
Less: Provision for bad debt in respect of other receivables	16,024,036.89	14,048,009.54
Total	16,984,891,717.67	18,470,782,041.12

Other receivables are classified by nature as follows:

	31 December 2022	31 December 2021
Cash pool	16,484,872,524.12	18,057,460,568.31
Deposit	113,390,436.01	211,257,337.48
Asset disposal payments	167,624,892.87	112,730,273.94
Others	235,027,901.56	103,381,870.93
Subtotal	17,000,915,754.56	18,484,830,050.66
Less: Provision for bad debt in respect of other receivables	16,024,036.89	14,048,009.54
Total	16,984,891,717.67	18,470,782,041.12

Change in the provision for bad debts in respect of other receivables based on 12-month expected credit losses and lifetime expected credit losses is as follows:

2022

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total
Opening balance	-	4,427,301.39	9,620,708.15	14,048,009.54
Transfer of opening balance among stages				
-Transferred to Stage 3	-	-	-	-
Provision		6,848,463.53	-	6,848,463.53
Reversal	-	-	(4,872,436.18)	(4,872,436.18)
Closing balance	-	11,275,764.92	4,748,271.97	16,024,036.89

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(XV) NOTES TO KEY ITEMS IN THE COMPANY ' S FINANCIAL STATEMENTS - continued

2021

	Stage 1 Expected credit losses for the next 12 months	Stage 2 Lifetime expected credit losses	Stage 3 Financial assets with incurred credit losses(Lifetime)	Total
Opening balance	-	611,917.48	9,601,127.78	10,213,045.26
Transfer of opening balance among stages				
-Transferred to Stage 3	-	(13,053.58)	13,053.58	-
Provision	-	3,828,437.49	6,526.79	3,834,964.28
Closing balance	-	4,427,301.39	9,620,708.15	14,048,009.54

Changes in provision for bad debts of other receivables are presented as follows:

	2022	2021
Opening balance	14,048,009.54	10,213,045.26
Provision	6,848,463.53	3,834,964.28
Reversal	(4,872,436.18)	-
Closing balance	16,024,036.89	14,048,009.54

As at 31 December 2022, the five largest balances in respect of accounts receivable totaled RMB15,245,738,090.53 (31 December 2021: RMB16,746,279,348.12), accounting for 89.68% (31 December 2021: 90.59%) of the total of the closing balances of accounts receivable. No bad debt provision was recognized (31 December 2021: Nil).

At the end of the reporting period, no other receivables were written off, no other receivables were related to government grants, no other receivables were derecognized due to the transfer of financial assets, and no assets or liabilities have been formed due to the transfer of other receivables and the related continuous involvement (2021: Nil).

3. Long-term equity investments

	31 December 2022	31 December 2021
Investments in subsidiaries	73,544,454,587.48	73,574,454,587.48
Investments in joint ventures associates	13,620,790,974.46	12,583,672,381.38
Subtotal	87,165,245,561.94	86,158,126,968.86
Less: Provision for impairment in respect of long-term equity investments	-	-
Total	87,165,245,561.94	86,158,126,968.86

As at 31 December 2022, details of long-term equity investments under the cost method are as follows:

	Opening balance	Movement in the current year		Closing balance	Closing balance
		Increase	Decrease		Provision for impairment
Lubao Tubes	2,872,484,905.16	-	-	2,872,484,905.16	-
Huangshi Coating & Galvanizing	175,658,477.39	-	-	175,658,477.39	-

(XV) NOTES TO KEY ITEMS IN THE COMPANY ' S FINANCIAL STATEMENTS - continued

Baosteel International	6,013,886,552.67	-	-	6,013,886,552.67	-
Meishan Steel	8,938,982,988.14	-	-	8,938,982,988.14	-
Baosight Software	1,519,774,360.40	-	-	1,519,774,360.40	-
Baosteel America	187,562,180.98	-	-	187,562,180.98	-
Howa Trading	221,975,780.12	-	-	221,975,780.12	-
Baosteel Europe	328,631,981.58	-	-	328,631,981.58	-
Baosteel Singapore	154,883,364.09	-	-	154,883,364.09	-
Bao-Trans Enterprises	370,550,495.27	-	-	370,550,495.27	-
Baowu Carbon Material	3,006,227,819.74	-	-	3,006,227,819.74	-
Finance Co.	754,570,003.65	-	-	754,570,003.65	-
Zhanjiang Steel	17,262,206,889.41	-	-	17,262,206,889.41	-
Tailored blanks	2,101,475,910.43	-	-	2,101,475,910.43	-
Baosteel Brazil Trading	728,647.73	-	-	728,647.73	-
Baosteel Asset	1,000,000,000.00	-	-	1,000,000,000.00	-
Wuhan Iron and Steel Limited	28,634,854,230.72	-	-	28,634,854,230.72	-
Shengsi Port Shipping(Note)	30,000,000.00	-	30,000,000.00	-	-
Total	73,574,454,587.48	-	30,000,000.00	73,544,454,587.48	-

Note: Please refer to Note VI.4 for details on the decrease in investments.

As at 31 December 2022, details of long-term equity investments under the equity method are as follows:

	31 December 2021	Changes for the current year								
	Book value	Increase	Decrease	Investment profit or loss under equity method	Adjustment of other comprehensive income	Other equity movement	Declared cash dividends	Others	Closing balance	Closing impairment provision
Investments in joint ventures										
BNA	1,967,928,090.96	-	-	118,388,532.62	-	-	-	-	2,086,316,623.58	-
Bao-Island Enterprise	675,189,817.85	-	-	66,546,753.00	62,026,554.45	-	(28,216,610.00)	-	775,546,515.30	-
Subtotal	2,643,117,908.81	-	-	184,935,285.62	62,026,554.45	-	(28,216,610.00)	-	2,861,863,138.88	-
Investments in associates										
Shanghai Rural Commercial Bank Co., Ltd.	7,139,844,699.97	-	-	910,500,802.33	76,264,092.21	(1,406,986.18)	(240,000,000.00)	-	7,885,202,608.33	-
Ouyeel Industrial Products	1,306,397,092.49	-	-	10,439,604.42	(115,669.11)	(1,379,306.62)	-	-	1,315,341,721.18	-
Ouyeel Finance	293,414,128.36	-	-	5,376,670.10	(241,569.88)	43,559,974.94	(479,750.64)	-	341,629,452.88	-
Baowu Raw Materials	271,087,234.94	-	-	17,008,695.96	-	-	(14,228,891.03)	-	273,867,039.87	-
Ouyeel Cloud Commerce	235,930,003.93	-	-	11,971,084.52	1,388,853.50	(6,844,353.63)	-	-	242,445,588.32	-
Baowu Water	690,138,737.25	-	-	18,793,849.28	-	3,460,995.19	(15,621,946.74)	-	696,771,634.98	-
Xinyue Talent	3,742,575.63	-	-	343,690.77	-	-	(416,476.38)	-	3,669,790.02	-
Subtotal	9,940,554,472.57	-	-	974,434,397.38	77,295,706.72	37,390,323.70	(270,747,064.79)	-	10,758,927,835.58	-
Total	12,583,672,381.38	-	-	1,159,369,683.00	139,322,261.17	37,390,323.70	(298,963,674.79)	-	13,620,790,974.46	-

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(XV) NOTES TO KEY ITEMS IN THE COMPANY ' S FINANCIAL STATEMENTS - continued

4. Operating income and operating costs

	2022		2021 (Restated)	
	Income	Cost	Income	Cost
Principal businesses	133,484,494,679.46	127,411,787,945.57	169,286,949,852.88	159,470,536,938.56
Other businesses	901,872,913.95	810,199,463.35	943,141,658.10	956,412,943.38
Total	134,386,367,593.41	128,221,987,408.92	170,230,091,510.98	160,426,949,881.94

Details of revenue:

	2022	2021
Revenue from contracts with customers	134,265,661,074.69	170,115,242,532.33
Lease income	120,706,518.72	114,848,978.65
	134,386,367,593.41	170,230,091,510.98

Details of revenue from contracts with customers:

	2022	2021
Timing of recognition of revenue		
Transferred at a point of time		
Sale of goods	133,099,778,950.13	168,933,696,610.54
Other services	1,165,882,124.56	1,181,545,921.79
	134,265,661,074.69	170,115,242,532.33

Revenue recognized in the current year that was included in the carrying amount of contract liabilities at the beginning of the year was RMB5,429,022,224.43 (2021: RMB9,388,850,814.08).

For the sale of goods, the Company satisfies its performance obligations when the customer obtains control of the relevant goods. Considerations of sale contracts usually expire within 30 to 90 days and exist no significant financing components. The contracts between the Company and its certain customers contain sales rebate arrangements (future price reductions based on cumulative sales volumes), which form a variable consideration. The Company determines the best estimate of the variable consideration based on the expected value or the most probable value. However, the sales price including variable considerations should not exceed the amount accumulatively recognized which is not likely to be significantly reversed when the uncertainty disappears.

At 31 December 2022, sales consideration of RMB4,520,462,332.82 was allocated to outstanding performance obligations (31 December 2021: RMB5,439,213,681.95), which the Company expected to recognize as revenue within 1 year according to performance schedules of sales of steel products.

5. Research and development expenses

	2022	2021 (Restated)
Material and energy costs	27,786,315.00	28,432,088.55
Employee benefits	586,845,099.67	582,792,408.12
Depreciation and amortization expenses	84,165,006.02	104,415,326.84
Joint service charge	256,005,530.78	178,273,415.38

Notes To The Financial Statements – continued
FOR THE YEAR ENDED 31 DECEMBER 2022

(XV) NOTES TO KEY ITEMS IN THE COMPANY ' S FINANCIAL STATEMENTS - continued

Others	91,121,844.99	104,560,831.26
	1,045,923,796.46	998,474,070.15

According to Accounting Standards for Business Enterprises Interpretation No.15, starting from 1 January 2022, the Company respectively accounts for the related revenue and the costs of trial sales. Please refer to Notes III.38 and Note XIV. 4 for details.

In 2022, the total research and development expenditure of the Company was RMB6,880,753,796.01, among which the amount of the research and development expenses of the Company was RMB1,045,923,796.46 and the costs of sales of products produced during the research and development process were RMB5,834,829,999.55, of which the amount of the major raw materials' costs was RMB3,271,455,100.95 (As in 2021, the total research and development expenditure was RMB6,530,861,124.08, among which the amount of the research and development expenses of the Company was RMB998,474,070.15 and the costs of sales of products produced during the research and development process were RMB5,532,387,053.93, of which the amount of the major raw materials' costs was RMB2,391,088,685.79.).

6. Investment income

	2022	2021
Income from long-term equity investments under the cost method	8,811,660,896.28	3,173,953,163.99
Income from long-term equity investments under the equity method	1,159,369,683.00	1,227,664,653.54
Investment income arising from disposal of long-term equity investments	-	1,331,002.16
Investment income during the year in which the financial assets held for trading and other non-current financial assets	940,614,545.76	195,379,055.60
Investment income arising from disposal of financial assets held for trading and other non-current financial assets	902,682,946.17	480,838,909.41
Loss on disposal of derivative financial instruments and others (Note)	264,107,232.26	(35,581,545.54)
Total	12,078,435,303.47	5,043,585,239.16

Note: This item mainly consists of investment profits or losses from forward exchange transactions.

7. Bank facilities

As at 31 December 2022, the unutilized bank facilities of the Company amounted to RMB127.106 billion (As at 31 December 2021: RMB108.760 billion). Management believes that in view of the above-mentioned facilities and the net cash flows from operating activities, the Company will have sufficient funds to pay off all current liabilities due in the coming year.

8. Supplementary information to the cash flow statement

	2022	2021
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	14,118,539,090.94	9,525,174,586.88
Add: Provision for impairment losses of assets	310,300,847.07	219,067,110.03
Depreciation of fixed assets and investment properties	6,034,229,194.70	6,101,759,509.54
Depreciation of right-of-use assets	184,416,869.78	180,996,129.30
Amortization of intangible assets	119,709,591.12	100,697,465.92
Amortization of long-term prepaid expenses	30,231,332.35	27,729,527.91
Proceeds from disposal of items of property, plant and equipment, intangible assets, and other non-current assets	(18,296,876.60)	(88,113,716.46)
Losses on disposal of fixed assets	182,704,290.26	786,509,518.44
Losses on changes in fair values	(24,838,634.15)	59,529,561.24
Financial expenses	779,291,390.40	883,506,293.46
Gains arising from investments	(12,078,435,303.47)	(5,043,585,239.16)
Decrease/(increase) in deferred tax assets	67,605,475.73	(186,515,907.78)
(Decrease)/increase in deferred tax liabilities	(51,494,409.32)	150,631,815.90
Decrease/(increase) in inventories	2,264,816,939.95	(1,624,978,435.92)
Decrease in receivables from operating activities	6,301,156,073.20	10,298,494,402.07
(Decrease)/increase in payables from operating activities	(7,105,921,769.83)	2,221,872,523.52
Net cash flows from operating activities	11,114,014,102.13	23,612,775,144.89
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	19,289,359,069.37	15,256,321,985.02
Less: Opening balance of cash and cash equivalents	15,256,321,985.02	21,219,102,248.84
Net increase/(decrease) in cash and cash equivalents	4,033,037,084.35	(5,962,780,263.82)

SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022

1. Breakdown of non-recurring gains or losses

	2022
Loss on disposal of non-current assets	237,771,637.03
Gain on disposal of long-term equity investments	135,449,665.73
Government grants recognized in profit or loss for the current period, except for those closely related to the ordinary operation and obtained constantly at a fixed amount or quantity according to certain standards based on state policies	802,341,350.71
The net loss of the combined party before combination	-
Profit and loss on the changes in fair value generated from financial assets and financial liabilities held for trading and investment income received from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, other than effective hedging business relating to ordinary operating business of the Company (Note 1)	1,090,293,481.78
Effects on profit or loss of one-off adjustment to profit or loss for the current period according to the regulations of tax, accounting and other laws	125,058,833.73
Other non-operating income and expenses not mentioned above	(45,757,849.27)
Tax effects	(456,977,414.92)
Effect on minority interests (after tax)	(131,243,663.01)
Total	1,756,936,041.78

Note 1: As financial instrument investments are included in the main business scope of Finance Co., the investment income of the relevant wealth management products is excluded from non-recurring gains or losses.

The Group recognized extraordinary gains or losses items in accordance with the provisions in Explanatory Announcement on Information Disclosure for Companies Offering their Securities to the Public No. 1 - Extraordinary Items (CSRC Announcement [2008] No.43).

2. Return on net assets and earnings per share ("EPS")

The returns on net assets and EPS have been prepared by Baoshan Iron & Steel Co., Ltd. in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings Per Share (Revised in 2010) issued by the China Securities Regulatory Commission.

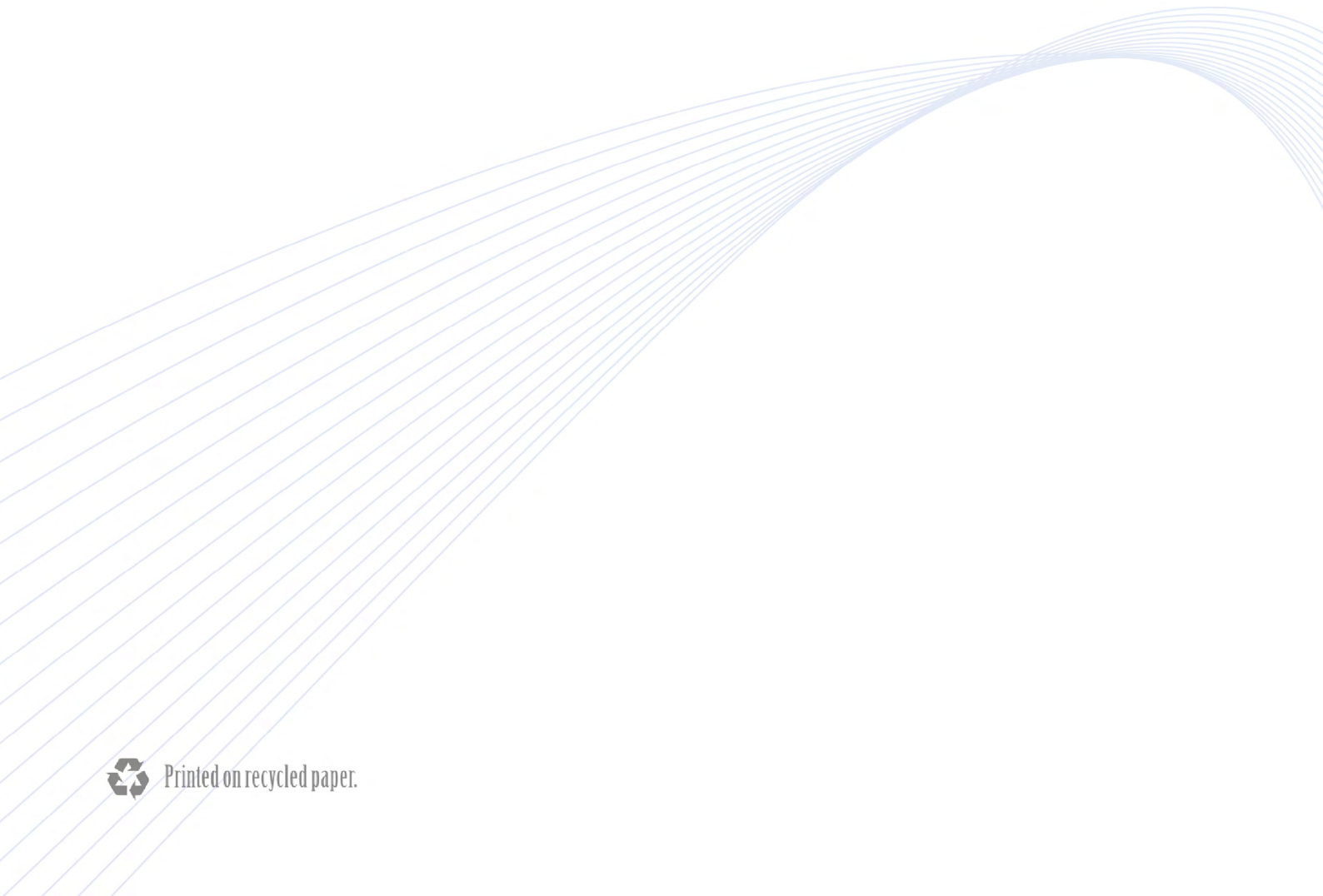
31 December 2022

Profit for the reporting period	Weighted average yield rate on net assets (%)	Earnings per share ("EPS")	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	6.33	0.55	0.56
Net profit after deduction of non-recurring gains or losses attributable to ordinary shareholders of the Company	5.42	0.48	0.48

31 December 2021

Profit for the reporting period	Weighted average yield rate on net assets (%)	Earnings per share ("EPS")	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	12.36	1.07	1.07
Net profit after deduction of non-recurring gains or losses attributable to ordinary shareholders of the Company	12.31	1.07	1.07

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